Registered No. 05608498

Pembroke Grafton GP Limited

Report and Financial Statements

For the year ended 31 December 2019

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
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 2019.

Results and dividends

The result for the financial year ended 31 December 2019 amounted to a loss of £21,711 (2018: loss of £41,544). The directors do not recommend the payment of a dividend (2018: £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

COVID-19

A recent outbreak of a respiratory disease caused by novel coronavirus was first detected in China in December 2019 and has now been detected internationally. This coronavirus has resulted in closing borders, enhanced health screenings, healthcare service preparation and delivery, quarantines, cancellations, disruptions to supply chains and customer activity, as well as general concern and uncertainty. The impact of this coronavirus, and other epidemics and pandemics that may arise in the future, could affect the economies of many nations, individual companies and the market in general in ways that cannot necessarily be foreseen at the present time. The impact of the outbreak may be short term or may last for an extended period of time.

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' report (continued)

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.

Qualifying third party indemnity provisions

An associated undertaking maintains an indemnity to the company's directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third party indemnity provision has been in place throughout the year and remains in force as at the date of approving the directors' 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 7 to 14 were approved by the Board and signed on its behalf by Sarah Parker.

On behalf of the Board

Director: Sarah Parker

Date: 29 April 2020

Statement of directors' responsibilities

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

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

Under company law the Directors must not approve 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 and loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- Select suitable accounting policies and the apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent;
- State whether applicable United Kingdom Accounting Standards, including FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- Notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 102 use in the preparation of financial statements; 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 responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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 2019 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: the statement of financial position as at 31 December 2019; the statement of comprehensive income, 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

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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

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 the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require 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 2019 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, 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.

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 received 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' 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 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.

Thomas Norrie (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
29 April 2020

Statement of Comprehensive Income

for the year ended 31 December 2019

	Note	2019	2018
		£	£
Administrative expenses		(21,711)	(41,544)
Operating Loss	3	(21,711)	(41,544)
Loss before Tax		(21,711)	(41,544)
Taxation	4	-	-
Total comprehensive expense for the financial year		(21,711)	(41,544)

The notes on pages 10 to 14 are an integral part of these financial statements.

Statement of Financial Position

as at 31 December 2019

	Note	2019 £	2018 £
Current assets			
Investments	5	126	126
Trade receivables	6	2	2
		128	128
Trade payables: *amounts falling due within one year*	7	(168,874)	(147,163)
Net current liabilities		(168,746)	(147,035)
Total assets less current liabilities		(168,746)	(147,035)
Capital and reserves			
Called up share capital	8	30,002	30,002
Profit and loss account		(198,748)	(177,037)
Total shareholders' deficit		(168,746)	(147,035)

The notes on pages 10 to 14 are an integral part of these financial statements.

The financial statements on pages 7 to 14 were approved by the Board and signed on its behalf by:

Director: Sarah Parker

Date: 29 April 2020

Registered number: 05608498

Statement of Changes in Equity

for the year ended 31 December 2019

	Called up Share capital £	*Profit and loss account* £	*Total shareholders' deficit* £
At 1 January 2018	30,002	(135,493)	(105,491)
Loss for the financial year and total comprehensive expense	-	(41,544)	(41,544)
At 31 December 2018	30,002	(177,037)	(147,035)
Loss for the financial year and total comprehensive expense	-	(21,711)	(21,711)
At 31 December 2019	30,002	(198,748)	(168,746)

The notes on pages 10 to 14 are an integral part of these financial statements.

Notes to the financial statements

for the year ended 31 December 2019

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, 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, 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

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.

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.

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 2019 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.

1. Accounting policies (continued)

Financial instruments
The Company only holds basic financial instruments, which are recognised and measured in accordance with section 11 of FRS 102.

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 impairment.

2. Staff costs and directors' remuneration

There were no staff employed by the company during the year ended 31 December 2019 (2018: none).

The directors have received £nil remuneration in respect of their services to the company during the year ended 31 December 2019 (2018: £nil).

3. Operating loss

This is stated after charging of the following administrative costs:

	2019	*2018*
	£	*£*
-Auditors' remuneration	7,030	6.695
-Tax compliance services	-	2.500
Total auditors' remuneration	7,030	9.195

The auditors' remuneration fees for audit services were £7,030 for 2019 (£6,695 was paid for 2018) with the fee being borne by Pembroke Grafton Limited Partnership. Non-audit fees paid to the auditors in 2019, in respect of tax compliance services amounted to £nil (2018: £2,500).

4. Taxation on loss

(a) Taxation on loss

	2019	*2018*
	£	*£*
UK corporation tax	-	-
	-	-

4. Taxation on loss (continued)

(b) Factors affecting current tax charge

The total current tax is higher (2018: higher) than the tax on ordinary activities based on the standard rate of corporation tax in the UK of 19% (2018 – 19%). The differences are reconciled below:

	2019	*2018*
	£	£
Loss before taxation	(21,711)	(41,544)
Loss before taxation multiplied by the standard rate of corporation tax in the UK of 19% (2018 – 19%)	(4,125)	(7,893)
Tax losses not carried forward	4,125	7,893
Total tax charge (note 4(a))	-	-

(c) Factors affecting future tax charges

There are tax losses of £199,205 (2018: £177,783) carried forward as at the end of the year. 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 2019 and 2018	126
At 31 December 2019 and 2018	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

	2019	2018
	£	£
Amounts owed by group undertakings	2	2

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

	2019	2018
	£	£
Amounts owed to group undertakings	(159,438)	(121,202)
Amounts owed to other creditors	(9,436)	(25,961)
Total Creditors	(168,874)	(147,163)

There is no interest applied to the intercompany balances and there is no fixed repayment date.

8. Called up share capital

	2019	2018
Authorised	£	£
Ordinary shares of £1 each	30,100	30,100

	2019	2018
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

In accordance with exemptions available under FRS 102, the Partnership has not disclosed details of certain transactions and balances with group undertakings. Balances at year end held with related parties are however disclosed in notes 6 and 7 of the financial statements.

11. Post balance sheet events

COVID-19

On January 30, 2020, the World Health Organisation declared the coronavirus (COVID-19) to be a public health emergency. There are no comparable recent events which may provide guidance as to the effect of the spread of COVID-19 and a potential pandemic, and, as a result, the ultimate impact of the COVID-19 outbreak or a similar health epidemic is highly uncertain and subject to change. The full extent of potential delays or impacts on our business, our operations or the global economy as a whole is as yet unknown.

12. Parent undertaking and controlling party

As at 31 December 2019, the immediate and ultimate parent undertaking is Horizon Real Estate Investors LLC, which 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 2019

05608498

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
United Kingdom

General partner's report

The General Partner presents its report and financial statements for Pembroke Grafton Limited Partnership ('the Partnership') for the year ended 31 December 2019.

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.

Results

The loss for the financial year amounted to £8,181,978 (2018: £2,613,398). Net assets at year-end amounted to £43,277,479 (2018: £54,059,456).

Future developments

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

Post balance sheet events

COVID-19
A recent outbreak of a respiratory disease caused by novel coronavirus was first detected in China in December 2019 and has now been detected internationally. This coronavirus has resulted in closing borders, enhanced health screenings, healthcare service preparation and delivery, quarantines, cancellations, disruptions to supply chains and customer activity, as well as general concern and uncertainty. The impact of this coronavirus, and other epidemics and pandemics that may arise in the future, could affect the economies of many nations, individual companies and the market in general in ways that cannot necessarily be foreseen at the present time. The impact of the outbreak may be short term or may last for an extended period of time.

New tenant
A new tenant has leased a unit in the investment property. It is a 10-year lease, commencing on 13th January 2020.

Principal risks and uncertainties

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

General partner's report (continued)

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 £34,400,00 i.e. 80% of the loan principal. Cash flows on both the loan and the interest rate swap are paid quarterly.

Price risk
The Partnership also incurs price risk in relation to fluctuations in the fair value of its interest rate swap and investment property, both of which are categorised as Level 2 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 yield capitalization method of discounted cash flow analysis.

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.

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.

General partner's report (continued)

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

Director: Sarah Parker

Date: 29 April 2020

Statement of General Partner's responsibilities

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

Company law as applied to qualifying partnerships by the Partnerships (Accounts) Regulations 2008 (the "Regulations") requires the members to prepare the financial statements for each financial year. Under that law the General Partner has prepared the partnership financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, 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 the General Partner must not approve financial statements unless it is satisfied that they give a true and fair view of the state of affairs of the Partnership and of the profit and loss of the Partnership for that period. In preparing these financial statements, the General Partner is required to:

- Select suitable accounting policies and the apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent;
- 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;
- Notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 102 use in the preparation of financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Partnership will continue in business.

The General Partner is responsible for keeping adequate accounting records that are sufficient to show and explain the Partnership's transactions and disclose with reasonable accuracy at any time the financial position of the Partnership and enable them to ensure that the financial statements comply with the Companies Act 2006 as applied to qualifying partnerships by Regulations. They are 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.

Independent auditors' report to the partners of Pembroke Grafton Limited Partnership

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 qualifying partnership's affairs as at 31 December 2019 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (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: the statement of financial position as at 31 December 2019; the statement of comprehensive income, the statement of cash flows, 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 qualifying 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

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- the general partner's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the general partner has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the qualifying partnership's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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

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.

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 the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require 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 2019 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 qualifying 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, 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 qualifying 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 qualifying 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.

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 opinion, 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 this opinion, 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 received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the qualifying 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 were not entitled to: take advantage of the small companies exemption in preparing the General Partner's Report; and take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.

Thomas Norrie

Thomas Norrie (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
29 April 2020

Statement of Comprehensive Income

for the year ended 31 December 2019

	Note	2019 £	2018 £
Revenue	3	3,778,238	4,146,785
Costs		(2,143,322)	(1,375,937)
Gross profit		1,634,916	2,770,848
(Loss)/Gain on Revaluation of investment properties	7	(8,554,911)	(4,130,906)
Operating Loss		(6,919,995)	(1,360,058)
Finance Costs	6	(1,261,983)	(1,253,340)
Loss before Tax		(8,181,978)	(2,613,398)
Taxation		-	-
Loss for the financial year and total comprehensive expense	11	(8,181,978)	(2,613,398)

Note: Revenue arises from continuing operations.

The notes on pages 12 to 19 are an integral part of the financial statements.

Statement of Financial Position

as at 31 December 2019

	Note	2019 £	2018 £
Non-current assets			
Investment property	7	86,138,210	94,693,121
		86,138,210	94,693,121
Current assets			
Trade Receivables	8	2,074,784	2,437,050
Cash		1,050,220	2,992,409
		3,125,003	5,429,459
Current Liabilities: amounts falling due within one year	9	(2,689,864)	(2,338,318)
Net current assets/(liabilities)		435,139	3,091,141
Total assets less current liabilities		86,573,349	97,784,262
Non-Current Liabilities: amounts falling due after more than one year	10	(43,295,870)	(43,724,806)
		43,277,479	54,059,456
Financed by			
Partners' capital accounts	11	2,930,309	5,530,309
Partners' current accounts	11	40,347,169	48,529,147
Partners' capital		43,277,478	54,059,456

The notes on pages 12 to 19 are an integral part of the financial statements.

The financial statements on pages 8 to 19 were approved by the General Partner, Pembroke Grafton GP Limited and signed on its behalf by:

Director: Sarah Parker

Date: 29 April 2020

Registered number: LP010987

Statement of Changes in Equity

for the year ended 31 December 2019

	Partners' capital accounts	Partners' current accounts	Total Partners' capital
	£	£	£
At 1 January 2018	10,570,309	51,142,545	61,712,854
Loss for the financial year and total comprehensive expense	-	(2,613,398)	(2,613,398)
Capital repayments	(5,040,000)	-	(5,040,000)
At 31 December 2018	5,530,309	48,529,147	54,059,456
Loss for the financial year and total comprehensive expense	-	(8,181,978)	(8,181,978)
Capital repayments	(2,600,000)	-	(2,600,000)
At 31 December 2019	2,930,309	40,347,169	43,277,478

The notes on pages 12 to 19 are an integral part of the financial statements.

Statement of Cash Flows

for the year ended 31 December 2019

	Note	2019	2018
		£	£
Cash flow from operating activities	13(1)	2,463,964	3,467,539
Net cash generated from operating activities		2,463,964	3,467,539
Cash flow from investing activities			
Interest received		-	-
Net cash generated from investing activities		-	-
Cash flow from financing activities			
Interest paid		(1,193,695)	(1,084,574)
Partner capital repaid		(2,600,000)	(5,040,000)
VAT paid		(612,458)	(575,599)
Refinancing of external loan		-	4,263,501
Net cash used in financing activities		(4,406,153)	(2,436,672)
Net (decrease)/increase in cash and cash equivalents		(1,942,189)	1,030,867
Cash and cash equivalents at the beginning of the year		2,992,409	1,961,542
Cash and cash equivalents at the end of the year		1,050,220	2,992,409

The notes on pages 12 to 19 are an integral part of the financial statements.

Notes to the financial statements

for the year ended 31 December 2019

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 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 General Partner has reviewed cash flow forecasts until April 2021 that show net cash inflow from operating activities. The group is projected to have surplus cash reserves. The maturity profile of the existing debt and covenant position and derivatives are further detailed in notes 11 and 12. The expected cash flow generation and existing cash balances provide the General Partner with the view that the group will continue in operation for the foreseeable future and 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

Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. 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 2019 was performed by Pembroke Real Estate LLC, the investment advisor to the Partnership (the "Advisor") using the yield capitalization of discounted cash flow analysis.

This valuation is based upon 10-year cash flows, a discount rate of 3.65% and a capitalisation rate of 3.95%. The valuation of the property is inherently subjective due to factors such as location and expected future rental revenues. Consequently, the valuation of the property is subject to a degree of uncertainty and is made on the basis of assumptions which may not prove to be accurate. The Advisor also commissions an external party annually to perform a valuation; the most recent of which was completed in March 2019 by JLL, an experienced and reputable company.

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.

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 £34,400,00 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 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. As at year end, a debit balance of £174,430 is due greater than 30 days; £153,153 of which is not expected to be recovered and has been provided for as bad debt.

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.

2. Financial risks (continued)

Price risk
The Partnership also incurs price risk in relation to fluctuations in the fair value of its interest rate swap and investment property, both of which are categorised as Level 2 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 yield capitalization method of discounted cash flow analysis. 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) 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) 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.

(All amounts in GBP)	3 months or less	More than 3 months and less than 1 year	More than 1 year	Total
Trade and other receivables	912,011	432,127	670,211	2,014,348
Current liabilities				
Trade and other payables	671,053	-	-	671,053
Payables to group	-	-	-	-
Non-Current liabilities				
Bank Facility Drawdown	-	-	42,624,817	42,624,817
Taxes payable	-	-	-	-
Security Deposits payable	-	-	671,053	671,053

3. Revenue

	2019	2018
	£	£
Rental income	3,285,755	3,872,947
Service charge income	424,258	313,078
Other operating income/ (expense)	68,225	(39,240)
	3,778,238	4,146,785

4. Operating loss

This is stated after charging

	2019	2018
	£	£
- For the statutory audit of the financial statements	23,360	22,248
- For tax services	-	5,000
Total auditors' remuneration	23,360	27,248

The auditors' remuneration fees for audit services were £23,360 for 2019 (£22,248 in 2018). Non-audit fees incurred to the auditors in 2019, in respect of tax compliance services, amounted to nil (£5,000 in 2018).

5. Staff costs

The Partnership had no employees during the year ended 31 December 2019 (2018: none).

6. Finance costs

	2019	2018
	£	£
Finance costs on bank loans	1,193,601	1,155,010
Amortization of loan issue costs	68,382	98,330
	1,261,983	1,253,340

7. Investment property

	2019	2018
	£	£
Valuation as at 1 January	94,693,121	98,787,072
(Loss)/Gain on revaluation	(8,554,911)	(4,130,906)
Additions	-	36,955
Valuation as at 31 December	86,138,210	94,693,121

The Advisors' valuation of the investment property as at 31 December 2019 is £86,138,210. It was valued using the discounted cash flow method of yield capitalization. The historical cost of the investment property is £42.559,872 (2018: £42,559,872).

8. Trade receivables

	2019	2018
	£	£
Amounts owed by group undertakings	219,825	165,629
Tenant deposits	670,211	1,137,174
Trade receivables	940,552	521,641
Prepayments and accrued income	12,685	46,862
Unamortized lease incentives	231,510	565,744
Fair value of interest rate cap	-	-
	2,074,784	2,437,050

9. Current liabilities: amounts falling due within one year

	2019	2018
	£	£
Amounts owed to group undertakings	-	-
Other trade payables	128.251	219.405
Amount owed on mark-to-market of the swap	1.364,235	665.798
Accruals and deferred income	972,886	1.228.527
Interest payable on bank loans	224.492	224.588
Bank loans less issue costs	-	-
	2.689.864	2.338.318

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*
2018				
Bank loans less issue costs			*42,556,435*	
Tenant deposits			*1,168,371*	
2019				
Bank loans less issue costs			*42,624,817*	
Tenant deposits			*671,053*	

	2019	2018
	£	£
Bank loans	43,000,000	43,000,000
Less: issue costs	(375.183)	(443.565)
	42.624,817	42,556.435
Plus: tenant deposits	671,053	1,168.371
	43.295.870	43,724,806

10. Non-current liabilities (continued)

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 2.2% 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 £375,183. 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 2018	5,530,183	126	5,530,309
At 31 December 2019	2,930,183	126	2,930,309

Partners' Current accounts	*Pembroke Grafton Office Sarl*	*Pembroke Grafton GP Limited*	*Total*
	£	£	£
At 1 January 2019	48,526,646	2,501	48,529,147
Loss for the financial year	(8,181,557)	(422)	(8,181,978)
At 31 December 2019	40,345,089	2,079	40,347,169

12. Related parties

In accordance with the Partnership Deed dated 16 February 2006, Pembroke Grafton GP Limited, as General Partner, is entitled to 0.01% of any profits or losses of the Partnership.

In accordance with exemptions available under FRS 102, the Partnership has not disclosed details of certain transactions and balances with group undertakings. Balances at year end held with related parties are however disclosed in notes 9 and 10 of the financial statements.

13. Notes to statement of cash flows

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

	2019	2018
	£	£
Gross Profit	1,634,916	2,770,848
(Increase)/Decrease in amortized lease incentives	334,234	(133,512)
(Increase)/Decrease in trade and other receivables	28,032	199,254
Increase/ (Decrease) in trade and other payables	(231,655)	(12,289)
Loss on mark to market of swap	698,437	643,238
	2,463,964	3,467,539

13. Notes to statement of cash flows (continued)

(2) Analysis of changes in net debt

	At 1 January 2019	Cash flows	Non-cash changes	At 31 December 2019
	£	£	£	£
Cash	2,992,409	(1,942,189)	-	1,050,220
Bank loans	(43,000,000)	-	-	(43,000,000)
Interest Rate Swap MTM	(665,798)	-	(698,437)	(1,364,235)
Total	(40,673,389)	(1,942,189)	(698,437)	(43,314,015)

14. Ultimate parent undertaking and controlling party

The Partnership's ultimate parent undertaking and controlling party is Horizon Real Estate Investors LLC ("Horizon"), established in United States, which indirectly owns the Partnership's general partner, Pembroke Grafton GP Limited (incorporated in the UK), and the Partnership's limited partner, Pembroke Grafton Office Sarl (incorporated in the Duchy of Luxembourg).

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
2019	3,173,729	4,052,371	1,475,667	8,701,767
2018	3,731,798	11,708,016	-	15,439,814

There was no contingent rent recognized as income in 2019; 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

COVID-19

On January 30, 2020, the World Health Organisation declared the coronavirus (COVID-19) to be a public health emergency. There are no comparable recent events which may provide guidance as to the effect of the spread of COVID-19 and a potential pandemic, and, as a result, the ultimate impact of the COVID-19 outbreak or a similar health epidemic is highly uncertain and subject to change. The full extent of potential delays or impacts on our business, our operations or the global economy as a whole is as yet unknown.

At this time, management has paid particular attention to the potential development and letting delays which may impact an investment's value. Further, management evaluated the sensitivity of discount and capitalisation rates and, the most significant principal assumptions underlying management's estimations in determining the impact to the Level 3 fair value of its investment properties.

For the year ended 31 December 2019, an increase in the discount rate and capitalisation rate by 50 basis points would result in a decrease in value of the investments of £10.5m. At this stage, the General Partner does not believe there is a need to alter its existing investment strategy as a result of these economic uncertainties. However, the effects could have a material impact on the operations of the Fund, and the General Partner will continue to monitor the COVID-19 situation closely.

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

	2019 Fair value	Unobservable input	Change in fair value	
			+25bps	+50bps
	£m		£m	£m
Investment property	86.1	Discount Rate & Capitalisation Rate	(5.5)	(10.5)

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

These amounts are not an estimate or a forecast of the impact of COVID19 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.

New tenant

A new tenant has leased a unit in the investment property. It is a 10-year lease, commencing on 13th January 2020.

Registered No: LP010987

Pembroke Grafton Limited Partnership

Report and Financial Statements

For the year ended 31 December 2019

THESE PARTNERSHIP
ACCOUNTS FORM
PART OF THE ACCOUNTS
OF COMPANY
No. 05608498

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
United Kingdom

General partner's report

The General Partner presents its report and financial statements for Pembroke Grafton Limited Partnership ('the Partnership') for the year ended 31 December 2019.

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.

Results

The loss for the financial year amounted to £8,181,978 (2018: £2,613,398). Net assets at year-end amounted to £43,277,479 (2018: £54,059,456).

Future developments

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

Post balance sheet events

COVID-19
A recent outbreak of a respiratory disease caused by novel coronavirus was first detected in China in December 2019 and has now been detected internationally. This coronavirus has resulted in closing borders, enhanced health screenings, healthcare service preparation and delivery, quarantines, cancellations, disruptions to supply chains and customer activity, as well as general concern and uncertainty. The impact of this coronavirus, and other epidemics and pandemics that may arise in the future, could affect the economies of many nations, individual companies and the market in general in ways that cannot necessarily be foreseen at the present time. The impact of the outbreak may be short term or may last for an extended period of time.

New tenant
A new tenant has leased a unit in the investment property. It is a 10-year lease, commencing on 13th January 2020.

Principal risks and uncertainties

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

General partner's report (continued)

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 £34,400,00 i.e. 80% of the loan principal. Cash flows on both the loan and the interest rate swap are paid quarterly.

Price risk
The Partnership also incurs price risk in relation to fluctuations in the fair value of its interest rate swap and investment property, both of which are categorised as Level 2 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 yield capitalization method of discounted cash flow analysis.

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.

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.

General partner's report (continued)

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

Director: Sarah Parker

Date: 29 April 2020

Statement of General Partner's responsibilities

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

Company law as applied to qualifying partnerships by the Partnerships (Accounts) Regulations 2008 (the "Regulations") requires the members to prepare the financial statements for each financial year. Under that law the General Partner has prepared the partnership financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, 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 the General Partner must not approve financial statements unless it is satisfied that they give a true and fair view of the state of affairs of the Partnership and of the profit and loss of the Partnership for that period. In preparing these financial statements, the General Partner is required to:

- Select suitable accounting policies and the apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent;
- 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;
- Notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 102 use in the preparation of financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Partnership will continue in business.

The General Partner is responsible for keeping adequate accounting records that are sufficient to show and explain the Partnership's transactions and disclose with reasonable accuracy at any time the financial position of the Partnership and enable them to ensure that the financial statements comply with the Companies Act 2006 as applied to qualifying partnerships by Regulations. They are 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.

Independent auditors' report to the partners of Pembroke Grafton Limited Partnership

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 qualifying partnership's affairs as at 31 December 2019 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (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: the statement of financial position as at 31 December 2019; the statement of comprehensive income, the statement of cash flows, 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 qualifying 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

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- the general partner's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the general partner has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the qualifying partnership's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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

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.

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 the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require 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 2019 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 qualifying 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, 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 qualifying 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 qualifying 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.

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 opinion, 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 this opinion, 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 received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the qualifying 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 were not entitled to: take advantage of the small companies exemption in preparing the General Partner's Report; and take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.

Thomas Norrie

Thomas Norrie (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
29 April 2020

Statement of Comprehensive Income

for the year ended 31 December 2019

	Note	2019 £	2018 £
Revenue	3	3,778,238	4,146,785
Costs		(2,143,322)	(1,375,937)
Gross profit		1,634,916	2,770,848
(Loss)/Gain on Revaluation of investment properties	7	(8,554,911)	(4,130,906)
Operating Loss		(6,919,995)	(1,360,058)
Finance Costs	6	(1,261,983)	(1,253,340)
Loss before Tax		(8,181,978)	(2,613,398)
Taxation		-	-
Loss for the financial year and total comprehensive expense	11	(8,181,978)	(2,613,398)

Note: Revenue arises from continuing operations.

The notes on pages 12 to 19 are an integral part of the financial statements.

Statement of Financial Position

as at 31 December 2019

	Note	2019 £	2018 £
Non-current assets			
Investment property	7	86,138,210	94,693,121
		86,138,210	94,693,121
Current assets			
Trade Receivables	8	2,074,784	2,437,050
Cash		1,050,220	2,992,409
		3,125,003	5,429,459
Current Liabilities: amounts falling due within one year	9	(2,689,864)	(2,338,318)
Net current assets/(liabilities)		435,139	3,091,141
Total assets less current liabilities		86,573,349	97,784,262
Non-Current Liabilities: amounts falling due after more than one year	10	(43,295,870)	(43,724,806)
		43,277,479	54,059,456
Financed by			
Partners' capital accounts	11	2,930,309	5,530,309
Partners' current accounts	11	40,347,169	48,529,147
Partners' capital		43,277,478	54,059,456

The notes on pages 12 to 19 are an integral part of the financial statements.

The financial statements on pages 8 to 19 were approved by the General Partner, Pembroke Grafton GP Limited and signed on its behalf by:

S. Parker

Director: Sarah Parker

Date: 29 April 2020

Registered number. LP010987

Statement of Changes in Equity

for the year ended 31 December 2019

	Partners' capital accounts £	Partners' current accounts £	Total Partners' capital £
At 1 January 2018	10,570,309	51,142,545	61,712,854
Loss for the financial year and total comprehensive expense	-	(2,613,398)	(2,613,398)
Capital repayments	(5,040,000)	-	(5,040,000)
At 31 December 2018	5,530,309	48,529,147	54,059,456
Loss for the financial year and total comprehensive expense	-	(8,181,978)	(8,181,978)
Capital repayments	(2,600,000)	-	(2,600,000)
At 31 December 2019	2,930,309	40,347,169	43,277,478

The notes on pages 12 to 19 are an integral part of the financial statements.

Statement of Cash Flows

for the year ended 31 December 2019

	Note	2019	2018
		£	£
Cash flow from operating activities	13(1)	2,463,964	3,467,539
Net cash generated from operating activities		2,463,964	3,467,539
Cash flow from investing activities			
Interest received		-	-
Net cash generated from investing activities		-	-
Cash flow from financing activities			
Interest paid		(1,193,695)	(1,084,574)
Partner capital repaid		(2,600,000)	(5,040,000)
VAT paid		(612,458)	(575,599)
Refinancing of external loan		-	4,263,501
Net cash used in financing activities		(4,406,153)	(2,436,672)
Net (decrease)/increase in cash and cash equivalents		(1,942.189)	1,030,867
Cash and cash equivalents at the beginning of the year		2,992,409	1,961,542
Cash and cash equivalents at the end of the year		1,050,220	2,992,409

The notes on pages 12 to 19 are an integral part of the financial statements.

Notes to the financial statements
for the year ended 31 December 2019

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 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 General Partner has reviewed cash flow forecasts until April 2021 that show net cash inflow from operating activities. The group is projected to have surplus cash reserves. The maturity profile of the existing debt and covenant position and derivatives are further detailed in notes 11 and 12. The expected cash flow generation and existing cash balances provide the General Partner with the view that the group will continue in operation for the foreseeable future and 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
Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. 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 2019 was performed by Pembroke Real Estate LLC, the investment advisor to the Partnership (the "Advisor") using the yield capitalization of discounted cash flow analysis.

This valuation is based upon 10-year cash flows, a discount rate of 3.65% and a capitalisation rate of 3.95%. The valuation of the property is inherently subjective due to factors such as location and expected future rental revenues. Consequently, the valuation of the property is subject to a degree of uncertainty and is made on the basis of assumptions which may not prove to be accurate. The Advisor also commissions an external party annually to perform a valuation; the most recent of which was completed in March 2019 by JLL, an experienced and reputable company.

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.

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 £34,400,00 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 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. As at year end, a debit balance of £174,430 is due greater than 30 days; £153,153 of which is not expected to be recovered and has been provided for as bad debt.

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.

2. Financial risks (continued)

Price risk
The Partnership also incurs price risk in relation to fluctuations in the fair value of its interest rate swap and investment property, both of which are categorised as Level 2 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 yield capitalization method of discounted cash flow analysis. 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) 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) 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.

(All amounts in GBP)	3 months or less	More than 3 months and less than 1 year	More than 1 year	Total
Trade and other receivables	912,011	432,127	670,211	2,014,348
Current liabilities				
Trade and other payables	671,053	-	-	671,053
Payables to group	-	-	-	-
Non-Current liabilities				
Bank Facility Drawdown	-	-	42,624,817	42,624,817
Taxes payable	-	-	-	-
Security Deposits payable	-	-	671,053	671,053

3. Revenue

	2019	2018
	£	£
Rental income	3,285,755	3,872,947
Service charge income	424,258	313,078
Other operating income/ (expense)	68,225	(39,240)
	3,778,238	4,146,785

4. Operating loss

This is stated after charging

	2019	2018
	£	£
- For the statutory audit of the financial statements	23,360	22,248
- For tax services	-	5,000
Total auditors' remuneration	23,360	27,248

The auditors' remuneration fees for audit services were £23,360 for 2019 (£22,248 in 2018). Non-audit fees incurred to the auditors in 2019, in respect of tax compliance services, amounted to nil (£5,000 in 2018).

5. Staff costs

The Partnership had no employees during the year ended 31 December 2019 (2018: none).

6. Finance costs

	2019	2018
	£	£
Finance costs on bank loans	1,193,601	1,155,010
Amortization of loan issue costs	68,382	98,330
	1,261,983	1,253,340

7. Investment property

	2019	2018
	£	£
Valuation as at 1 January	94,693,121	98,787,072
(Loss)/Gain on revaluation	(8,554,911)	(4,130,906)
Additions	-	36,955
Valuation as at 31 December	86,138,210	94,693,121

The Advisors' valuation of the investment property as at 31 December 2019 is £86,138,210. It was valued using the discounted cash flow method of yield capitalization. The historical cost of the investment property is £42,559,872 (2018: £42,559,872).

8. Trade receivables

	2019	2018
	£	£
Amounts owed by group undertakings	219,825	165,629
Tenant deposits	670,211	1,137,174
Trade receivables	940,552	521,641
Prepayments and accrued income	12,685	46,862
Unamortized lease incentives	231,510	565,744
Fair value of interest rate cap	-	-
	2,074,784	2,437,050

9. Current liabilities: amounts falling due within one year

	2019	2018
	£	£
Amounts owed to group undertakings	-	-
Other trade payables	128,251	219,405
Amount owed on mark-to-market of the swap	1,364,235	665,798
Accruals and deferred income	972,886	1,228,527
Interest payable on bank loans	224,492	224,588
Bank loans less issue costs	-	-
	2,689,864	2,338,318

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*
2018				
Bank loans less issue costs			*42,556,435*	
Tenant deposits			*1,168,371*	
2019				
Bank loans less issue costs			*42,624,817*	
Tenant deposits			*671,053*	

	2019	2018
	£	£
Bank loans	43,000,000	43,000,000
Less: issue costs	(375,183)	(443,565)
	42,624,817	42,556,435
Plus: tenant deposits	671,053	1,168,371
	43,295,870	43,724,806

10. Non-current liabilities (continued)

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 2.2% 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 £375,183. 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 2018	5,530,183	126	5,530,309
At 31 December 2019	2,930.183	126	2,930,309

Partners' Current accounts	*Pembroke Grafton Office Sarl*	*Pembroke Grafton GP Limited*	*Total*
	£	£	£
At 1 January 2019	48,526,646	2,501	48,529,147
Loss for the financial year	(8,181,557)	(422)	(8,181,978)
At 31 December 2019	40,345,089	2,079	40,347,169

12. Related parties

In accordance with the Partnership Deed dated 16 February 2006, Pembroke Grafton GP Limited, as General Partner, is entitled to 0.01% of any profits or losses of the Partnership.

In accordance with exemptions available under FRS 102, the Partnership has not disclosed details of certain transactions and balances with group undertakings. Balances at year end held with related parties are however disclosed in notes 9 and 10 of the financial statements.

13. Notes to statement of cash flows

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

	2019	2018
	£	£
Gross Profit	1,634,916	2,770,848
(Increase)/Decrease in amortized lease incentives	334,234	(133,512)
(Increase)/Decrease in trade and other receivables	28,032	199.254
Increase/ (Decrease) in trade and other payables	(231,655)	(12,289)
Loss on mark to market of swap	698,437	643,238
	2,463,964	3,467,539

13. Notes to statement of cash flows (continued)

(2) Analysis of changes in net debt

	At 1 January 2019	Cash flows	Non-cash changes	At 31 December 2019
	£	£	£	£
Cash	2,992,409	(1,942,189)	-	1,050,220
Bank loans	(43,000,000)	-	-	(43,000,000)
Interest Rate Swap MTM	(665,798)	-	(698,437)	(1,364,235)
Total	(40,673,389)	(1,942,189)	(698,437)	(43,314,015)

14. Ultimate parent undertaking and controlling party

The Partnership's ultimate parent undertaking and controlling party is Horizon Real Estate Investors LLC ("Horizon"), established in United States, which indirectly owns the Partnership's general partner, Pembroke Grafton GP Limited (incorporated in the UK), and the Partnership's limited partner, Pembroke Grafton Office Sarl (incorporated in the Duchy of Luxembourg).

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
2019	3,173,729	4,052,371	1,475,667	8,701,767
2018	3,731,798	11,708,016	-	15,439,814

There was no contingent rent recognized as income in 2019; 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

COVID-19

On January 30, 2020, the World Health Organisation declared the coronavirus (COVID-19) to be a public health emergency. There are no comparable recent events which may provide guidance as to the effect of the spread of COVID-19 and a potential pandemic, and, as a result, the ultimate impact of the COVID-19 outbreak or a similar health epidemic is highly uncertain and subject to change. The full extent of potential delays or impacts on our business, our operations or the global economy as a whole is as yet unknown.

At this time, management has paid particular attention to the potential development and letting delays which may impact an investment's value. Further, management evaluated the sensitivity of discount and capitalisation rates and, the most significant principal assumptions underlying management's estimations in determining the impact to the Level 3 fair value of its investment properties.

For the year ended 31 December 2019, an increase in the discount rate and capitalisation rate by 50 basis points would result in a decrease in value of the investments of £10.5m. At this stage, the General Partner does not believe there is a need to alter its existing investment strategy as a result of these economic uncertainties. However, the effects could have a material impact on the operations of the Fund, and the General Partner will continue to monitor the COVID-19 situation closely.

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

	2019	Unobservable input	Change in fair value	
	Fair value		+25bps	+50bps
	£m		£m	£m
Investment property	86.1	Discount Rate & Capitalisation Rate	(5.5)	(10.5)

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

These amounts are not an estimate or a forecast of the impact of COVID19 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.

New tenant

A new tenant has leased a unit in the investment property. It is a 10-year lease, commencing on 13th January 2020.