Registered No. 05608498

Pembroke Grafton GP Limited

Report and Financial Statements

For the year ended 31 December 2022

Directors
Matthew Knight
Sarah Parker

Company Secretary
Citco London Limited

Registered Office
7 Albemarle Street
London
W1S 4HQ
England
United Kingdom

Directors' report

The directors present their report and unaudited financial statements for Pembroke Grafton GP Limited (the "Company") for the year ended 31 December 2022.

Results and dividends

The result for the financial year ended 31 December 2022 amounted to a loss of £3,919 (*2021: loss of £12,866*). The directors do not recommend the payment of a dividend (*2021: £nil*).

Principal activities and review of the business

The principal activity of the Company will continue to be to act as the general partner to Pembroke Grafton Limited Partnership. There are no future changes expected for this activity.

The principal activities of Pembroke Grafton Limited Partnership comprise of property investment and the management of commercial property. The Partnership holds the leasehold title to the property located at 1 Grafton Street in London.

On 21 February 2013 the Partnership was renamed from HEVAF Grafton Limited Partnership to Pembroke Grafton Limited Partnership.

Pembroke Grafton GP Limited, acting as General Partner, has a legal interest of 0.01% in the Partnership. Pembroke Office Grafton Sarl, acting as Limited Partner, has an interest of 99.99% in the Partnership.

Going concern

In assessing whether the going concern basis of preparation is appropriate to adopt, the directors considered a number of factors including financial projections of the company and the level of financial support that will be made available to the company by Pembroke Grafton Limited Partnership and Horizon Real Estate Investors LLC.

In addition, the directors assessed the risk of group companies related to the company requesting settlement of the balances due to them. Based on this review the directors have concluded that there exists no material uncertainty as regards to the company having sufficient resources to continue in operational existence for the foreseeable future and have therefore prepared the financial statements on a going concern basis.

Post balance sheet events

There are no significant post balance sheet events.

Key performance indicators

No key performance indicators are used due to simplicity of the business.

Principal risks and uncertainties

The company is reliant on financial support that will be made available by Pembroke Grafton Limited Partnership and Horizon Real Estate Investors LLC. Director review considers this risk to not be material.

Directors

From 15th September 2022 Nicholas Moldon was no longer a director of the Company and Matthew Knight was appointed. The directors of the company up to the date of signing of the financial statements were:

Matthew Knight
Sarah Parker

Directors' report (continued)

Small company exemptions

The Directors' Report has been prepared taking advantage of the small companies exemption in accordance with S415A of the Companies Act 2006 (the "Act"). The Company has also taken the exemption under S414B of the Act, and therefore has not prepared a Strategic Report.

For the financial year in question the company was entitled to exemption under section 477 of the Companies Act 2006 relating to small companies. No members have required the company to obtain an audit of its accounts for the year in question in accordance with section 476 of the Companies Act 2006.

The financial statements on pages 5 to 11 were approved by the Board and signed on its behalf by Sarah Parker.

On behalf of the Board:

S. Parker

Director: Sarah Parker

Date: 26 April 2023

Statement of directors' responsibilities in respect of the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law).

Under company law, 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 the financial statements, the directors are required to:

- select suitable accounting policies and the apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102 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 the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for 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.

On behalf of the Board:

Director: Sarah Parker

Date: 26 April 2023

Statement of Comprehensive Income

for the year ended 31 December 2022

	Note	2022	2021
		£	£
Administrative expenses		(3,919)	(12,866)
Operating Loss	3	(3,919)	(12,866)
Loss before Taxation		(3,919)	(12,866)
Tax on loss	4	-	-
Loss for the financial year and total comprehensive expense		(3,919)	(12,866)

The notes on pages 8 to 11 are an integral part of these financial statements.

Statement of Financial Position

as at 31 December 2022

	Note	2022 £	2021 £
Current assets			
Investments	5	126	126
Trade receivables	6	2	2
		128	128
Trade payables: amounts falling due within one year	7	(213,674)	(209,755)
Net liabilities		(213,546)	(209,627)
Capital and reserves			
Called up share capital	8	30,002	30,002
Profit and loss account		(243,548)	(239,629)
Total shareholders' deficit		(213,546)	(209,627)

The notes on pages 8 to 11 are an integral part of these financial statements.

For the financial year in question the company was entitled to exemption under section 477 of the Companies Act 2006 relating to small companies. No members have required the company to obtain an audit of its accounts for the year in question in accordance with section 476 of the Companies Act 2006.

The directors acknowledge their responsibility for complying with the requirements of the Act with respect to accounting records and for the preparation of accounts.

The accounts have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

The financial statements on pages 5 to 11 were approved by the Board and signed on its behalf by:

S. Parker

Director: Sarah Parker

Date: 26 April 2023

Registered number: 05608498

Statement of Changes in Equity

for the year ended 31 December 2022

	Called up Share capital	*Profit and loss account*	*Total shareholders' deficit*
	£	*£*	*£*
At 1 January 2021	30,002	(226,763)	(196,761)
Loss for the financial year and total comprehensive expense	-	(12,866)	(12,866)
At 31 December 2021	30,002	(239,629)	(209,627)
Loss for the financial year and total comprehensive expense	-	(3,919)	(3,919)
At 31 December 2022	30,002	(243,548)	(213,546)

The notes on pages 8 to 11 are an integral part of these financial statements.

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

1. Accounting policies

General Information
Pembroke Grafton GP Limited (the "Company") is a private company, limited by shares, incorporated in England and Wales, registration number 05608498. The registered office is 7 Albemarle Street, London W1S 4HQ, England, United Kingdom.

Statement of compliance
The financial statements have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' ('FRS 102') and the Companies Act 2006.

Basis of preparation
The financial statements have been prepared on a going concern basis, under the historical cost convention. The principal accounting policies, which have been consistently applied throughout the year, are set out below.

Going Concern
The directors assessed the risk of group companies related to the company requesting settlement of the balances due to them. Based on this review the directors have concluded that there exists no material uncertainty as regards to the company having sufficient resources to continue in operational existence for the foreseeable future and have therefore prepared the financial statements on a going concern basis.

Significant judgement and key sources of estimation uncertainty
Given the simplicity of the business, there are no significant judgements or sources of estimation uncertainty.

Statement of cash flows
The company has not prepared a statement of cash flows for the year ended 31 December 2022 because there have been no cash movements within the year.

Deferred taxation
Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax, with the following exceptions:

- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

- Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold.

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

Financial instruments
The Company only holds basic financial instruments, which are recognised and measured at cost less provision for any impairment in accordance with section 11 of FRS 102.

1. Accounting policies (continued)

Classification of shares as debt or equity
An equity instrument is a contract that evidences a residual interest in the assets of an entity after deducting all its liabilities.

Non-current asset investments
Non-current asset investments are shown at cost less provision for any impairment.

Administrative expenses
Administrative expenses are expensed as incurred and charged to the Statement of Comprehensive Income.

2. Staff costs and directors' remuneration

There were no staff employed by the company during the year ended 31 December 2022 (2021: none).

The directors have received £nil remuneration in respect of their services to the company during the year ended 31 December 2022 (2021: £nil).

3. Operating loss

This is stated after charging of the following administrative costs:

	2022	2021
	£	£
- Statutory audit of financial statements	-	7,628
Total auditors' remuneration	-	7,628

As of 2022 there is no longer a requirement for Grafton GP Ltd to be audited. The audit had previously been required by the external lender to Pembroke Grafton Limited Partnership.

4. Tax on loss

(a) Tax on loss

	2022	2021
	£	£
UK corporation tax	-	-
	-	-

(b) Factors affecting current tax charge

The total current tax is higher (2021: higher) than the tax based on the standard rate of corporation tax in the UK of 19% (2020 – 19%). The differences are reconciled below:

4. Tax on loss (continued)

	2022	2021
	£	£
Loss before taxation	(3,919)	(12,866)
Loss before taxation multiplied by the standard rate of corporation tax in the UK of 19% (2019 – 19%)	(744)	(2,444)
Tax losses not carried forward	744	2,444
Total tax charge (note 4(a))	-	-

(c) Factors affecting future tax charges

There are tax losses of £243,462 (*2021: £239,544*) carried forward as at the end of the year, per the corporate tax return. There is currently no persuasive and reliable evidence at this time to indicate there will be suitable future profits from which to set against these losses, consequently no deferred tax asset has been recognized in respect of these losses.

5. Investments

	£
Cost:	
At 1 January 2022 and 2021	126
At 31 December 2022 and 2021	126

The investment relates to a 0.01% holding in the Pembroke Grafton Limited Partnership, a partnership registered in England. In accordance with the Partnership Deed dated 16 February 2006, the Company, as General Partner, is entitled to 0.01% of any profits or losses that Pembroke Grafton Limited Partnership makes.

The directors believe that the carrying value of the investments is supported by their underlying net assets.

6. Trade Receivables

	2022	2021
	£	£
Amounts owed by group undertakings	2	2

7. Trade Payables: amounts falling due within one year.

	2022	2021
	£	£
Amounts owed to group undertakings	(213,674)	(202,127)
Other creditors	-	(7,628)
Total Creditors	(213,674)	(209,755)

8. Called up share capital

	2022	2021
Authorised	£	£
Ordinary shares of £1 each	30,100	30,100

	2022	2021
Allotted, called up and fully paid	£	£
Ordinary shares of £1 each	30,002	30,002

9. Contingent liabilities

No contingent liabilities were noted in the financial year.

10. Related party transactions

Balances at year end held with related parties i.e. group undertakings, are disclosed in notes 6 and 7 of the financial statements. There is no interest applied to the intercompany balances, which are unsecured. They will be settled by funding from the group's ultimate parent, however there is no fixed repayment date. In accordance with exemptions available under FRS 102 for small entities, the Company has not disclosed details of transactions and balances with group undertakings.

11. Post balance sheet events

There are no significant post balance sheet events.

12. Parent undertaking and controlling party

As at 31 December 2022, the immediate and ultimate parent of the Company is Horizon Real Estate Investors LLC ("Horizon"). Horizon is the parent of the smallest group for which consolidated financial statements are drawn up and is registered in the United States of America. The registered office is 245 Summer Street, F3B, Boston, MA 02210.

Registered No: LP010987

Pembroke Grafton Limited Partnership

Report and Financial Statements

For the year ended 31 December 2022

Partners
Pembroke Grafton Office Sarl
Pembroke Grafton GP Limited

General Partner
Pembroke Grafton GP Limited

Registered Office
7 Albemarle Street
London
W1S 4HQ
England
United Kingdom

General partner's report

The General Partner presents its report and unaudited financial statements for Pembroke Grafton Limited Partnership ('the Partnership') for the year ended 31 December 2022.

Principal activities

The principal activities of the business comprise of property investment and the management of commercial property. The Partnership holds the leasehold title to the property located at 1 Grafton Street in London.

Construction work on this property was completed in 2010. At 31 December 2011, the asset was classified in the financial statements as an investment property and continues to be classified as such. On 21 February 2013 the Partnership was renamed from HEVAF Grafton Limited Partnership to Pembroke Grafton Limited Partnership.

Pembroke Grafton GP Limited, acting as General Partner, has a legal interest of 0.01% in the Partnership. Pembroke Grafton Office Sarl, acting as Limited Partner, has an interest of 99.99% in the Partnership.

The Partnership is registered pursuant to the provisions of The Limited Partnerships Act 1907 and the Companies Act 2006 as applied to qualifying partnerships.

Results

The loss for the financial year amounted to £3,896,423 (2021: profit of £19,467,765). Net assets at year-end amounted to £50,657,832 (2021: £54,587,255).

Future developments

The Partnership intends to continue with its current activities for the foreseeable future.

Post balance sheet events

There are no significant post balance sheet events.

Principal risks and uncertainties

The Partnership's operations expose it to a variety of financial risks that include interest rate risk, credit risk, valuation risk and liquidity risk.

Interest rate risk
The Partnership's exposure to interest rate movements relates primarily to long-term debt obligations. The Partnerships' loan agreement with Deutsche Pfandbriefbank AG was refinanced in July 2018, to £43,000,000 for a seven year term. This loan attracts a variable interest rate of 3 months SONIA plus credit adjustment spread plus margin. In order to gain more certainty over future cash outflows and hence mitigate interest rate risk, the Partnership has taken out an interest rate swap with its lender over the same period. The Partnership is obliged to pay a netted interest rate of a fixed rate less 3 months SONIA, on the principal amount of £34,400,000 i.e. 80% of the loan principal. Cash flows on both the loan and the interest rate swap are paid quarterly.

Credit risk
Credit risk is the risk that the counterparty will be unable or unwilling to meet a commitment that it has entered into with the Partnership. The Partnership's principal credit risk arises from trade receivables, which mostly comprise rents due from tenants. In the event of a rent default, the Partnership will suffer a rental shortfall and incur additional costs, including legal expenses in maintaining, insuring and re-letting the property until a new tenant is secured.

General partner's report (continued)

The Partnership controls credit risk by requiring collateral to support accounts receivable; this is usually in the form of a security deposit. Tenant rents are payable quarterly or monthly in advance, with most tenants paying on or around the due date. There is a credit control team which actively chases any tenant who does not pay on time and the credit controller then liaises with the Property Manager regarding any further action to be taken.

Credit risk also arises from the other financial assets of the Partnership, which comprise cash and derivative financial instruments. The Partnership's risk arises from its dependency on these financial assets; and furthermore, from the results of the organizations that provide these financial instruments. All of the Partnership's cash is held at major commercial banks. The Partnership believes it mitigates its risks by depositing cash in or investing through major financial institutions. The counterparty for the interest rate swap is the bank providing lending facilities which mitigates the risk.

Valuation risk
The Partnership also incurs price risk in relation to fluctuations in the fair value of its interest rate swap and investment property, which are categorised as Level 2 and Level 3, respectively, in the fair value hierarchy. The fair value of the interest rate swap is determined by reference to the mark-to-market (MTM) valuation. The fair value of investment properties is determined by the investment method of valuation.

Liquidity risk
Liquidity risk arises from the Partnership's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Partnership will encounter difficulty in meeting its financial obligations as they fall due. The Partnership's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due.

Small company exemptions

The Partnership has taken the exemption in accordance with section 414B of the Companies Act 2006 (the "Act"), and therefore has not prepared a Strategic Report.

For the financial year in question the company was entitled to exemption under section 477 of the Companies Act 2006 relating to small companies. No members have required the company to obtain an audit of its accounts for the year in question in accordance with section 476 of the Companies Act 2006.

On behalf of the Board of the General Partner, Pembroke Grafton GP Limited:

S. Parker

Director: Sarah Parker

Date: 26 April 2023

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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law).

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 the apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102 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 the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

The general partner is responsible for keeping adequate accounting records that are sufficient to show and explain the partnership's transactions and disclose with reasonable accuracy at any time the financial position of the partnership and enable them to ensure that the financial statements comply with the Companies Act 2006.

On behalf of the Board of the General Partner, Pembroke Grafton GP Limited:

Director: Sarah Parker

Date: 26 April 2023

Statement of Comprehensive Income

for the year ended 31 December 2022

	Note	2022 £	2021 £
Revenue	3	3,582,107	3,433,991
Costs		(1,130,670)	(855,172)
Gross profit		2,451,437	2,578,819
Gain / (Loss) on Revaluation of investment properties	7	(8,024,633)	16,168,275
Operating Income / (Loss)		(5,573,196)	18,747,094
Finance Costs		(1,293,424)	(1,197,125)
Gain / (Loss) on Revaluation of interest rate swap	6	2,970,197	1,917,796
Profit / (Loss) before Tax		(3,896,423)	19,467,765
Taxation		-	-
Profit / (Loss) for the financial year and total comprehensive income / (expense)	11	(3,896,423)	19,467,765

Note: Revenue arises from continuing operations.

The notes on pages 9 to 15 are an integral part of the financial statements.

Statement of Financial Position

as at 31 December 2022

	Note	2022 £	2021 £
Non-current assets			
Investment property	7	87,036,520	95,042,270
		87,036,520	95,042,270
Current assets			
Trade Receivables	8	2,920,003	1,826,898
Cash		2,725,259	2,812,457
		5,645,262	4,639,355
Current Liabilities: amounts falling due within one year	9	(1,249,514)	(1,033,523)
Net current assets/(liabilities)		4,395,748	3,605,832
Total assets less current liabilities		91,432,268	98,648,102
Non-Current Liabilities: amounts falling due after more than one year	10	(40,774,436)	(44,060,847)
		50,657,832	54,587,255
Financed by			
Partners' capital accounts	11	4,241,026	4,274,026
Partners' current accounts	11	46,416,806	50,313,229
Partners' capital		50,657,832	54,587,255

The notes on pages 9 to 15 are an integral part of the financial statements. The accounts have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

For the financial year in question the company was entitled to exemption under section 477 of the Companies Act 2006 relating to small companies. No members have required the company to obtain an audit of its accounts for the year in question in accordance with section 476 of the Companies Act 2006.

The financial statements on pages 5 to 15 were approved by the General Partner, Pembroke Grafton GP Limited and signed on its behalf by:

S. Parker

Director: Sarah Parker

Date: 26 April 2023

Registered number: LP010987

Statement of Changes in Equity

for the year ended 31 December 2022

	Partners' capital accounts £	Partners' current accounts £	Total Partners' capital £
At 1 January 2021	1,874,026	30,845,464	32,719,490
Profit / (loss) for the financial year and total comprehensive income / (expense)	-	19,467,765	19,467,765
Partner capital received / (repaid)	2,400,000	-	2,400,000
At 31 December 2021	4,274,026	50,313,229	54,587,255
Profit / (loss) for the financial year and total comprehensive income / (expense)	-	(3,896,423)	(3,896,423)
Partner capital received / (repaid)	(33,000)	-	(33,000)
At 31 December 2022	4,241,026	46,416,806	50,657,832

The notes on pages 9 to 15 are an integral part of the financial statements.

Statement of Cash Flows

for the year ended 31 December 2022

	Note	2022 £	2021 £
Cash flow from operating activities	13(1)	1,160,157	1,659,587
Net cash generated from operating activities		1,160,157	1,659,587
Cash flow from investing activities			
Construction in progress		(18,883)	(2,145,245)
Net cash used in investing activities		(18,883)	(2,145,245)
Cash flow from financing activities			
Interest paid		(1,195,472)	(1,132,363)
Partner capital received / (repaid)		(33,000)	2,400,00
Net cash generated from / (used in) financing activities		(1,228,472)	1,267,637
Net increase/(decrease) in cash and cash equivalents		(87,198)	781,979
Cash and cash equivalents at the beginning of the year		2,812,457	2,030,478
Cash and cash equivalents at the end of the year		2,725,259	2,812,457

The notes on pages 9 to 15 are an integral part of the financial statements.

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

1. Accounting policies

General information
Pembroke Grafton Limited Partnership (the "Partnership") is a limited partnership incorporated in England and Wales, registration number LP010987. The registered office is 7 Albemarle Street, London, W1S 4HQ, United Kingdom.

Statement of compliance
The financial statements of Pembroke Grafton Limited Partnership have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' ('FRS 102') and the Companies Act 2006, as it applies to qualifying partnerships by the Partnership (Accounts) Regulations 2008.

Basis of preparation
The financial statements have been prepared on a going concern basis, under the historical cost convention, as modified by the recognition of certain assets and liabilities measured at fair value. The principal accounting policies, which have been consistently applied throughout the year, are set out below.

Going concern
The partnership will continue to generate rental income and the General Partner has the view that the partnership and the group will continue in operation for the foreseeable future; accordingly, these financial statements have been prepared on a going concern basis.

Revenue recognition
Rental income from operating leases is recognised in the profit or loss on a straight-line basis over the lease term. Lease incentives are allocated on a straight-line basis over the lease term. Service charge and other operating income is recognised in the profit or loss on a straight-line basis over the given specified period.

Lessor accounting
The units of the investment property are leased to retail, office and residential tenants with fixed terms, with all leases categorised as operating leases i.e. where the lessor retains substantially all the risks and rewards of ownership. Rental income from operating leases is charged to the profit and loss account on a straight-line basis over the period of the lease. Lease incentives are allocated on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging an operating lease as a lessor are recognised as a deferred asset are amortized over the lease term on the same basis as the lease income.

Investment properties
An investment property is a property held by the owner to earn rentals or for capital appreciation or both.
The Partnership's investment property is measured at fair value at each reporting date, with changes in fair value recognised in the profit or loss. The valuation of the investment property as at December 31 2022 was performed by CBRE as an independent external valuer, who were commissioned by Pembroke Real Estate LLC, the investment advisor to the Partnership (the "Advisor").

CBRE used the investment method of valuation, capitalising the income streams produced by the property using capitalisation rates derived from transactions of comparable properties in the market. The valuation was produced as per the Royal Institute of Chartered Surveyor's 'Red Book', which comprises the statutory regulations and market 'best practices' for professionals providing Market Valuations or real estate assets within the UK.

Cash
Cash at bank and in hand comprise of cash and cash on deposit with banks, which are held in restricted and unrestricted accounts..

1. Accounting policies (continued)

Taxation
No taxation is provided as the tax liabilities on the Partnership's profit are liabilities of the partners and not of the Partnership.

Carrying amount of debt and capitalization of loan issue costs
Debt instruments, such as bank loans, are stated at their net proceeds (i.e. after deduction of amortized loan issue costs). Loan arrangement fees are capitalized against the loan to which they relate in line with FRS 102. Issue costs are amortized over the life of the instrument.

Derivative instruments
In accordance with Section 12 of FRS 102, the Partnership's interest rate swap is classified as a financial asset or liability at fair value through profit or loss. Any gains or losses arising from changes in fair value on the derivative during the year are taken directly to the profit and loss account. The Partnership does not currently apply hedge accounting for this derivative. The fair value of the Partnership's interest rate swap is determined quarterly by reference to the mark-to-market (MTM) valuation; the year end valuation was obtained from a financial institution.

Significant accounting judgements, estimates and assumptions
The preparation of the Partnership's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Investment properties are valued by using the investment method which involves applying capitalisation yields to current and estimated future rental streams net of income voids arising from vacancies or rent-free periods and associated running costs. These capitalisation yields and rental values are based on comparable property and leasing transactions in the market, using the valuers' professional judgment and market observation. Other factors considered in the valuations include the tenure of the property, tenancy details and ground and structural conditions.

Derivative financial instruments are valued using valuation techniques commonly used by market participants. These consist of discounted cash flows which typically incorporate market data, principally interest rates, basis spreads, and counterparty credit.

2. Financial risks

Interest rate risk
The Partnership's exposure to interest rate movements relates primarily to long-term debt obligations. The Partnerships' loan agreement with Deutsche Pfandbriefbank AG was refinanced in July 2018, to £43,000,000 for a seven year term. This loan attracts a variable interest rate of 3 months SONIA plus credit adjustment spread plus margin.. In order to gain more certainty over future cash outflows and hence mitigate interest rate risk, the Partnership has taken out an interest rate swap with its lender over the same period. The Partnership is obliged to pay a netted interest rate of a fixed rate less 3 months SONIA, on the principal amount of £34,400,000 i.e. 80% of the loan principal. Cash flows on both the loan and the interest rate swap are paid quarterly.

Credit risk
Credit risk is the risk that the counterparty will be unable or unwilling to meet a commitment that it has entered into with the Partnership. The Partnership's principal credit risk arises from trade receivables which comprise rents due from tenants. In the event of a rent default the Partnership will suffer a rental shortfall and incur additional costs, including legal expenses, in maintaining, insuring and re-letting the property until a new tenant is secured.

The Partnership controls credit risk by requiring collateral to support accounts receivable; this is usually in the form of a security deposit. Tenant rents are payable quarterly or monthly in advance, with most tenants paying on or around the due date. There is a credit control team which actively chases any tenant who does not pay on time and the credit controller then liaises with the Property Manager regarding any further action to be taken.

1. Financial risks (continued)

Credit risk also arises from the other financial assets of the Partnership, which comprise cash and derivative financial instruments. The Partnership's risk arises from its dependency on these financial assets; and furthermore, from the results of the organizations that provide these financial instruments. All of the Partnership's cash is held at major commercial banks. The Partnership believes it mitigates its risks by depositing cash in or investing through major financial institutions. The counterparty for the interest rate swap is the bank providing lending facilities which mitigates the risk.

Valuation risk
The Partnership also incurs price risk in relation to fluctuations in the fair value of its interest rate swap and investment property, which are categorised as Level 2 and Level 3, respectively, in the fair value hierarchy. The fair value of the interest rate swap is determined by reference to the mark-to-market (MTM) valuation. The fair value of investment properties is determined by the investment method of valuation. It is required to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

i) Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)

ii) Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2)

iii) Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3)

Liquidity risk
Liquidity risk arises from the Partnership's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Partnership will encounter difficulty in meeting its financial obligations as they fall due. The Partnership's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due.

3. Revenue

	2022	2021
	£	£
Rental income	3,191,538	3,057,231
Service charge income	390,569	376,760
	3,582,107	3,433,991

4. Operating loss

This is stated after charging

	2022	2021
	£	£
- For the statutory audit of the financial statements	-	28,473
Total auditors' remuneration	-	28,473

4. Operating loss (continued)

As of 2022 there is no longer a requirement for Pembroke Grafton LP to be audited. The audit had previously been required by the external lender Deutsche Pfandbriefbank AG.

5. Staff costs

The Partnership had no employees during the year ended 31 December 2022 (2021: none).

6. Finance costs

	2022	2021
	£	£
Finance costs on bank loans	1,225,042	1,128,743
Amortization of loan issue costs	68,382	68,382
	1,293,424	1,197,125

7. Investment property

	2022	2021
	£	£
Valuation as at 1 January	95,042,270	76,728,750
Additions	18,883	2,145,245
Gain / (Loss) on revaluation	(8,024,633)	16,168,275
Valuation as at 31 December	87,036,520	95,042,270

The fair value of the investment property as at 31 December 2022 is £87,036,520 (2021: £95,042,270). The historical cost of the investment property is £42,559,872.

8. Trade receivables

	2022	2021
	£	£
Amounts owed by group undertakings	284,883	270,852
Tenant deposits	410,009	795,205
Trade receivables	(1,923)	9,197
Prepayments and accrued income	29,649	71,116
Unamortized lease incentives	2,197,385	680,528
	2,920,003	1,826,898

9. Current liabilities: amounts falling due within one year

	2022	2021
	£	£
Other trade payables	410,125	126,139
Accruals and deferred income	601,196	698,760
Interest payable on bank loans	238,193	208,624
	1,249,514	1,033,523

10. Non-current liabilities: amounts falling due after more than one year

	Due within 1-2 years	*Due within 2-5 years*	*Due after more than 5 years Instalments*	*Due after more than 5 years Non-Instalments*
2021				
Bank loans less issue costs		*42,761,581*		
Mark-to-market of the swap		*503,747*		
Tenant deposits			*795,519*	
2022				
Bank loans less issue costs		*42,829,963*		
Mark-to-market of the swap		*(2,466,450)*		
Tenant deposits			*410,923*	

	2022	2021
	£	£
Bank loans	43,000,000	43,000,000
Less: issue costs	(170,037)	(238,419)
	42,829,963	42,761,581
Mark-to-market of the swap	(2,466,450)	503,747
Tenant deposits payable	410,923	795,519
	40,774,436	44,060,847

The Partnership's exposure to interest rate movements relates primarily to long-term debt obligations. The Partnerships' loan agreement with Deutsche Pfandbriefbank AG was refinanced in July 2018, to £43,000,000 for a seven-year term. This loan attracts a variable interest rate of 3 months SONIA plus credit adjustment spread plus margin. To gain more certainty over future cash outflows and hence mitigate interest rate risk, the Partnership has taken out an interest rate swap with its lender over the same period. The Partnership is obliged to pay a netted interest rate of a fixed rate less 3 months SONIA, on the principal amount of £34,400,000 i.e. 80% of the loan principal. Cash flows on both the loan and the interest rate swap are paid quarterly.

Debt issuance costs of £478,676 have been capitalized and are amortized over the period of 7 years; the current net book value is £107,037 (2021: £238,419).

The bank loan is secured by a charge over the investment property. The general partner considers that the carrying value of the loan approximates its fair value.

11. Partners' accounts

Partners' Capital accounts	*Pembroke Grafton Office Sarl*	*Pembroke Grafton GP Limited*	*Total*
	£	£	£
At 1 January 2022	4,273,900	126	4,274,026
At 31 December 2022	4,240,900	126	4,241,026

11. Partners' accounts (continued)

Partners' Current accounts	Pembroke Grafton Office Sarl	Pembroke Grafton GP Limited	Total
	£	£	£
At 1 January 2022	50,310,636	2,593	50,313,229
Profit / (Loss) for the financial year	(3,896,222)	(201)	(3,896,423)
At 31 December 2022	46,414,414	2,392	46,416,806

12. Related parties

Balances at year end held with related parties i.e. group undertakings, are disclosed in note 8 of the financial statements. There is no interest applied to the intercompany balances, which are unsecured. They will be settled by funding from the group's ultimate parent, however there is no fixed repayment date. In accordance with exemptions available under FRS 102 for small entities, the Partnership has not disclosed details of transactions and balances with group undertakings.

13. Notes to statement of cash flows

(1) Reconciliation of gross profit to net cash generated from operating activities

	2022	2021
	£	£
Gross Profit	2,451,437	2,578,819
Increase /(Decrease) in amortized lease incentives	(1,516,857)	(551,119)
Decrease in trade and other receivables	423,752	361,291
Increase/ (Decrease) in trade and other payables	(198,175)	(729,404)
	1,160,157	1,659,587

(2) Analysis of changes in net debt

	At 1 January 2022	Cash flows	Non-cash changes	At 31 December 2022
	£	£	£	£
Cash	2,812,457	(87,198)	-	2,725,259
Bank loans	(43,000,000)	-	-	(43,000,000)
Interest Rate Swap MTM	(503,747)	-	2,970,197	2,466,450
Total	(40,691,290)	(87,198)	2,970,197	(37,808,291)

14. Ultimate parent undertaking and controlling party

The Partnership's ultimate parent and controlling party is Horizon Real Estate Investors LLC ("Horizon"), which has direct ownership of the Partnership's general partner, Pembroke Grafton GP Limited and the Partnership's limited partner, Pembroke Grafton Office Sarl. Horizon is the parent of the smallest group for which consolidated financial statements are drawn up and is registered in the United States of America. The registered office is 245 Summer Street, F3B, Boston, MA 02210.

15. Operating leases

The following table sets out the future minimum lease payments under non-cancellable operating leases due.

(All amounts in GBP)	Within 1 year	Later than 1 year and less than 5 years	Later than 5 years	Total
2022	1,789,720	13,316,639	15,012,653	30,119,011
2021	1,907,499	10,703,606	15,612,821	28,223,926

There was no contingent rent recognized as income in 2022 (2021: £nil); all income is fixed.

The units of the investment property are leased to retail, office and residential tenants; all charges are fixed amounts and the majority of tenants are charged on a quarterly basis.

16. Post balance sheet events

There are no significant post balance sheet events.