

Registered No. 05608498

Pembroke Grafton GP Limited

Report and Financial Statements

For the year ended 31 December 2021

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COMPANIES HOUSE

Partners

Nicholas Moldon

Sarah Parker

Independent Auditors

PricewaterhouseCoopers LLP

7 More London Riverside

London

SE1 2RT

Company Secretary

Citco London Limited

Registered Office

7 Albemarle Street

London

W1S 4HQ

England

United Kingdom

Directors' report

The directors present their report and financial statements for Pembroke Grafton GP Limited (the "Company") for the year ended 31 December 2021.

Results and dividends

The result for the financial year ended 31 December 2021 amounted to a loss of £12,866 (2020: loss of £28,015). The directors do not recommend the payment of a dividend (2020: £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.

COVID-19

On January 30, 2020, the World Health Organisation ('WHO') declared the coronavirus (COVID-19) a public health emergency, shortly followed by declaring a Global Pandemic on 11 March 2020. This had an unprecedented impact on economies and real estate markets globally. The UK Government response to this being to initiate various emergency measures to protect occupiers and support businesses, such as the introduction of a furlough scheme and the government moratorium. In addition, the UK Government imposed various lockdowns throughout the year with the introduction of social distancing requirements and a ban on foreign travel, all of which added further stresses/demands to the economy. Post entering into the third lockdown in late December 2020 the Government put in place a roadmap to ease restrictions which included the roll out of the vaccination plan.

Whilst it is still not possible to fully assess the longer-term impact on specific industries or their constituents at this stage, the General Partner believes the Company has a strong balance sheet and the right strategy in place to mitigate against the worst consequences of the outbreak. The General Partner will continue to monitor the COVID-19 situation closely and act accordingly to protect the interests of investors.

Directors' report (continued)

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

The directors of the company who were in office during the year and up to the date of signing of the financial statements were:

Nicholas Moldon
Sarah Parker

Small company exemptions

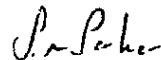
The Directors' Report has been prepared taking advantage of the small companies exemption in accordance with S415A of the Companies Act 2006 (the "Act"). The Company has also taken the exemption under S414B of the Act, and therefore has not prepared a Strategic Report.

Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditors in connection with preparing its report, of which the auditors are unaware. Each director has taken all the steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditors are aware of that information.

The financial statements on pages 8 to 14 were approved by the Board and signed on its behalf by Sarah Parker.

On behalf of the Board:



Director: Sarah Parker

Date: 27 April 2022

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.

Directors' confirmations

In the case of each director in office at the date the directors' report is approved:

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

On behalf of the Board:



Director: Sarah Parker

Date: 27 April 2022

Independent auditors' report to the members of Pembroke Grafton GP Limited

Report on the audit of the financial statements

Opinion

In our opinion, Pembroke Grafton GP Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its loss for the year then ended;
- have been properly prepared 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); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Report and Financial Statements (the "Annual Report"), which comprise: Statement of Financial Position as at 31 December 2021; the Statement of Comprehensive Income and the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' 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 remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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.

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.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

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

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, 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 audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. 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 based on these responsibilities.

With respect to the Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' report for the year ended 31 December 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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.

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

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to the Companies Act 2006, and we considered the extent to which non-compliance might have a material effect on the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries. Audit procedures performed by the engagement team included:

- Discussions with management, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud
- Reviewing relevant Board meeting minutes
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations and entries posted containing unusual account descriptions;
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, 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 or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

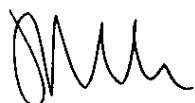
Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

Entitlement to exemptions

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to: take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.



Jennifer March (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

London

27 April 2022

Statement of Comprehensive Income

for the year ended 31 December 2021

	<i>Note</i>	<i>2021</i>	<i>2020</i>
		<i>£</i>	<i>£</i>
Administrative expenses		(12,866)	(28,015)
<i>Operating Loss</i>	3	(12,866)	(28,015)
<i>Loss before Taxation</i>		(12,866)	(28,015)
Tax on loss	4	-	-
<i>Loss for the financial year and total comprehensive expense</i>		<u>(12,866)</u>	<u>(28,015)</u>

The notes on pages 11 to 14 are an integral part of these financial statements.

Statement of Financial Position

as at 31 December 2021

		2021	2020
	Note	£	£
Current assets			
Investments	5	126	126
Trade receivables	6	2	2
		<u>128</u>	<u>128</u>
Trade payables: amounts falling due within one year	7	(209,755)	(196,899)
		<u></u>	<u></u>
Net liabilities		<u>(209,627)</u>	<u>(196,761)</u>
Capital and reserves			
Called up share capital	8	30,002	30,002
Profit and loss account		(239,629)	(226,763)
		<u></u>	<u></u>
Total shareholders' deficit		<u>(209,627)</u>	<u>(196,761)</u>

The notes on pages 11 to 14 are an integral part of these financial statements.

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

The financial statements on pages 8 to 14 were approved by the Board and signed on its behalf by:



Director: Sarah Parker

Date: 27 April 2022

Registered number: 05608498

Statement of Changes in Equity

for the year ended 31 December 2021

	<i>Called up Share capital £</i>	<i>Profit and loss account £</i>	<i>Total shareholders' deficit £</i>
At 1 January 2020	30,002	(198,748)	(168,746)
Loss for the financial year and total comprehensive expense	-	(28,015)	(28,015)
At 31 December 2020	<u>30,002</u>	<u>(226,763)</u>	<u>(196,761)</u>
Loss for the financial year and total comprehensive expense	-	(12,866)	(12,866)
At 31 December 2021	<u>30,002</u>	<u>(239,629)</u>	<u>(209,627)</u>

The notes on pages 11 to 14 are an integral part of these financial statements.

Notes to the financial statements

for the year ended 31 December 2021

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 4HJ, 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 2021 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 2021 (2020: none).

The directors have received £nil remuneration in respect of their services to the company during the year ended 31 December 2021 (2020: £nil).

3. Operating loss

This is stated after charging of the following administrative costs:

	2021	2020
	£	£
- Statutory audit of financial statements	7,628	7,628
Total auditors' remuneration	<u>7,628</u>	<u>7,628</u>

4. Tax on loss

(a) Tax on loss

	2021	2020
	£	£
UK corporation tax	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>

(b) Factors affecting current tax charge

The total current tax is higher (2020: 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)

	2021	2020
	£	£
Loss before taxation	(12,866)	(28,015)
Loss before taxation multiplied by the standard rate of corporation tax in the UK of 19% (2019 – 19%)	(2,444)	(5,323)
Tax losses not carried forward	2,444	5,323
Total tax charge (note 4(a))	<u>-</u>	<u>-</u>

(c) Factors affecting future tax charges

There are tax losses of £240,009 (2020: £227,143) 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 accounting 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 2021 and 2020	126
At 31 December 2021 and 2020	<u>126</u>

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

	2021	2020
	£	£
Amounts owed by group undertakings	<u>2</u>	<u>2</u>

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

	2021	2020
	£	£
Amounts owed to group undertakings	(202,127)	(184,262)
Other creditors	(7,628)	(12,627)
Total Creditors	<u>(209,755)</u>	<u>(196,889)</u>

8. Called up share capital

	2021	2020
	£	£
<i>Authorised</i>		
Ordinary shares of £1 each	<u>30,100</u>	<u>30,100</u>
	2021	2020
	£	£
<i>Allotted, called up and fully paid</i>		
Ordinary shares of £1 each	<u>30,002</u>	<u>30,002</u>

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 2021, 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 2021

THESE PARTNERSHIP
ACCOUNTS FORM
PART OF THE ACCOUNTS
OF COMPANY
No. 5608498

Partners

Pembroke Grafton Office Sarl
Pembroke Grafton GP Limited

General Partner

Pembroke Grafton GP Limited

Independent Auditors

PricewaterhouseCoopers LLP
7 More London Riverside
London
SE1 2RT

Registered Office

7 Albemarle Street
London
W1S 4HQ
England
United Kingdom

General partner's report

The General Partner presents its report and audited financial statements for Pembroke Grafton Limited Partnership ('the Partnership') for the year ended 31 December 2021.

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 profit for the financial year amounted to £19,467,765 (2020: loss of £9,501,706). Net assets at year-end amounted to £54,587,255 (2020: £32,719,490).

Future developments

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

Post balance sheet events

Interest rates

GBP LIBOR as an interest rate benchmark has been phased out; consequently, GBP LIBOR could no longer be used as a basis for loan and swap arrangements. In line with market practice, the Partnership's loan agreement with Deutsche Pfandbriefbank AG was amended in January 2022 to an alternative risk-free rate produced by the Bank of England: The Sterling Overnight Index Average (SONIA). The Partnership's interest rate swap was terminated and a new arrangement with SONIA was agreed. Given other terms on the loan and swap remain unchanged and standard market practice has been followed, this is not expected to cause a significant impact on the Partnership's 2022 results.

Geopolitical events

Following the escalation of the conflict between Ukraine and Russia in February 2022 and the related economic sanctions imposed by various governments, the General Partner is actively monitoring the situation and will assess any impact as it is deemed to arise. The General Partner recognises that the overall impact of the conflict may not yet be apparent and does not underestimate the inevitable effect it will have on global financial markets, including any potential adverse impact on the Partnership and its investment. As at the date of approval of these financial statements, based on its assessment of the current situation and information available, the General Partner does not envisage that this will have a material impact on the Partnership.

COVID-19

On January 30, 2020, the World Health Organisation ('WHO') declared the coronavirus (COVID-19) a public health emergency, shortly followed by declaring a Global Pandemic on 11 March 2020. This had an unprecedented impact on economies and real estate markets globally. The UK Government response to this being to initiate various emergency measures to protect occupiers and support businesses, such as the introduction of a furlough scheme and the government moratorium. In addition, the UK Government imposed various lockdowns throughout the year with the introduction of social distancing requirements and a ban on foreign travel, all of which added further stresses/demands to the economy. Post entering into the third lockdown in late December 2020 the Government put in place a roadmap to ease restrictions which included the roll out of the vaccination plan.

Whilst it is still not possible to fully assess the longer-term impact on specific industries or their constituents at this stage, the General Partner believes the partnership has a strong balance sheet and the right strategy in place to mitigate against the worst consequences of the outbreak. The General Partner will continue to monitor the COVID-19 situation closely and act accordingly to protect the interests of investors.

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 LIBOR plus a 1.35% 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 1.57% fixed less 3 months LIBOR, on the principal amount of £34,400,00 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.

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 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. Whilst the property valuation reflects the external valuer's assessment at the valuation date, the General Partner has made certain judgements in considering any future uncertainty around COVID-19 in the real estate market and as such a range of valuation sensitivities have been provided for under the Investment Property note [7].

General partner's report (continued)

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.

Disclosure of information to the auditors

So far as the General Partner at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditors in connection with preparing its report, of which the auditors are unaware. Having made enquiries of the Partnership's auditors, the General Partner has taken all the steps that it is obliged to take as the general partner in order to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

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.

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



Director: Sarah Parker

Date: 27 April 2022

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.

General partner's confirmations

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

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

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



Director: Sarah Parker

Date: 27 April 2022

Independent auditors' report to the partners of Pembroke Grafton Limited Partnership for the year ended 31 December 2021

Report on the audit of the financial statements

Opinion

In our opinion, Pembroke Grafton Limited Partnership's financial statements:

- give a true and fair view of the state of the partnership's affairs as at 31 December 2021 and of its profit and cash flows for the year then ended;
- have been properly prepared 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); 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, included within the Report and Financial Statements (the "Annual Report"), which comprise: Statement of Financial Position as at 31 December 2021; the Statement of Comprehensive Income, the Statement of Cash Flows and the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' 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 remained independent of the partnership in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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 partnership'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.

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

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the partnership's ability to continue as a going concern.

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

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The general partner is responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

Pembroke Grafton Limited Partnership

Independent auditors' report to the partners of Pembroke Grafton Limited Partnership for the year ended 31 December 2021
(continued)

Registered No: LP010987

In connection with our audit of the financial statements, 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 audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. 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 based on these responsibilities.

With respect to the General partner's report, we also considered whether the disclosures required by the UK Companies Act 2006 as applied to qualifying partnerships have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 as applied to qualifying partnerships requires us also to report certain opinions and matters as described below.

General partner's report

In our opinion, based on the work undertaken in the course of the audit, the information given in the General partner's report for the year ended 31 December 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the partnership and its environment obtained in the course of the audit, we did not identify any material misstatements in the General partner's report.

Responsibilities for the financial statements and the audit

Responsibilities of the general partner for the financial statements

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 in accordance with the applicable framework and for being satisfied that they give a true and fair view. The general partner is also responsible for such internal control as they 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 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 has no realistic alternative but to do so.

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

Based on our understanding of the partnership and industry, we identified that the principal risks of non-compliance with laws and regulations related to non-compliance with the Companies Act 2006, and we considered the extent to which non-compliance might have a material effect on the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to revenue or expenses. Audit procedures performed by the engagement team included:

Pembroke Grafton Limited Partnership

Independent auditors' report to the partners of Pembroke Grafton Limited Partnership for the year ended 31 December 2021
(continued)

Registered No: LP010987

- Discussions with management, including consideration of known or suspected instances of non compliance with laws and regulation and fraud
- Reviewing relevant Board meeting minutes;
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations and entries posted containing unusual account descriptions;
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, 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 or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 as applied to qualifying partnerships we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

Entitlement to exemptions

Under the Companies Act 2006 as applied to qualifying partnerships we are required to report to you if, in our opinion, the general partner was not entitled to: prepare financial statements in accordance with the small companies regime; and take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.



Jennifer March (Senior Statutory Auditor)

For and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

London

27 April 2022

Statement of Comprehensive Income

for the year ended 31 December 2021

		2021	2020
		£	£
	<i>Note</i>		
Revenue	3	3,433,991	3,663,264
Costs		(855,172)	(1,260,474)
Gross profit		2,578,819	2,405,790
Gain / (Loss) on Revaluation of investment properties	7	16,168,275	(9,619,405)
Operating Income / (Loss)		18,747,094	(7,216,615)
Finance Costs		(1,197,125)	(1,227,783)
Gain / (Loss) on Revaluation of interest rate swap	6	1,917,796	(1,057,308)
Profit / (Loss) before Tax		19,467,765	(9,501,706)
Taxation		-	-
Profit / (Loss) for the financial year and total comprehensive income / (expense)	11	19,467,765	(9,501,706)

Note: Revenue arises from continuing operations.

The notes on pages 13 to 20 are an integral part of the financial statements.

Statement of Financial Position

as at 31 December 2021

	Note	2020 £	2020 £
Non-current assets			
Investment property	7	95,042,270	76,728,750
		<u>95,042,270</u>	<u>76,728,750</u>
Current assets			
Trade Receivables	8	1,826,898	1,637,070
Cash		<u>2,812,457</u>	<u>2,030,478</u>
		<u>4,639,355</u>	<u>3,667,548</u>
Current Liabilities: amounts falling due within one year	9	<u>(1,033,523)</u>	<u>(1,698,470)</u>
Net current assets/(liabilities)		<u>3,605,832</u>	<u>1,969,078</u>
Total assets less current liabilities		98,648,102	78,697,828
Non-Current Liabilities:	10	<u>(44,060,847)</u>	<u>(45,978,338)</u>
amounts falling due after more than one year		<u>54,587,255</u>	<u>32,719,490</u>
Financed by			
Partners' capital accounts	11	4,274,026	1,874,026
Partners' current accounts	11	<u>50,313,229</u>	<u>30,845,464</u>
Partners' capital		<u>54,587,255</u>	<u>32,719,490</u>

The notes on pages 13 to 20 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.

The financial statements on pages 9 to 20 were approved by the General Partner, Pembroke Grafton GP Limited and signed on its behalf by:



Director: Sarah Parker

Date: 27 April 2022

Registered number: LP010987

Statement of Changes in Equity

for the year ended 31 December 2021

	Partners' capital accounts £	Partners' current accounts £	Total Partners' capital £
At 1 January 2020	2,930,309	40,347,170	43,277,479
Loss for the financial year and total comprehensive expense	-	(9,501,706)	(9,501,706)
Partner capital repaid	(1,056,283)	-	(1,056,283)
At 31 December 2020	<u>1,874,026</u>	<u>30,845,464</u>	<u>32,719,490</u>
Profit for the financial year and total comprehensive expense	-	19,467,765	19,467,765
Partner capital received	2,400,000	-	2,400,000
At 31 December 2021	<u><u>4,274,026</u></u>	<u><u>50,313,229</u></u>	<u><u>54,587,255</u></u>

The notes on pages 13 to 20 are an integral part of the financial statements.

Statement of Cash Flows

for the year ended 31 December 2021

	2021	2020
	£	£
	<i>Note</i>	
<i>Cash flow from operating activities</i>	13(1) 1,659,587	3,418,135
<i>Net cash generated from operating activities</i>	<u>1,659,587</u>	<u>3,418,135</u>
<i>Cash flow from investing activities</i>		
Construction in progress	(2,145,245)	(209,945)
<i>Net cash used in investing activities</i>	<u>(2,145,245)</u>	<u>(209,945)</u>
<i>Cash flow from financing activities</i>		
Interest paid	(1,132,363)	(1,171,649)
Partner capital received / (repaid)	2,400,000	(1,056,283)
<i>Net cash generated from / (used in) financing activities</i>	<u>1,267,637</u>	<u>(2,227,932)</u>
<i>Net increase/(decrease) in cash and cash equivalents</i>	781,979	980,258
<i>Cash and cash equivalents at the beginning of the year</i>	<u>2,030,478</u>	<u>1,050,220</u>
<i>Cash and cash equivalents at the end of the year</i>	<u>2,812,457</u>	<u>2,030,478</u>

The notes on pages 13 to 20 are an integral part of the financial statements.

Notes to the financial statements

for the year ended 31 December 2021

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 and 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 2021 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 of 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 LIBOR plus a 1.35% 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 1.565% fixed less 3 months LIBOR, 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 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); and
- 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

	2021	2020
	£	£
Rental income	3,057,231	3,121,119
Service charge income	376,760	542,145
	<u>3,433,991</u>	<u>3,663,264</u>

4. Operating loss

This is stated after charging

	2021	2020
	£	£
- For the statutory audit of the financial statements	28,473	29,223
Total auditors' remuneration	<u>28,473</u>	<u>29,223</u>

5. Staff costs

The Partnership had no employees during the year ended 31 December 2021 (2020: none).

6. Finance costs

	2021	2020
	£	£
Finance costs on bank loans	1,128,743	1,159,401
Amortization of loan issue costs	68,382	68,382
	<u>1,197,125</u>	<u>1,227,783</u>

7. Investment property

	2021	2020
	£	£
Valuation as at 1 January	76,728,750	86,138,210
Additions	2,145,245	209,945
Loss on revaluation	16,168,275	(9,619,405)
Valuation as at 31 December	<u>95,042,270</u>	<u>76,728,750</u>

The fair value of the investment property as at 31 December 2021 is £95,042,270 (2020: £76,728,750). The historical cost of the investment property is £42,559,872.

The table below shows the results of Management's evaluation of the sensitivity of the fair value of the investment property at 31 December to changes in unobservable inputs to a reasonable alternative:

	2021 Fair value	Unobservable input	Change in fair value	
			+25bps	+50bps
	£m		£m	£m
Investment property	95.0	Equivalent Yield	(5.8)	(10.9)

Note: Figures rounded to the nearest £000,000.

These amounts are not an estimate or a forecast of the impact of COVID-19 on the Company's property value. The analysis is designed solely to provide an indication of the impact of certain changes to the Company's property value.

8. Trade receivables

	2021	2020
	£	£
Amounts owed by group undertakings	270,852	250,095
Tenant deposits	795,205	863,282
Trade receivables	9,197	368,504
Prepayments and accrued income	71,116	25,780
Unamortized lease incentives	680,528	129,409
	<u>1,826,898</u>	<u>1,637,070</u>

9. Current liabilities: amounts falling due within one year

	2021	2020
	£	£
Other trade payables	126,139	110,342
Accruals and deferred income	698,760	1,375,884
Interest payable on bank loans	208,624	212,244
	<u>1,033,523</u>	<u>1,689,470</u>

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

	<i>Due within 1-2 years</i>	<i>Due within 2-5 years</i>	<i>Due after more than 5 years Instalments</i>	<i>Due after more than 5 years Non-Instalments</i>
2020				
Bank loans less issue costs		42,693,199		
Mark-to-market of the swap		2,421,543		
Tenant deposits			863,596	
2021				
Bank loans less issue costs		42,761,581		
Mark-to-market of the swap		503,747		
Tenant deposits			795,519	
			2021	2020
			£	£
Bank loans			43,000,000	43,000,000
Less: issue costs			<u>(238,419)</u>	<u>(306,801)</u>
			<u>42,761,581</u>	<u>42,693,199</u>
Mark-to-market of the swap			503,747	2,421,543
Tenant deposits payable			<u>795,519</u>	<u>863,596</u>
			<u>44,060,847</u>	<u>45,978,338</u>

On 28th June 2013 the Partnership entered into a loan agreement (the "Agreement") with Deutsche Pfandbriefbank AG for £38,500,000. This loan attracted interest at 3 months LIBOR plus 2.20% margin. The loan was refinanced in July 2018, to £43,000,000 for a seven-year term. This loan attracts a variable interest rate of 3 months LIBOR plus a 1.35% margin. Interest accrued is paid quarterly on 23rd January, 23rd April, 23rd July and 23rd October in each year.

Debt issuance costs of £478,676 have been capitalized and are amortized over the period of 7 years; the current net book value is £238,419 (2020: £323,897).

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	<i>Pembroke Grafton Office Sarl</i>	<i>Pembroke Grafton GP Limited</i>	<i>Total</i>
	£	£	£
At 1 January 2021	1,873,900	126	1,874,026
At 31 December 2021	4,273,900	126	4,274,026

Partners' Current accounts	<i>Pembroke Grafton Office Sarl</i>	<i>Pembroke Grafton GP Limited</i>	<i>Total</i>
	£	£	£
At 1 January 2021	30,843,874	1,590	30,845,464
Profit for the financial year	19,466,762	1,003	19,467,765
At 31 December 2021	50,310,636	2,593	50,313,229

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

	2021	2020
	£	£
Gross Profit	2,578,819	2,402,790
Increase /(Decrease) in amortized lease incentives	(551,119)	102,102
Decrease in trade and other receivables	361,291	335,612
Increase/ (Decrease) in trade and other payables	(729,404)	577,631
	<u>1,659,587</u>	<u>3,418,135</u>

13. Notes to statement of cash flows (continued)

(2) Analysis of changes in net debt

	At 1 January 2021	Cash flows	Non-cash changes	At 31 December 2021
	£	£	£	£
Cash	2,030,478	781,979	-	2,812,457
Bank loans	(43,000,000)	-	-	(43,000,000)
Interest Rate Swap MTM	(2,421,543)	-	1,917,796	(503,747)
Total	(43,391,065)	781,979	1,917,796	(40,691,289)

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
2021	1,907,499	10,703,606	15,612,821	28,223,926
2020	2,303,658	2,158,713	1,065,667	5,528,038

There was no contingent rent recognized as income in 2021 (2020: £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

Interest rates

GBP-LIBOR as an interest rate benchmark has been phased out; consequently, GBP LIBOR could no longer be used as a basis for loan and swap arrangements. In line with market practice, the Partnership's loan agreement with Deutsche Pfandbriefbank AG was amended in January 2022 to an alternative risk-free rate produced by the Bank of England: the Sterling Overnight Index Average (SONIA). The Partnership's interest rate swap was terminated and a new arrangement with SONIA was agreed.

Given other terms on the loan and swap remain unchanged and standard market practice has been followed, this is not expected to cause a significant impact on the Partnership's 2022 results.

Geopolitical events

Following the escalation of the conflict between Ukraine and Russia in February 2022 and the related economic sanctions imposed by various governments, the General Partner is actively monitoring the situation and will assess any impact as it is deemed to arise. The General Partner recognises that the overall impact of the conflict may not yet be apparent and does not underestimate the inevitable effect it will have on global financial markets, including any potential adverse impact on the Partnership and its investment. As at the date of approval of these financial statements, based on its assessment of the current situation and information available, the General Partner does not envisage that this will have a material impact on the Partnership.