

Registered in England and Wales: No. 07584928

AVIVA INVESTORS GROUND RENT GP  
LIMITED  
ANNUAL REPORT AND FINANCIAL  
STATEMENTS  
31 DECEMBER 2020

21/12/21

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# **AVIVA INVESTORS GROUND RENT GP LIMITED**

Registered in England and Wales: No. 07584928

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## AVIVA INVESTORS GROUND RENT GP LIMITED

Registered in England and Wales: No. 07584928

### DIRECTORS, OFFICERS AND OTHER INFORMATION

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<b>Directors</b>	M Borello C J Urwin A M Coles
<b>Company Secretary</b>	Aviva Company Secretarial Services Limited St Helen's 1 Undershaft London EC3P 3DQ
<b>Registered office</b>	St Helen's 1 Undershaft London EC3P 3DQ
<b>Company Number</b>	Registered in England and Wales: No. 07584928
<b>Independent Auditors</b>	PricewaterhouseCoopers LLP 7 More London Riverside London SE1 2RT
<b>Other Information</b>	Aviva Investors Ground Rent GP Limited (the "Company") is a wholly owned subsidiary of Aviva Investors Real Estate Limited and is a member of the Aviva plc group of companies (the "Aviva Group").

## **AVIVA INVESTORS GROUND RENT GP LIMITED**

Registered in England and Wales: No. 07584928

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2020**

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The Directors present their annual report and audited financial statements for the year ended 31 December 2020.

#### **Directors**

The Directors of the Company who were in office during the year and up to the date of signing the financial statements were as follows:

C J Urwin  
A M Coles (appointed 30 January 2020)  
M Borello (appointed 27 May 2020)  
G P Mills (resigned in 15 December 2020)

#### **Principal activities**

The principal activity of the Company is to act as the General Partner of Aviva Investors REaLM Ground Rent Limited Partnership (the "Partnership") which is engaged in the business of property investment. The Company does not hold any capital investment in the Partnership but is entitled to a priority distribution of 0.01% of the net income available for distribution from the Partnership.

The Directors have reviewed the activities of the Company for the year and the position as at 31 December 2020 and consider them to be satisfactory.

#### **Results**

The loss for the financial year amounted to £13,302 (2019: £14,747).

#### **Future developments**

The Directors expect the level of activity to be maintained in the foreseeable future.

#### **Going concern**

As at 31 December 2020 the Company had net current liabilities of £83,518 (2019: £70,216). The Directors have prepared a going concern assessment which includes cash flow forecasts for a period of 12 months from the date of approval of these financial statements. The cash flow forecasts have been prepared at a group level on both an expected and a worst case scenario and indicate that, even after taking account of a reasonably possible worst case scenario, the Company will have sufficient funds, through support from the Partnership to meet its liabilities as they fall due for that period.

Those forecasts are dependent on the Partnership not seeking repayment of the amounts currently due to them, which at 31 December 2020 amounted to £78,489 (2019: £70,217). The Partnership has indicated that they will not seek repayment of part, or all, of any such intercompany debtor that is due from the Company to the Partnership for a period of a minimum of 12 months from the date of the audit report in these financial statements for the year ended 31 December 2020. In addition, a letter of support has been provided by the Partnership. Accordingly, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and on this basis the Directors have adopted the going concern in preparing these financial statements.

#### **Events after the reporting date**

Events after the reporting period have been evaluated up to the date the audited financial statements were approved and authorised for issue by the members and there are no material events to be disclosed or adjusted for in these financial statements.

## **AVIVA INVESTORS GROUND RENT GP LIMITED**

Registered in England and Wales: No. 07584928

### **DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020**

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#### **Employees**

The Company has no employees (2019: Nil).

#### **Disclosure of information to the Independent Auditors**

Each person who was a Director of the Company on the date that this report was approved, confirms that:

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

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

#### **Independent Auditors**

It is the intention of the Directors to reappoint the independent auditors, PricewaterhouseCoopers LLP, under the deemed appointment rules of Section 487 of the Companies Act 2006.

#### **Qualifying indemnity provisions**

The Directors have the benefit of an indemnity provision contained in the Company's Articles of Association, subject to the conditions set out in the Companies Act 2006. This is a 'qualifying third party indemnity' provision as defined in Section 234 of the Companies Act 2006.

Aviva plc, the Company's ultimate parent, granted, in 2004, an indemnity to the Directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 1985 (which continue to apply in relation to any provision made before 1 October 2007). This indemnity is a 'qualifying third party indemnity' for the purposes of Sections 309A to 309C of the Companies Act 1985. These qualifying third party indemnity provisions remain in force as at the date of approving the Directors' Report by virtue of paragraph 15, Schedule 3 of the Companies Act 2006 (Commencement No. 3, Consequential Amendments, Transitional Provisions and Savings) Order 2007.

## **AVIVA INVESTORS GROUND RENT GP LIMITED**

Registered in England and Wales: No. 07584928

### **DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020**

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#### **Risk and capital management policies**

##### **(a) Approach to risk and capital management**

The Company operates within the governance structure and priority framework of the Aviva Group. The Aviva Group operates within its own governance structure and priority framework. It also has its own established governance framework, with clear terms of reference for the Board and the Aviva Executive Committee and a clear organisation structure, with documented delegated authorities and responsibilities (largely through role profiles). The Aviva Group has an Audit Committee, which includes shareholder representatives.

##### **(b) Management of financial and non-financial risks**

The Company's exposure to different types of risk is limited by the nature of its business as follows:

#### **COVID-19**

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

Post entering into the third lockdown in late December 2020 the Government has put in place a roadmap to ease restrictions which included the roll out of the vaccination plan.

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

#### **Market risk**

The Company's principal exposure to market risk takes the form of property values, which have a direct impact on the value of the Partnership's investments. The management of this risk falls within the mandate of Aviva Investors Global Services Limited, which manages the investments on behalf of the Partnership.

#### **Operational risk**

Operational risk arises as a result of inadequate or failed internal processes, people or systems, or from external events. Details of the Aviva Group's approach to operational risk are set out in the Aviva Group's Risk Management Framework ("RMF") and in the financial statements of Aviva Investors UK Fund Services Limited, which manages and administers the Company's activities.

#### **Liquidity risk**

Liquidity risk is managed by ensuring that there is always sufficient headroom available to meet the working capital requirements of the business. The ongoing costs of the Company are settled by the Partnership.

## AVIVA INVESTORS GROUND RENT GP LIMITED

Registered in England and Wales: No. 07584928

### DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

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#### Statement of Directors' responsibilities in respect of the financial statements

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102"), and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing the financial statements, the Directors are required to:


- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the audited 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.

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

This report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption in section 415A of the Companies Act 2006. A strategic report has not been included in these audited financial statements as the Company qualifies for exemption as a small entity under Section 414B of the Companies Act 2006 relating to small entities.

On behalf of the Board:

DocuSigned by:  
  
73417D26DAE24A3

**Andrew Coles**  
Director

Date: 27/05/2021

# AVIVA INVESTORS GROUND RENT GP LIMITED

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AVIVA INVESTORS GROUND RENT GP LIMITED FOR THE YEAR ENDED 31 DECEMBER 2020

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### Report on the audit of the financial statements

#### Opinion

In our opinion, Aviva Investors Ground Rent GP Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 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 Annual Report and Financial Statements (the "Annual Report"), which comprise the Statement of Financial Position as at 31 December 2020; the Statement of Comprehensive Income and the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

#### Basis for opinion

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

#### Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

#### Conclusions relating to going concern

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

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

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

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

#### Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion on, 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.



# AVIVA INVESTORS GROUND RENT GP LIMITED

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AVIVA INVESTORS GROUND RENT GP LIMITED (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

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

### Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' Report for the year ended 31 December 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements

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

### Responsibilities for the financial statements and the audit

#### Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

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

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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

# AVIVA INVESTORS GROUND RENT GP LIMITED

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AVIVA INVESTORS GROUND RENT GP LIMITED (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

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### Use of this report

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

### Other required reporting

#### Companies Act 2006 exception reporting

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

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' 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 in preparing the Directors' 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 (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
27 May 2021

**AVIVA INVESTORS GROUND RENT GP LIMITED**

Registered in England and Wales: No. 07584928

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2020**


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		<b>1 Jan 2020 to 31 Dec 2020</b>	<b>1 Jan 2019 to 31 Dec 2019</b>
	<b>Note</b>	<b>£</b>	<b>£</b>
<b>Turnover</b>		<b>1,595</b>	1,480
Administrative expenses	5	<b>(14,897)</b>	(16,227)
<b>Loss before taxation</b>		<b>(13,302)</b>	(14,747)
Tax on loss	6	-	-
<b>Loss for the financial year and total comprehensive expense for the financial year</b>		<b>(13,302)</b>	(14,747)

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All amounts reported in the Statement of Comprehensive Income for the years ended 31 December 2020 and 31 December 2019 relate to continuing operations.

The notes on pages 12 to 21 form an integral part of these financial statements.


**AVIVA INVESTORS GROUND RENT GP LIMITED**

Registered in England and Wales: No. 07584928

**STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2020**

	Note	31 Dec 2020 £	31 Dec 2019 £
<b>Current assets</b>			
Debtors: amounts falling due within one year	7	11,062	9,467
<b>Current liabilities</b>			
Creditors: amounts falling due within one year	8	(94,580)	(79,683)
<b>Net current liabilities</b>		<u>(83,518)</u>	<u>(70,216)</u>
<b>Net liabilities</b>		<u>(83,518)</u>	<u>(70,216)</u>
<b>Capital and reserves</b>			
Called up share capital	9	1	1
Profit and loss account		(83,519)	(70,217)
<b>Total Shareholders' deficit</b>		<u>(83,518)</u>	<u>(70,216)</u>

The financial statements on pages 9 to 21 were approved by the Board of Directors on 27/05/2021 and signed on its behalf by

DocuSigned by:  
  
 73417D26DAE24A3

**Andrew Coles**  
Director

The notes on pages 12 to 21 form an integral part of these financial statements.

**AVIVA INVESTORS GROUND RENT GP LIMITED**

Registered in England and Wales: No. 07584928

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2020**


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	Called up share capital	Profit and loss account	Total Shareholders' deficit
	£	£	£
<b>Balance as at 1 January 2019</b>	1	(55,470)	(55,469)
Loss for the financial year and total comprehensive expense for the financial year	-	(14,747)	(14,747)
<b>Balance as at 31 December 2019 and 1 January 2020</b>	1	(70,217)	(70,216)
Loss for the financial year and total comprehensive expense for the financial year	-	(13,302)	(13,302)
<b>Balance as at 31 December 2020</b>	1	(83,519)	(83,518)

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The notes on pages 12 to 21 form an integral part of these financial statements.

## **AVIVA INVESTORS GROUND RENT GP LIMITED**

Registered in England and Wales: No. 07584928

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020**

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

Aviva Investors Ground Rent GP Limited (the "Company") acts as the General Partner of Aviva Investors REaLM Ground Rent Limited Partnership (the "Partnership") which is engaged in the business of property investment.

The Company is registered as a private company limited by its shares and its registered address is St Helen's, 1 Undershaft, London, EC3P 3DQ.

#### **2. Statement of compliance**

The individual financial statements of the Company 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.

#### **3. Accounting policies**

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

##### **3.1 Basis of preparation**

The financial statements have been prepared under the historical cost convention and on a going concern basis.

These financial statements have been presented in pounds sterling as this is the Company's functional currency, being the primary economic environment in which it operates.

##### **3.2 Going concern**

As at 31 December 2020 the Company had net current liabilities of £83,518 (2019: £70,216). The Directors have prepared a going concern assessment which includes cash flow forecasts for a period of 12 months from the date of approval of these financial statements. The cash flow forecasts have been prepared at a group level on both an expected and a worst case scenario and indicate that, even after taking account of a reasonably possible worst case scenario, the Company will have sufficient funds, through support from the Partnership to meet its liabilities as they fall due for that period.

Those forecasts are dependent on the Partnership not seeking repayment of the amounts currently due to them, which at 31 December 2020 amounted to £78,489 (2019: £70,217). The Partnership has indicated that they will not seek repayment of part, or all, of any such intercompany debtor that is due from the Company to the Partnership for a period of a minimum of 12 months from the date of the audit report in these financial statements for the year ended 31 December 2020. In addition, a letter of support has been provided by the Partnership. Accordingly, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and on this basis the Directors have adopted the going concern in preparing these financial statements.

## **AVIVA INVESTORS GROUND RENT GP LIMITED**

Registered in England and Wales: No. 07584928

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020**

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#### **3. Accounting policies (continued)**

##### **3.3 Consolidation exemption**

The Company acts as the General Partner to the Partnership. The Company therefore exercises a dominant influence over the Partnership. The economic interest of the Company in the Partnership is small and restricted and is principally derived in the form of the General Partner share provided for under the terms of the Limited Partnership Agreement. As the Company's influence is fiduciary in nature, the Partnership is not treated as a subsidiary undertaking.

##### **3.4 Strategic report and Directors' report**

A strategic report has not been included in these audited financial statements as the Company qualifies for exemption as a small entity under Section 414B of the Companies Act 2006 relating to small entities. The Directors' report has been prepared with reduced disclosures in accordance with the provisions applicable to companies entitled to the small companies exemption in section 415A of the Companies Act 2006.

##### **3.5 Use of estimates**

The preparation of financial statements requires the Company to make estimates and assumptions that affect items reported in the Statement of Financial Position and Statement of Comprehensive Income and the disclosure of contingent assets and liabilities at the date of the financial statements. Although these estimates are based on management's best knowledge of current facts, circumstances and, to some extent, future events and actions, actual results ultimately may differ from those estimates, possibly significantly.

##### **3.6 Turnover**

Turnover, which excludes value added tax, represents income receivable from the Partnership, recognised on an accruals basis.

##### **3.7 Cash flow statement**

The Company has taken advantage of the exemption from preparing a statement of cash flows, on the basis that it is a qualifying entity under FRS 102 and the Company's cash flows are included in the consolidated statement of cash flows of Aviva plc. The Company intends to continue availing of the above exemption in future periods.

## **AVIVA INVESTORS GROUND RENT GP LIMITED**

Registered in England and Wales: No. 07584928

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020**

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#### **3. Accounting policies (continued)**

##### **3.8 Taxation**

The current tax expense is based on the taxable profits for the year, after any adjustments in respect of prior years. Tax, including tax relief for losses if applicable, is allocated over profits before taxation and amounts charged or credited to reserves as appropriate.

Provision is made for deferred tax liabilities, or credit taken for deferred tax asset, using the liability method, on all material temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

The principal temporary differences arise from the creation of current year tax losses. The rates enacted or substantively enacted at the Statement of Financial Position date are used to determine the deferred tax.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax is provided on temporary differences arising from investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the difference will not reverse in the foreseeable future.

Deferred tax is not provided on revaluations of investments in subsidiaries as under current tax legislation no tax will arise on their disposal.

##### **3.9 Provisions and contingent liabilities**

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Where the Company expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is more probable than not.

Contingent liabilities are disclosed either if there is a possible obligation to transfer economic benefits, or if a present obligation exists where it is not probable that a transfer of economic benefits will be required to settle the obligation or a sufficiently reliable estimate of the amount of the obligation cannot be made.

There were no contingent liabilities or commitments at the Statement of Financial Position date (2019: £Nil).



## **AVIVA INVESTORS GROUND RENT GP LIMITED**

Registered in England and Wales: No. 07584928

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020**

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#### **3. Accounting policies (continued)**

##### **3.10 Financial instruments**

The Company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

##### **(i) Financial assets**

Financial assets are recognised when the Company becomes a party to the contractual provisions of the instrument.

Basic financial assets, including other receivables, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised costs using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the Statement of Comprehensive Income.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in the Statement of Comprehensive Income.

Financial assets that are classified as receivable within one year are measured at the undiscounted amount of the cash or other consideration expected to be received, net of impairment.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

##### **(ii) Financial liabilities**

Financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

Basic financial liabilities are initially measured at transaction price (including transaction costs), except for those financial liabilities classified as at fair value through the Statement of Comprehensive Income, which are initially measured at fair value (which is normally the transaction price excluding transaction costs).

Commitments to make payments which meet the conditions above are measured at cost (which may be nil) less impairment.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

**AVIVA INVESTORS GROUND RENT GP LIMITED**

Registered in England and Wales: No. 07584928

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020****3. Accounting policies (continued)****3.10 Financial instruments (continued)****(iii) Offsetting**

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

**4. Critical accounting judgements and key sources of estimation uncertainty**

The preparation of the Company's financial statements requires the Directors to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the reporting date. The estimates and associated assumptions are based on historical experience, expectations of future events and other factors that are considered to be relevant. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the assets or liabilities affected.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The Directors confirm that no critical accounting judgements and estimates have been made in relation to the 31 December 2020 financial statements.

**5. Administrative expenses**

	1 Jan 2020 to 31 Dec 2020 £	1 Jan 2019 to 31 Dec 2019 £
Fees payable to the auditors for the audit of the Company's financial statements*	4,400	5,287
Administration fees	10,000	10,000
Tax advisory fees	497	940
	<u>14,897</u>	<u>16,227</u>

\*During the year no non-audit fees were paid to statutory auditors (2019: £Nil).

The Directors received no emoluments from the Company for services to the Company for the financial year (2019: £Nil).

The Company had no employees during the financial year (2019: Nil).

**AVIVA INVESTORS GROUND RENT GP LIMITED**

Registered in England and Wales: No. 07584928

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020****6. Tax on loss**

	1 Jan 2020 to 31 Dec 2020 £	1 Jan 2019 to 31 Dec 2019 £
<b>Analysis of tax charge in the year</b>		
UK corporation tax charge on loss for the year	-	-
<b>Tax on loss</b>	-	-
<b>(a) Tax reconciliation</b>		

The tax on the Company's loss before taxation is higher than (2019: higher than) the theoretical amount that would arise using the tax rate in the United Kingdom as follows:

	1 Jan 2020 to 31 Dec 2020 £	1 Jan 2019 to 31 Dec 2019 £
Loss before taxation	(13,302)	(14,747)
Loss before taxation multiplied by standard rate of corporation tax in the UK of 19.00% (2019: 19.00%)	(2,527)	(2,802)
Chargeable gains	-	13
Adjustments to tax charge in respect of prior periods- deferred tax	(17)	-
Deferred tax assets not recognised	2,531	2,744
Non-taxable distribution from Limited Partnership	(304)	(281)
Taxable allocation from Limited Partnership	317	326
<b>Total tax charge for the year</b>	-	-

**(b) Deferred tax**

At 31 December the Company has the following unrecognised deferred tax assets to carry forward indefinitely against future taxable income:

	31 Dec 2020 £	31 Dec 2019 £
Unutilised management expenses	13,229	14,441
Deferred tax rate	19%	17%
<b>Deferred tax asset not recognised</b>	<b>2,514</b>	<b>2,455</b>

**AVIVA INVESTORS GROUND RENT GP LIMITED**

Registered in England and Wales: No. 07584928

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020****6. Tax on loss (continued)****(b) Deferred tax (continued)**

The total outstanding amount of unrecognised deferred tax asset was as follows:

	31 Dec 2020 £	31 Dec 2019 £
Opening balance of unrecognised deferred tax assets	12,173	9,744
Deferred tax losses for the year	2,514	2,455
Adjustments to deferred tax in respect to prior periods	17	(26)
Remeasurement of deferred tax for changes in tax rates	1,433	-
<b>Balance as at 31 December</b>	<b>16,137</b>	<b>12,173</b>

The above deferred tax asset has not been provided for as there is insufficient evidence under FRS 102, Section 29 as to the availability of suitable taxable profits in the foreseeable future.

**(c) Factors affecting current tax charge for the year**

During 2020, the reduction in the UK corporation tax rate that was due to take effect from 1 April 2020 was cancelled and as a result, the rate has remained at 19%. There is no impact on the Company's net assets as a consequence of this amendment.

In the Budget of 3 March 2021 the UK Government announced that the UK corporation tax rate will increase to 25% from 1 April 2023. As of 31 December 2020, this measure had not been substantively enacted and therefore no impact is reflected in the calculation of the Company's deferred tax assets and liabilities as at 31 December 2020. There is no impact on the Company's net assets as a consequence of this amendment.

**7. Debtors: amounts falling due within one year**

	31 Dec 2020 £	31 Dec 2019 £
Amounts owed by Group undertakings	1	1
Amounts owed by Partnership	11,061	9,466
	<b>11,062</b>	<b>9,467</b>

Amounts owed by the Partnership and Group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

**AVIVA INVESTORS GROUND RENT GP LIMITED**

Registered in England and Wales: No. 07584928

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020****8. Creditors: amounts falling due within one year**

	<b>31 Dec 2020</b>	31 Dec 2019
	<b>£</b>	<b>£</b>
Amounts owed to Partnership	<b>89,550</b>	79,683
Accruals	<b>5,030</b>	-
	<b><u>94,580</u></b>	<b><u>79,683</u></b>

Amounts owed to the Partnership are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

**9. Called up share capital**

	<b>31 Dec 2020</b>	31 Dec 2019
	<b>£</b>	<b>£</b>
Allotted, called up and unpaid share capital of the Company:		
- ordinary share of £1 each	<b><u>1</u></b>	<b><u>1</u></b>

**10. Contingent liabilities and capital commitments**

There were no contingent liabilities or commitments at the Statement of Financial Position date (2019: £Nil).

**AVIVA INVESTORS GROUND RENT GP LIMITED**

Registered in England and Wales: No. 07584928

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020****11. Related party transactions**

	2020 Income earned / (expenses incurred) in the year £	2020 Receivable / (payable) at year end £	2019 Income earned / (expenses incurred) in the year £	2019 Receivable / (payable) at year end £
Aviva Investors REaLM Ground Rent Limited Partnership - priority distribution	1,595	7,900	1,480	6,305
Aviva Investors REaLM Ground Rent Limited Partnership - recovered VAT	-	3,161	-	3,161
Aviva Investors REaLM Ground Rent Limited Partnership - administrative fees	(14,897)	(89,550)	(16,227)	(79,683)
Aviva Investors Real Estate Limited - share capital	-	1	-	1
	<u>(13,302)</u>	<u>(78,488)</u>	<u>(14,747)</u>	<u>(70,216)</u>

The Company is entitled to a priority distribution of 0.01% (2019: 0.01%) of the Net Income available for distribution from the Partnership.

During the year distribution income amounting to £1,595 (2019: £1,480) was receivable from the Partnership, £7,900 (2019: £6,305) remained outstanding at the year end.

During the year administration fees of £10,000 (2019: £10,000), audit fees of £4,400 (2019: £5,287) and tax advisory fees of £497 (2019: £940) were paid by the Partnership on behalf of the Company. At the Statement of Financial Position date, the Company owed £94,580 (2019: £79,683) to the Partnership.

The Directors received no emoluments for services to the Partnership for the financial year.

**12. Financial instruments**

The carrying value of the Company's financial assets and liabilities are summarised by category below:

	31 Dec 2020 £	31 Dec 2019 £
<b>Financial assets measured at undiscounted amount:</b>		
Debtors: amounts falling due within one year (Note 7)	<u>11,062</u>	<u>9,467</u>
	<b>31 Dec 2020 £</b>	<b>31 Dec 2019 £</b>
<b>Financial liabilities measured at undiscounted amount:</b>		
Creditors: amounts falling due within one year (see Note 8)	<u>(94,580)</u>	<u>(79,683)</u>

## **AVIVA INVESTORS GROUND RENT GP LIMITED**

Registered in England and Wales: No. 07584928

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020**

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#### **13. Immediate parent and ultimate controlling party**

The Company is owned by Aviva Investors Real Estate Limited.

Aviva Investors Real Estate Limited is a wholly owned subsidiary of Aviva Investors Holdings Limited, whose ultimate controlling entity is Aviva plc.

Aviva plc is the parent undertaking of both the largest and the smallest group of undertakings to consolidate the financial statements at 31 December 2020. The consolidated financial statements of Aviva plc are available on the application to the Group Company Secretary, Aviva plc, St Helen's, 1 Undershaft, London, EC3P 3DQ.

#### **14. Events after the reporting financial year**

Events after the reporting period have been evaluated up to the date the audited financial statements were approved and authorised for issue by the members and there are no material events to be disclosed or adjusted for in these financial statements.

Registered in England & Wales No: LP014415

**AVIVA INVESTORS REaLM GROUND RENT  
LIMITED PARTNERSHIP  
ANNUAL REPORT AND CONSOLIDATED  
FINANCIAL STATEMENTS  
31 DECEMBER 2020**

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# **AVIVA INVESTORS REaLM GROUND RENT LIMITED PARTNERSHIP**

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## **AVIVA INVESTORS REaLM GROUND RENT LIMITED PARTNERSHIP PARTNERS, ADVISERS AND OTHER INFORMATION**

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### **Partners**

#### **Limited Partners**

Aviva Investors REaLM Ground Rent Unit Trust

#### **General Partner**

Aviva Investors Ground Rent GP Limited

St Helen's

1 Undershaft

London

EC3P 3DQ

#### **Fund Manager**

Aviva Investors UK Fund Services Limited

St Helen's

1 Undershaft

London

EC3P 3DQ

#### **Independent Auditors**

PricewaterhouseCoopers LLP

7 More London Riverside

London

SE1 2RT

#### **Bankers**

Royal Bank of Scotland

London City Office

PO Box 412

62/63 Threadneedle Street

London

EC2R 8LA

#### **Registered Office**

St Helen's

1 Undershaft

London

EC3P 3DQ

#### **Registered Number**

Registered in England and Wales: No. LP014415

# **AVIVA INVESTORS REaLM GROUND RENT LIMITED PARTNERSHIP**

## **STRATEGIC REPORT**

### **FOR THE YEAR ENDED 31 DECEMBER 2020**

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The directors of the General Partner (the "Directors") present their strategic report of Aviva Investors REaLM Ground Rent Limited Partnership (the "Partnership") and its subsidiary undertakings (together referred to as the "Group") for the year ended 31 December 2020.

#### **THE PARTNERSHIP**

The Partnership was established on 21 April 2011 and is registered as a limited partnership in England and Wales under the Limited Partnerships Act 1907. The Partnership is governed by Company law, as applied to qualifying partnerships by the Partnerships (Accounts) Regulations 2008. The total commitment of the Partners as at 31 December 2020 is £735,790,000 (31 December 2019: £735,790,000) of which £650,144,921 (31 December 2019: £650,144,921) had been drawn down. As at 31 December 2020, the total commitment undrawn is £85,645,079 (31 December 2019: £85,645,079).

#### **PRINCIPAL ACTIVITIES OF THE PARTNERSHIP**

The Group consists of the Limited Partnership and all its subsidiary undertakings as set out in Note 11.

The principal activity of the Group is to invest, directly or indirectly, in United Kingdom based residential and commercial ground rent assets. This will continue to be the principal activity of the Group for the foreseeable future.

#### **REVIEW OF THE PARTNERSHIP'S BUSINESS**

##### **Objective and strategy**

The Group's objective is to achieve investment returns in excess of 200 basis points per annum above the rate of return generated by long dated index-linked gilts over the long term by investing in residential and commercial ground rent assets in the United Kingdom.

To achieve its objective, the Group has adopted the following strategy for its property portfolio:

- Acquiring (either directly or indirectly) interests in residential and commercial ground rent assets that meet the Group's specific investment criteria and will enhance returns and/or reduce risk; and
- Ensuring the Group's assets are proactively managed so as to maximise returns.

Typically, properties in which the Group has an interest (either directly or indirectly) will have the following characteristics:

- Leases of 75 years or more (more typically more than 99 years), except in London where shorter term leases are typical and where enfranchisement of shorter leases by the leaseholders will include payment of marriage value;
- Ground rents with fixed rents, fixed uplift rents, index linked rents and open market rents (provided upwards only);
- At an appropriate time, assets will be sold to realise the principle and return to the investors;
- The leases will be fully repairing and insuring;
- The assets may be held within corporate structures to avoid the lessees having the right to buy the freehold in the event of sale; and
- The preference will be to align interests with the leaseholders by allowing them to decide who manages the services provided in connection with the service charge to enhance tenant satisfaction.

# AVIVA INVESTORS REaLM GROUND RENT LIMITED PARTNERSHIP

## STRATEGIC REPORT (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2020

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#### REVIEW OF THE PARTNERSHIP'S BUSINESS (CONTINUED)

##### Objective and strategy (continued)

Investments may include investment into completed investment structures and providing forward funding to acquire completed developments (the Group will not take development or construction risk).

The Group will operate within the following investment constraints:

- Group assets shall be denominated in pounds sterling only;
- No single commercial ground rent asset shall exceed £100,000,000 or 20 percent of the gross asset value of the Group once the gross asset value of the Group exceeds £500,000,000.

#### PARTNERSHIP PERFORMANCE

The financial position of the Group at 31 December 2020 is shown in the Consolidated Statement of Financial Position on page 18, with the results shown in the Consolidated Statement of Comprehensive Income on page 17 and the Consolidated Statement of Cash Flows on page 20.

The business review is required to contain financial and where applicable, non-financial key performance indicators ("KPIs"). The General Partner considers that, in line with the activities and objectives of the business, the financial KPIs set out below are those which communicate the performance of the Partnership as a whole. These KPIs comprise of:

	<b>31 December 2020</b>	31 December 2019
Fund total return	<b>1.51%</b>	1.43%
Net asset value (NAV)	<b>£721,935,391</b>	£731,964,569
Market value of assets	<b>£768,395,000</b>	£782,200,000
Number of assets	<b>2,008</b>	1,993

The above KPIs consist of the results of the Partnership and Aviva Investors REaLM Ground Rent Unit Trust, as reported in the Investor Report.

The Fund return reported to the investors was 1.51% (31 December 2019: 1.43%) against a Benchmark return of positive 15.42% (31 December 2019: positive 9.10%). The negative relative return of 13.91% (31 December 2019: 7.67%) was a result of the continued uncertainty created by the proposed regulatory changes announced by the Government which is having a negative impact on pricing within the ground rent market. Counteracting some of the fall in value is positive uplifts and capital appreciation in the commercial ground rent portfolio.

Following the Grenfell Tower fire in June 2017, the Government has established a Building Safety Programme to ensure residents of high rise buildings are safe now and in the future. This includes a range of building safety advice, fire and building safety legislation and funding measures that the business and its professional advisers are implementing in buildings in the portfolio where the business is the responsible entity for this work. Full details of the Fire and Building Safety legislation is awaited as they are progressed through Parliament.

#### CAPITAL MANAGEMENT AND OBJECTIVES

The Group operates as an ungeared fund as there is no external financing.

Capital contributions and advances of £Nil were injected into the Partnership during the year ended 31 December 2020 (31 December 2019: £78,000,000).

## **AVIVA INVESTORS REaLM GROUND RENT LIMITED PARTNERSHIP**

### **STRATEGIC REPORT (CONTINUED)**

### **FOR THE YEAR ENDED 31 DECEMBER 2020**

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#### **PURCHASES AND DISPOSALS**

During 2020 the Partnership completed the acquisition of investments totalling £201,455.

During 2020, the Group and Partnership sold 15 investment properties. The net sale price was £63,105 on which the Group made a loss of £154,945.

#### **EVENTS AFTER THE REPORTING PERIOD**

Events after the reporting period have been evaluated up to the date the audited financial statements were approved and authorised for issue by the General Partner and there are no events to be disclosed or adjusted for in these audited financial statements, except those noted above.

#### **FUTURE DEVELOPMENTS**

The directors have reviewed the activities of the business for the year and the position as at 31 December 2020. A number of major proposals have been announced by the Government for residential ground rents including the abolition of leasehold houses, setting new ground rents to a peppercorn and a review of the enfranchisement process. Progress on the next stages of the reform process were however hampered by the dispersment of Ministry of Housing, Communities and Local Government to other critical COVID19 related tasks. As at the end of the year, the team had reconvened and it is anticipated that further announcements as to reform decisions will be made during 2021. In the meantime uncertainty remains around the final outcome, although a small number of transactions took place which provided some market evidence for valuation purposes. The valuer has reduced their opinion on the value of the residential ground rents to reflect sentiment and uncertainty around future Government actions. Whilst transactional volumes and available evidence has begun to increase, there remains a paucity of comparable transactions and therefore the valuation reflects a greater degree of judgement. The directors have considered the impact as at 31 December 2020 and conclude the fair value of investment properties in the financial statements is not subject to any form of valuation uncertainty clause and is appropriate. The directors have considered the impact as at 31 December 2020 and conclude the fair value of investment properties in the financial statements is not subject to any form of valuation uncertainty clause and is appropriate.

Following the Grenfell Tower fire in June 2017, the Government has established a Building Safety Programme to ensure residents of high rise buildings are safe now and in the future. This includes a range of building safety advice, fire and building safety legislation and funding measures that the business and its professional advisers are implementing in buildings in the portfolio where the business is the responsible entity for this work. Full details of the Fire and Building Safety legislation is awaited as they are progressed through Parliament.

#### **PRINCIPAL RISKS AND UNCERTAINTIES**

The key risks arising in the Group are market, interest rate, credit, operational and liquidity risks which are discussed in more detail below.

#### **The Aviva Group's approach to risk and capital management**

Aviva plc and subsidiaries ("Aviva Group") operates within its own governance structure and priority framework. It also has its own established governance framework, with clear terms of reference for the Board and the Aviva Executive Committee and a clear organisation structure, with documented delegated authorities and responsibilities (largely through role profiles). Aviva has an Audit Committee, which includes shareholder representatives.

# **AVIVA INVESTORS REaLM GROUND RENT LIMITED PARTNERSHIP**

## **STRATEGIC REPORT (CONTINUED)**

### **FOR THE YEAR ENDED 31 DECEMBER 2020**

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#### **PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)**

##### **Management of financial and non-financial risks**

The Group's exposure to different types of risk is limited by the nature of its business as follows:

##### **COVID-19**

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

Post entering into the third lockdown in late December 2020 the Government has put in place a roadmap to ease restrictions which included the roll out of the vaccination plan.

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

##### **Market risk**

The Group's exposure to market risk takes the form of property valuations, which have a direct impact on the value of investments. Market risk is managed by ongoing proactive asset management. Whilst the property valuations reflect the external valuer's assessment at the valuation date. Management have provided for certain judgements in considering any future uncertainty in the real estate market and as such a range of valuation sensitivities have been provided for under the Investment Property Note 10. A number of major proposals have been announced by the Government for residential ground rents including the abolition of leasehold houses, setting new ground rents to a peppercorn and a review of the enfranchisement process. As we are now in a period of uncertainty in relation to many factors that impact on the residential ground rent investment market, the valuer has reduced their opinion on the value of the residential ground rents to reflect sentiment and uncertainty around future Government actions. Whilst transactional volumes and available evidence has begun to increase, there remains a paucity of comparable transactions and therefore the valuation reflects a greater degree of judgement.

##### **Interest rate risk**

The Group's principal exposure to interest rate risk comes from its loan borrowings from the RBC cees Trustee Limited in its capacity as a Trustee of the Unit Trust. However, the General Partner believes that there is minimal interest rate risk as the loan borrowings are with a related party and that the borrowings are accordingly managed on a Group basis, additionally, the loan borrowings are issued at fixed rates.

# AVIVA INVESTORS REaLM GROUND RENT LIMITED PARTNERSHIP

## STRATEGIC REPORT (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2020

#### PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

##### Management of financial and non-financial risks

##### Interest rate risk (continued)

The table below sets out the carrying amounts, by maturity, of the Group's financial instruments.

	Effective interest rate %	Less than 1 year £	1-5 years £	More than 5 years £	Total £
<b>As at 31 December 2020</b>					
<b>Floating rate</b>					
Cash at bank and in hand	0.10	42,893,899	-	-	42,893,899
<b>Fixed rate</b>					
Related party borrowings	5.94	63,025,489	-	-	63,025,489
Related party borrowings	4.94	5,289,098	-	-	5,289,098
Related party borrowings	4.44	5,567,979	-	-	5,567,979
		73,882,566	-	-	73,882,566
<b>As at 31 December 2019</b>					
<b>Floating rate</b>					
Cash at bank and in hand	0.75	39,169,365	-	-	39,169,365
<b>Fixed rate</b>					
Related party borrowings	5.94	63,025,489	-	-	63,025,489
Related party borrowings	4.94	5,289,098	-	-	5,289,098
Related party borrowings	4.44	5,567,979	-	-	5,567,979
		73,882,566	-	-	73,882,566

At 31 December 2020, if interest rates on borrowings had been 10 basis points higher/lower with all other variables held constant, the calculated post-tax profit for the year would have been £30,989 (31 December 2019: £73,883) lower/higher.

##### Credit risk

The Group does not have a significant exposure to credit risk as receivables are mainly short-term trading items. The Partnership's investments are managed by agents who have responsibility for the prompt collection of amounts due.

The Group manages this risk of tenant default by ensuring that a dedicated credit control team is engaged in collecting the advance quarterly rent from tenants as soon as it falls due. There is no significant concentration of credit risk with respect to tenants; the two biggest tenants represent 15.35% of the Group's rental income for the year to 31 December 2020 (31 December 2019: 21.28%) and the receivable balances outstanding in relation to the two biggest tenants at 31 December 2020 was £15,277 (31 December 2019: £2,897). Due to the impact of COVID-19 on tenants in the commercial sector the Partnership has taken the prudent approach of providing against any outstanding rental arrears, as detailed in the footnote below Note 12.

Loan commitments are made under the Limited Partnership Agreement ("LPA") that is signed by all parties so that the member of the Partnership is aware of their commitment. The General Partner communicates regularly with the member of the Partnership to make them aware of likely future capital requirements and provide explanations for investment performance to manage the risk of default.

# AVIVA INVESTORS REaLM GROUND RENT LIMITED PARTNERSHIP

## STRATEGIC REPORT (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2020

#### PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

##### Management of financial and non-financial risks (continued)

##### Credit risk (continued)

Cash at bank and in hand is held with a financial institution with good credit ratings.

##### Operational risk

Operational risk arises as a result of inadequate or failed internal processes, people or systems; or from external events. Details of the Aviva Group approach to operational risk are set out in the financial statements of Aviva Investors UK Fund Services Limited, which manages and administers the Partnership's investments.

##### Liquidity risk

The Group does not have a significant exposure to liquidity risk. Liquidity risk is managed by ensuring that there is always sufficient headroom available to meet the working capital requirements of the business. The General Partner monitors the maturity of the Partnership's obligations as and when they fall due.

The maturity analysis of the Group's assets and liabilities as at 31 December 2020 was as follows:

	On demand £	1-3 months £	4-12 months £	More than 12 months £	Total £
<b>Assets</b>					
Service charges - insurance	5,112,612	-	-	-	5,112,612
Trade debtors*	1,942,703	-	-	-	1,942,703
Amounts owed by General Partner	89,552	-	-	-	89,552
VAT receivable	287,912	-	-	-	287,912
Other receivables	7,060,858	-	-	-	7,060,858
Cash at bank and in hand	42,893,899	-	-	-	42,893,899
	<u>57,387,536</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>57,387,536</u>
<b>Liabilities</b>					
Loan interest payable	1,068,862	-	-	-	1,068,862
Distributions to Limited Partner	4,235,225	-	-	-	4,235,225
Trade creditors	5,098,260	-	-	-	5,098,260
Distributions to General Partner	7,901	-	-	-	7,901
Accruals	1,376,351	-	-	-	1,376,351
Corporation tax payable	220,533	-	-	-	220,533
VAT payable	1,057,402	-	-	-	1,057,402
Related party borrowings	73,882,566	-	-	-	73,882,566
	<u>86,947,100</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>86,947,100</u>

\*The Trade Debtors balance includes provision for bad debt of £57,876.



# AVIVA INVESTORS REaLM GROUND RENT LIMITED PARTNERSHIP

## STRATEGIC REPORT (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2020

#### PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

#### Management of financial and non-financial risks (continued)

#### Liquidity risk (continued)

The maturity analysis of the Group's assets and liabilities as at 31 December 2019 was as follows:

	On demand £	1-3 months £	4-12 months £	More than 12 months £	Total £
<b>Assets</b>					
Service charges - insurance	4,770,343	-	-	-	4,770,343
Trade debtors	1,047,146	-	-	-	1,047,146
Amounts owed by General Partner	79,542	-	-	-	79,542
Corporation tax receivable	102,320	-	-	-	102,320
Project costs	49,236	-	-	-	49,236
VAT receivable	27,074	-	-	-	27,074
Other receivables	7,333,631	-	-	-	7,333,631
Cash at bank and in hand	39,169,365	-	-	-	39,169,365
	<u>52,578,657</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>52,578,657</u>
<b>Liabilities</b>					
Loan interest payable	1,071,791	-	-	-	1,071,791
Distributions to Limited Partner	3,621,019	-	-	-	3,621,019
Trade creditors	4,851,315	-	-	-	4,851,315
Distributions to General Partner	6,306	-	-	-	6,306
Accruals	3,102,215	-	-	-	3,102,215
VAT payable	206,913	-	-	-	206,913
Related party borrowings	73,882,566	-	-	-	73,882,566
	<u>86,742,125</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>86,742,125</u>

## **AVIVA INVESTORS REaLM GROUND RENT LIMITED PARTNERSHIP**

### **STRATEGIC REPORT (CONTINUED)**

### **FOR THE YEAR ENDED 31 DECEMBER 2020**

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#### **EMPLOYEES**

The Group has no employees (31 December 2019: Nil). The key management personnel have been identified as the Directors of Aviva Investors Ground Rent GP Limited. The Directors received no remuneration (31 December 2019: £Nil).

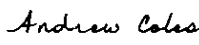
#### **ENVIRONMENTAL**

Our duty as long-term stewards of our clients' assets is the responsible allocation and management of capital. We do this to create stable income and capital growth for our clients, contributing to long-term value creation. To create and protect value, we must balance the needs of our clients with the needs of our stakeholders: customers, partners, communities and wider society. We do this by understanding material environmental, social and governance (ESG) factors and sustainability risks that can impact investment returns and assessing investments for their potential to adversely impact our stakeholders.

Governance and oversight of our responsible investment activity is led by our real assets stewardship forum, which is chaired by the chief investment officer and has membership from our senior leadership team as well as the chief responsible investment officer. The stewardship forum oversees the direction of our ESG and stewardship activities, as well as the delivery of our sustainability goals and external stakeholder matters. Our real assets investment oversight committee retains oversight of ESG integration in our investment activities and is supported by our origination forum, which guides ESG integration in our investment strategy.

We encourage a culture of team and individual accountability through integrating ESG in asset planning and review meetings. Our reporting on ESG metrics through these meetings allows us to hold our teams to account for delivering our responsible investment goals. The integration of ESG factors in investment decisions is part of the pay criteria of our main investment desk heads. In addition, through our global reward framework, all investment employees are expected to support our responsible investment activities and integrate ESG issues into their investment processes.

For and on behalf of the Partnership.

DocuSigned by:  
  
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**Andrew Coles**

Director of Aviva Investors Ground Rent GP Limited

**Date:** 23/04/2021

# AVIVA INVESTORS REaLM GROUND RENT LIMITED PARTNERSHIP

## GENERAL PARTNER'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

The Directors of the General Partner present their annual report and the audited financial statements of the Group and the Partnership for the year ended 31 December 2020.

### RESULTS AND DISTRIBUTIONS

The total comprehensive expense for the Group for the year 2020 was £10,029,178 (31 December 2019: expense of £10,804,089). Distributions to the Partners for the year 2020 were £15,946,250 (31 December 2019: £14,805,662).

### DIRECTORS

The current Directors of Aviva Investors Ground Rent GP Limited and those in office throughout the year, except as noted, are as follows:

M Borello (appointed 27 May 2020)  
A M Coles (appointed 30 January 2020)  
G P Mills (resigned 15 December 2020)  
C J Urwin

### EVENTS AFTER THE REPORTING PERIOD

Events after the reporting period are set out in the Strategic Report.

### PARTNERS' ACCOUNTS

Partners' accounts consist of capital contributions and non interest bearing advances. The Partnership has classified the Partners' accounts as a financial liability based on the contractual arrangements within the LPA which require repayment of the net assets/liabilities upon winding up of the Partnership.

The Partners' accounts include capital contributions and Partners' advances as follows:

#### As at 31 December 2020

	Capital Contributions £	Capital Advance £
Aviva Investors REaLM Ground Rent Unit Trust	10	650,144,911
Aviva Investors Ground Rent GP Limited	-	-
Total	10	650,144,911

#### As at 31 December 2019

	Capital Contributions £	Capital Advance £
Aviva Investors REaLM Ground Rent Unit Trust	10	650,144,911
Aviva Investors Ground Rent GP Limited	-	-
Total	10	650,144,911

## **AVIVA INVESTORS REaLM GROUND RENT LIMITED PARTNERSHIP**

### **GENERAL PARTNER'S REPORT (CONTINUED)**

### **FOR THE YEAR ENDED 31 DECEMBER 2020**

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#### **AMOUNTS ATTRIBUTABLE TO GENERAL PARTNER**

The General Partner is entitled to a priority profit share in accordance with the LPA for its services as General Partner.

The General Partner's allocations are expensed through the Consolidated and the Partnership Statement of Comprehensive Income.

The General Partner's priority profit share entitlement for the year was £1,595 (31 December 2019: £1,480).

#### **GOING CONCERN**

As at 31 December 2020 the Group had net current liabilities of £39,089,338 (31 December 2019: £43,108,708). The directors have prepared a going concern assessment which includes cash flow forecasts for a period of 12 months from the date of approval of these financial statements. The cash flow forecasts have been prepared on both an expected and a worst case scenario and indicate that, even after taking account of a reasonably possible worst case scenario, the Group will have sufficient funds, through support from its investors to meet its liabilities as they fall due for that period.

Those forecasts are dependent on Aviva Investors REaLM Ground Rent Unit Trust (the "Unit Trust") not seeking repayment of the amounts currently due to them, which at 31 December 2020 amounted to £73,882,566. The Unit Trust has indicated that they will not seek repayment of part, or all, of any such intercompany debtor that is due from the Group to the Unit Trust for a period of a minimum of 12 months from the date of the audit report in these financial statements for the year ended 31 December 2020.

The General Partner has reviewed the current and projected financial position of the Group, making reasonable assumptions about future trading performance including the potential ongoing impact of COVID-19 on that performance. Whilst it is not possible to fully assess the impact on specific industries or their constituents at this stage, the General Partner believes the Group has a strong balance sheet and the right strategy in place. Accordingly, the General Partner has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and on this basis the General Partner has adopted the going concern in preparing these financial statements.

#### **FINANCIAL INSTRUMENTS**

The business of the Group and the Partnership includes use of financial instruments. Details of the Group's and the Partnership's risk management objectives and policies, and exposures to market risk, interest rate risk, credit risk, operational risk and liquidity risk relating to financial instruments are set out on pages 4 to 8 and Note 20 of the financial statements.

#### **INDEPENDENT AUDITORS**

PricewaterhouseCoopers LLP ("PwC") have indicated their willingness to continue in office and a resolution to consider their appointment will be proposed at the board meeting of the General Partner.

# **AVIVA INVESTORS REaLM GROUND RENT LIMITED PARTNERSHIP**

## **GENERAL PARTNER'S REPORT (CONTINUED)**

### **FOR THE YEAR ENDED 31 DECEMBER 2020**

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#### **DISCLOSURE OF INFORMATION TO THE INDEPENDENT AUDITORS**

Each person who was a Director of the General Partner on the date that this report was approved confirms that:

- so far as the Director is aware, there is no relevant audit information, being information needed by the auditors in connection with preparing their report, of which the Partnership's auditors are unaware; and
- the Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Partnership's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

#### **STATEMENT OF GENERAL PARTNER'S RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS**

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

Company law, as applied to qualifying partnerships by the Partnerships (Accounts) Regulations 2008 (the "Regulations"), requires the General Partner to prepare financial statements for each financial year. Under that law the General Partner has prepared the Group and 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, a General Partner must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and partnership and of the profit or loss of the Group and Partnership for that period. In preparing the financial statements, the general partner is required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and qualifying partnership will continue in business.

The General Partner is also responsible for safeguarding the assets of the Group and Partnership and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

For and on behalf of the Partnership:

DocuSigned by:  
  
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**Andrew Coles**  
Director of Aviva Investors Ground Rent GP Limited

**Date:** 23/04/2021

# AVIVA INVESTORS REaLM GROUND RENT LIMITED PARTNERSHIP

## INDEPENDENT AUDITOR'S REPORT TO THE PARTNERS OF AVIVA INVESTORS REaLM GROUND RENT LIMITED PARTNERSHIP FOR THE YEAR ENDED 31 DECEMBER 2020

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### Report on the audit of the financial statements

#### Opinion

In our opinion, Aviva Investors REaLM Ground Rent Limited Partnership's group financial statements and partnership financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the partnership's affairs as at 31 December 2020 and of the group's and partnership's loss and the group's and partnership's 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 Annual Report and Consolidated Financial Statements (the "Annual Report"), which comprise: the Consolidated and Partnership Statements of Financial Position as at 31 December 2020; the Consolidated and Partnership Statements of Comprehensive Income, the Consolidated and Partnership Statements of Cash Flows and the Consolidated and Partnership Statements of Changes in Net Assets Attributable to Partners 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 group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

#### Conclusions relating to going concern

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

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

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

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

#### Reporting on other information

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

# **AVIVA INVESTORS REaLM GROUND RENT LIMITED PARTNERSHIP**

## **INDEPENDENT AUDITOR'S REPORT TO THE PARTNERS OF AVIVA INVESTORS REaLM GROUND RENT LIMITED PARTNERSHIP (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020**

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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 Strategic report and General Partner's Report, we also considered whether the disclosures required by the UK Companies Act 2006 as applied to qualifying partnerships have been included.

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

### **Strategic report and General Partner's Report**

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and General Partner's Report for the year ended 31 December 2020 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 group and partnership and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and General Partner's Report

## **Responsibilities for the financial statements and the audit**

### **Responsibilities of the general partner for the financial statements**

As explained more fully in the Statement of General Partner's Responsibilities in Respect of the Financial Statements, the general partner is responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The general partner is also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the general partner is responsible for assessing the group's and the partnership's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the general partner either intends to liquidate the group or the partnership or to cease operations, or has no realistic alternative but to do so

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

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

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

# **AVIVA INVESTORS REaLM GROUND RENT LIMITED PARTNERSHIP**

## **INDEPENDENT AUDITOR'S REPORT TO THE PARTNERS OF AVIVA INVESTORS REaLM GROUND RENT LIMITED PARTNERSHIP (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020**

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Based on our understanding of the group and industry, we considered the principal risks of non-compliance with laws and regulations including those that have a direct impact on the preparation of the financial statements such as the Companies Act 2006 as applied to qualifying partnerships by the Partnerships (Accounts) Regulations 2008, and the extent to which non-compliance might have a material effect on the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to revenue and management bias in accounting estimates and judgemental areas of the financial statements such as valuation of investment property. Audit procedures performed included:

Discussions with management, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;

- Reviewing relevant Board meeting minutes;
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations, entries posted containing unusual account descriptions, and entries posted with unusual amounts;
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing; and
- Challenging assumptions and judgements made by management in their significant accounting estimates in relation to the fair value of investment property including involving our valuations experts in the audit of this area

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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

### **Use of this report**

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



# AVIVA INVESTORS REaLM GROUND RENT LIMITED PARTNERSHIP

## INDEPENDENT AUDITOR'S REPORT TO THE PARTNERS OF AVIVA INVESTORS REaLM GROUND RENT LIMITED PARTNERSHIP (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

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### Other required reporting

#### Companies Act 2006 exception reporting

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

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

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

23 April 2021

**AVIVA INVESTORS REaLM GROUND RENT LIMITED PARTNERSHIP****CONSOLIDATED AND PARTNERSHIP STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2020**

		<b>Group</b> <b>1 Jan 20</b> <b>to</b> <b>31 Dec 20</b> <b>£</b>	<b>Group</b> <b>1 Jan 19</b> <b>to</b> <b>31 Dec 19</b> <b>£</b>	<b>Partnership</b> <b>1 Jan 20</b> <b>to</b> <b>31 Dec 20</b> <b>£</b>	<b>Partnership</b> <b>1 Jan 19</b> <b>to</b> <b>31 Dec 19</b> <b>£</b>
	<b>Note</b>				
Turnover	5	<b>26,051,861</b>	25,749,943	<b>21,386,979</b>	21,226,505
<b>Gross profit</b>		<b>26,051,861</b>	25,749,943	<b>21,386,979</b>	21,226,505
Administrative expenses	6	<b>(5,619,159)</b>	(6,215,037)	<b>(5,095,546)</b>	(5,780,087)
Change in fair value of investment properties	10	<b>(9,276,548)</b>	(13,099,567)	<b>(6,281,548)</b>	(8,974,523)
(Loss)/gain on disposal of investment properties	10	<b>(154,945)</b>	1,087,001	<b>(154,945)</b>	705,953
<b>Operating profit</b>		<b>11,001,209</b>	7,522,340	<b>9,854,940</b>	7,177,848
Finance income		<b>186,584</b>	137,360	<b>179,788</b>	126,783
Finance costs - interest payable	7	<b>(4,252,214)</b>	(4,252,214)	-	-
Finance costs - distributions	8	<b>(15,946,250)</b>	(14,805,662)	<b>(15,946,250)</b>	(14,805,662)
<b>Loss before taxation</b>		<b>(9,010,671)</b>	(11,398,176)	<b>(5,911,522)</b>	(7,501,031)
Tax (expense)/credit	9	<b>(1,018,507)</b>	594,087	-	-
<b>Total comprehensive expense for the year</b>		<b>(10,029,178)</b>	(10,804,089)	<b>(5,911,522)</b>	(7,501,031)

**Continuing operations**

All amounts reported in the Consolidated and Partnership Statements of Comprehensive Income for the years ended 31 December 2020 and 31 December 2019 relate to continuing operations.

The notes on pages 21 to 43 form an integral part of these financial statements.

**AVIVA INVESTORS REaLM GROUND RENT LIMITED PARTNERSHIP**  
**CONSOLIDATED AND PARTNERSHIP STATEMENTS OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2020**

		Group 31 Dec 20 £	Group 31 Dec 19 £	Partnership 31 Dec 20 £	Partnership 31 Dec 19 £
	<b>Note</b>				
<b>Fixed assets</b>					
Investment properties	10	<b>768,395,000</b>	782,200,000	<b>640,083,000</b>	650,893,000
Investments in subsidiaries	11	-	-	<b>25,124,600</b>	25,124,600
		<b>768,395,000</b>	782,200,000	<b>665,207,600</b>	676,017,600
<b>Current assets</b>					
Debtors: amounts falling due within one year	12	<b>14,548,768</b>	13,417,068	<b>14,222,899</b>	12,352,317
Cash at bank and in hand	13	<b>42,893,899</b>	39,169,365	<b>39,659,667</b>	35,720,825
		<b>57,442,667</b>	52,586,433	<b>53,882,566</b>	48,073,142
<b>Current liabilities</b>					
Creditors: amounts falling due within one year	14	<b>(22,649,439)</b>	(21,812,575)	<b>(16,222,893)</b>	(15,311,947)
Related party borrowings	15	<b>(73,882,566)</b>	(73,882,566)	-	-
<b>Net current (liabilities)/assets</b>		<b>(39,089,338)</b>	(43,108,708)	<b>37,659,673</b>	32,761,195
Deferred tax	9	<b>(7,370,271)</b>	(7,126,723)	-	-
<b>Net assets attributable to Partners</b>		<b>721,935,391</b>	731,964,569	<b>702,867,273</b>	708,778,795

These audited financial statements were approved and authorised for issue by the Board of Directors of Aviva Investors Ground Rent GP Limited, the General Partner on 23/04/2021 and were signed on its behalf by:

DocuSigned by:

*Andrew Coles*

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Andrew Coles

Director of Aviva Investors Ground Rent GP Limited

Registered in England and Wales No: LP014415

The notes on pages 21 to 43 form an integral part of these financial statements.

**AVIVA INVESTORS REaLM GROUND RENT LIMITED PARTNERSHIP**  
**CONSOLIDATED AND PARTNERSHIP STATEMENTS OF CHANGES IN NET ASSETS**  
**ATTRIBUTABLE TO PARTNERS**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

**Consolidated**

	Proceeds from Partners £	Profit and loss account £	Total £
<b>Balance at 1 January 2019</b>	572,144,921	92,623,737	664,768,658
Total comprehensive expense for the year	-	(10,804,089)	(10,804,089)
Partners' loan advances received during the year	78,000,000	-	78,000,000
<b>Balance at 31 December 2019</b>	<b>650,144,921</b>	<b>81,819,648</b>	<b>731,964,569</b>
Total comprehensive expense for the year	-	(10,029,178)	(10,029,178)
<b>Balance at 31 December 2020</b>	<b>650,144,921</b>	<b>71,790,470</b>	<b>721,935,391</b>

**Partnership**

	Proceeds from Partners £	Profit and loss account £	Total £
<b>Balance at 1 January 2019</b>	572,144,921	66,134,905	638,279,826
Total comprehensive expense for the year	-	(7,501,031)	(7,501,031)
Partners' loan advances received during the year	78,000,000	-	78,000,000
<b>Balance at 31 December 2019</b>	<b>650,144,921</b>	<b>58,633,874</b>	<b>708,778,795</b>
Total comprehensive expense for the year	-	(5,911,522)	(5,911,522)
<b>Balance at 31 December 2020</b>	<b>650,144,921</b>	<b>52,722,352</b>	<b>702,867,273</b>

The notes on pages 21 to 43 form an integral part of these financial statements.

**AVIVA INVESTORS REaLM GROUND RENT LIMITED PARTNERSHIP**  
**CONSOLIDATED AND PARTNERSHIP STATEMENTS OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

	Group 1 Jan 20 to 31 Dec 20 £	Group 1 Jan 19 to 31 Dec 19 £	Partnership 1 Jan 20 to 31 Dec 20 £	Partnership 1 Jan 19 to 31 Dec 19 £
<b>Cash flows from operating activities</b>				
Operating profit	11,001,209	7,522,340	9,854,940	7,177,848
<b>Adjustments for:</b>				
Change in fair value of investment properties	9,276,548	13,099,567	6,281,548	8,974,523
Gain/(loss) on disposal of investment properties	154,945	(1,087,001)	154,945	(705,953)
(Increase)/decrease in debtors	(1,234,020)	(376,111)	(1,870,582)	1,520,668
Increase in creditors	3,459	3,602,102	1,526,747	3,148,592
Tax paid	(452,106)	(536,687)	-	-
	<b>18,750,035</b>	<b>22,224,210</b>	<b>15,947,598</b>	<b>20,115,678</b>
<b>Cash flows from investing activities</b>				
Purchase of investment properties	(201,455)	(117,645,985)	(201,455)	(117,645,985)
Proceeds from disposal of investment properties	(63,105)	16,670,779	(63,105)	13,946,775
Capital expenditure	(839,056)	-	(839,056)	-
Refund of deposits for investment properties	5,477,123	-	5,477,123	-
Finance income	186,584	137,360	179,788	126,783
	<b>4,560,091</b>	<b>(100,837,846)</b>	<b>4,553,295</b>	<b>(103,572,427)</b>
<b>Cash flows from financing activities</b>				
Proceeds from Partners	-	78,000,000	-	78,000,000
Payment of finance costs - distributions	(15,330,449)	(15,254,861)	(16,562,051)	(15,254,861)
Finance costs	(4,255,143)	(4,290,572)	-	-
	<b>(19,585,592)</b>	<b>58,454,567</b>	<b>(16,562,051)</b>	<b>62,745,139</b>
<b>Net increase/(decrease) in cash at bank and in hand</b>	<b>3,724,534</b>	<b>(20,159,069)</b>	<b>3,938,842</b>	<b>(20,711,610)</b>
<b>Cash at bank and in hand at beginning of year</b>	<b>39,169,365</b>	<b>59,328,434</b>	<b>35,720,825</b>	<b>56,432,435</b>
<b>Cash at bank and in hand at end of year</b>	<b>42,893,899</b>	<b>39,169,365</b>	<b>39,659,667</b>	<b>35,720,825</b>

The notes on pages 21 to 43 form an integral part of these financial statements.

# **AVIVA INVESTORS REaLM GROUND RENT LIMITED PARTNERSHIP**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED 31 DECEMBER 2020**

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#### **1. General Information**

Aviva Investors REaLM Ground Rent Limited Partnership (the "Partnership") and its subsidiaries (together the "Group") invest, directly or indirectly, in the United Kingdom based residential and commercial ground rent assets. This will continue to be the principal activity of the Partnership for the foreseeable future.

The Partnership is registered as a limited partnership in England and Wales under the Limited Partnerships Act 1907 and its registered address is St Helen's, 1 Undershaft, London, EC3P 3DQ. The Partnership is governed by Company law, as applied to qualifying partnerships by the Partnerships (Accounts) Regulations 2008.

#### **2. Statement of compliance**

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

#### **3. Accounting policies**

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

##### **3.1 Basis of preparation**

These consolidated and separate financial statements are prepared on a going concern basis, under the historical cost convention, as modified by the recognition of investment properties at fair value through profit and loss.

The functional currency of the Group and the Partnership is considered to be pounds sterling because that is the currency of the primary economic environment in which the Group and the Partnership operate. The consolidated financial statements are also presented in pounds sterling.

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group and the Partnership accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

##### **3.2 Basis of consolidation**

The consolidated financial statements comprise the financial statements of the Partnership and its Group undertakings, as at 31 December 2020. The financial statements of the Group undertakings are prepared for the same reporting period as the parent company, using consistent accounting policies. The results of the subsidiaries acquired are consolidated for the period from or to the date on which control passed. All intra-group balances, transactions, income and expenses with subsidiaries are eliminated on consolidation.

Investments in Group undertakings have been included in the Partnership financial statements at cost less accumulated impairment losses.

# AVIVA INVESTORS REaLM GROUND RENT LIMITED PARTNERSHIP

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2020

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### 3. Accounting policies (continued)

#### 3.3 Going concern basis

As at 31 December 2020 the Group had net current liabilities of £39,089,338 (31 December 2019: £43,108,708). The directors have prepared a going concern assessment which includes cash flow forecasts for a period of 12 months from the date of approval of these financial statements. The cash flow forecasts have been prepared on both an expected and a worst case scenario and indicate that, even after taking account of a reasonably possible worst case scenario, the Group will have sufficient funds, through support from its investors to meet its liabilities as they fall due for that period.

Those forecasts are dependent on Aviva Investors REaLM Ground Rent Unit Trust (the "Unit Trust") not seeking repayment of the amounts currently due to them, which at 31 December 2020 amounted to £73,882,566. The Unit Trust has indicated that they will not seek repayment of part, or all, of any such intercompany debtor that is due from the Group to the Unit Trust for a period of a minimum of 12 months from the date of the audit report in these financial statements for the year ended 31 December 2020.

The General Partner has reviewed the current and projected financial position of the Group, making reasonable assumptions about future trading performance including the potential ongoing impact of COVID-19 on that performance. Whilst it is not possible to fully assess the impact on specific industries or their constituents at this stage, the General Partner believes the Group has a strong balance sheet and the right strategy in place. Accordingly, the General Partner has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and on this basis the General Partner has adopted the going concern in preparing these financial statements.

#### 3.4 Investment properties

Properties that are held for long-term rental yields or for capital appreciation or both, and that are not occupied by the Partnership, are classified as investment properties. Investment properties comprise freehold buildings and leasehold buildings. Investment properties are initially recorded at cost, including related transaction costs. Transaction costs include property transfer taxes, professional fees and initial leasing commissions to bring the property to the condition necessary of it to operate in the manner intended by the Partnership. Subsequent expenditure on major renovation and development of investment properties is capitalised at cost. The cost of maintenance, repairs and minor improvement are expensed when incurred.

After initial recognition, investment properties are carried at fair value. Gains or losses arising from changes in the fair values are included in the Statement of Comprehensive Income in the year in which they arise under "Net changes in fair value of investment properties".

Investment properties are derecognised when they have been disposed of or permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of investment properties are recognised in the Statement of Comprehensive Income in the year of retirement or disposal. Gains or losses on the disposal of investment properties are determined as the difference between net disposal proceeds and the carrying value of the asset immediately prior to the sale.

# AVIVA INVESTORS REaLM GROUND RENT LIMITED PARTNERSHIP

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2020

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### 3. Accounting policies (continued)

#### 3.5 Financial instruments

The Group has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

##### (i) Financial assets

Financial assets are recognised when the Group becomes a party to the contractual provisions of the instrument.

Basic financial assets, including debtors and cash at bank, and in hand are recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the Statement of Comprehensive Income.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in the Statement of Comprehensive Income.

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price.

Such assets are subsequently carried at fair value and the changes in fair value are recognised in the Statement of Comprehensive Income, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less accumulated impairment losses.

Financial assets that are classified as receivable within one year are measured at the undiscounted amount of the cash or other consideration expected to be received, net of impairment.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated party third without imposing additional restrictions.

##### (ii) Financial liabilities

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

Basic financial liabilities, including trade and other creditors and loans from fellow group companies, are initially measured at transaction price (including transaction costs), except for those financial liabilities classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs).

Commitments to make payments which meet the conditions above are measured at cost (which may be nil) less impairment.



# **AVIVA INVESTORS REaLM GROUND RENT LIMITED PARTNERSHIP**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED 31 DECEMBER 2020**

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### **3. Accounting policies (continued)**

#### **3.5 Financial instruments (continued)**

##### **(ii) Financial liabilities (continued)**

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

##### **(iii) Investments in subsidiaries**

Investments in subsidiaries are shown at cost less accumulated impairment losses.

The Directors of the General Partner have performed an impairment analysis based on the net equity of subsidiaries. Where the expected recoverable net equity of some underlying entities is below their costs, the Directors have considered these negative differences as impaired and consequently write-downs of these investments have been recorded.

##### **(iv) Offsetting**

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

#### **3.6 Related party borrowings**

Related party borrowings are recognised initially at their issue proceeds less transaction costs incurred. Subsequently, borrowings are stated at amortised cost with interest being accrued cyclically as defined in the facility agreements. Interest expense associated with related party borrowings is accounted for on an accruals basis.

#### **3.7 Partners' accounts**

Partners' accounts consist of capital contributions and non-interest bearing Partners' advances. The Partnership has classified the Partners' accounts as a financial liability based on the contractual arrangements within the Limited Partnership Agreement ("LPA") which require repayment of the net assets / liabilities upon wind up of the Partnership.

#### **3.8 Cash at bank and in hand**

Cash at bank and in hand comprise of cash and cash on deposit with banks, both of which are immediately available.

#### **3.9 Cash flow**

The Group and the Partnership report cash flows from operating activities using the indirect method. Finance costs are presented within cash flows from financing activities. The acquisitions of investment properties are disclosed as cash flows from investing activities because this most appropriately reflects the Group and the Partnership's business activities.

# **AVIVA INVESTORS REaLM GROUND RENT LIMITED PARTNERSHIP**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED 31 DECEMBER 2020**

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### **3. Accounting policies (continued)**

#### **3.10 Turnover**

Turnover represents rental income, other income and ground rent income. Rental income comprising of rent receivable and surrender premiums on investment properties leased out under operating lease agreements arising in the United Kingdom net of VAT.

Rent receivable is recognised on an accruals basis in the Statement of Comprehensive Income, over the period to which the income relates. Rent receivable also includes incentives given to tenants, such as rent-free periods, and if the impact of these is material to the financial statements they are amortised until the end of the lease or the next rent review. Other income and ground rent income are recognised on an accruals basis.

#### **3.11 Administrative expenses**

Administrative expenses include administration, finance, professional and management expenses which are recognised on an accruals basis.

#### **3.12 Fund Manager fees**

Under the terms of the third amended and restated Fund Manager's Agreement dated 3 June 2016 between the Partnership and Aviva Investors UK Fund Services Limited (the "Fund Manager"), the Fund Manager is entitled to an annual fee as defined in the agreement which is calculated on a quarterly basis and payable quarterly in arrears.

#### **3.13 Finance income**

Interest receivable on cash at bank is recognised on an accruals basis based on effective interest rate.

#### **3.14 Interest payable and similar charges**

Interest payable and similar charges are recognised on an accruals basis and include interest on related party borrowings.

#### **3.15 Distributions**

Income produced by the Partnership's investment properties and other sources is distributed to the Partners to the extent that the Partnership's income exceeds expenses, on a quarterly basis in accordance with the LPA. Where the distribution has been determined for the period, the amount is accounted for as a finance cost.

The General Partner and the Fund Manager are required to ensure that no distribution is made that would render the Partnership insolvent or unable to pay its expenses for the six month period following a distribution, having regard to the expected receipts of the Partnership.

#### **3.16 Related party transactions**

The Group discloses transactions with related parties which are not wholly owned within the same Group. Where appropriate, transactions of a similar nature are aggregated unless, in the opinion of the General Partners, separate disclosure is necessary to understand the effect of the transactions on the Group financial statements.

# **AVIVA INVESTORS REaLM GROUND RENT LIMITED PARTNERSHIP**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED 31 DECEMBER 2020**

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#### **3. Accounting policies (continued)**

##### **3.17 Provisions for liabilities**

Provisions are made where an event has taken place that gives the Group a legal or constructive obligation where it is probable that the Group will be required to transfer economic benefits in settlement, and a reliable estimate can be made of the amounts of the obligation.

Provisions are charged as an expense to the profit and loss account in the year that the Group becomes aware of the obligation, and are measured at the best estimates at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When the payments are eventually made, they are charged to the provision carried in the balance sheet.

##### **3.18 Deferred taxation**

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

#### **4. Critical accounting judgements and key sources of estimation uncertainty**

The preparation of the Group and Partnership consolidated financial statements requires the General Partner to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the reporting date. The estimates and associated assumptions are based on historical experience, expectations of future events and other factors that are considered to be relevant. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the assets or liabilities affected.

##### **4.1 Critical accounting estimates and assumptions**

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

# AVIVA INVESTORS REaLM GROUND RENT LIMITED PARTNERSHIP

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2020

#### 4. Critical accounting judgements and key sources of estimation uncertainty (continued)

##### 4.1 Critical accounting estimates and assumptions (continued)

##### a. Valuation of investment properties

The fair value of the Group and the Partnership's investment properties represents an estimate by independent professional valuers of the open market value of that investment as at the reporting date. The determination of the fair value of investment properties requires the use of estimates such as future cash flows from assets (such as lettings, tenants' profiles, future revenue streams, capital values of fixtures and fittings, plant and machinery, any environmental matters and the overall repair and condition of the assets) and discount rates applicable to those assets. The valuers also make reference to market evidence of transaction prices for similar investment properties. Fair value disclosures in relation to the investments are given in Note 10. Where cladding or other fire safety issues have been identified in buildings within the businesses portfolio, the valuer has adjusted these to reflect a discount reflecting the impact on liquidity of those specific assets rather than any cost liability.

##### b. Impairment of investments in subsidiaries

In preparing these financial statements, the General Partner has exercised judgement in determining whether there are indicators of impairment of the Partnership's investments in subsidiaries. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the investment.

#### 5. Turnover

	<b>Group</b>	Group	<b>Partnership</b>	Partnership
	<b>1 Jan 20</b>	1 Jan 19	<b>1 Jan 20</b>	1 Jan 19
	<b>to</b>	to	<b>to</b>	to
	<b>31 Dec 20</b>	31 Dec 19	<b>31 Dec 20</b>	31 Dec 19
	<b>£</b>	£	<b>£</b>	£
Ground rent income	<b>23,877,933</b>	22,889,910	<b>19,649,481</b>	18,564,164
Ancillary income	<b>2,173,928</b>	2,860,033	<b>1,737,498</b>	2,662,341
<b>Total</b>	<b>26,051,861</b>	25,749,943	<b>21,386,979</b>	21,226,505

# AVIVA INVESTORS REaLM GROUND RENT LIMITED PARTNERSHIP

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2020

#### 5. Turnover (continued)

The future aggregate minimum rentals receivable under non-cancellable operating leases are as follows:

	<b>Group</b> <b>31 Dec 2020</b> £	<b>Group</b> <b>31 Dec 2019</b> £	<b>Partnership</b> <b>31 Dec 2020</b> £	<b>Partnership</b> <b>31 Dec 2019</b> £
Not later than 1 year	<b>14,314,902</b>	14,364,673	<b>10,109,676</b>	10,168,352
Later than 1 year and not later than 5 years	<b>57,259,611</b>	57,458,694	<b>40,438,706</b>	40,673,410
Later than 5 years	<b>4,910,072,707</b>	4,968,778,928	<b>4,107,232,973</b>	4,162,899,109
	<b>4,981,647,220</b>	5,040,602,295	<b>4,157,781,355</b>	4,213,740,871

#### 6. Administrative expenses

	<b>Group</b> <b>1 Jan 20 to 31 Dec 20</b> £	<b>Group</b> <b>1 Jan 19 to 31 Dec 19</b> £	<b>Partnership</b> <b>1 Jan 20 to 31 Dec 20</b> £	<b>Partnership</b> <b>1 Jan 19 to 31 Dec 19</b> £
Auditors' fees*	<b>312,598</b>	242,775	<b>106,707</b>	53,690
Fund Manager fees	<b>2,856,442</b>	2,805,520	<b>2,856,442</b>	2,805,520
Legal costs	-	1,000,000	-	1,000,000
Depository fees	<b>82,203</b>	136,731	<b>82,203</b>	136,731
Irrecoverable VAT	<b>676,964</b>	416,388	<b>578,947</b>	348,377
Property and asset manager fees	<b>335,361</b>	401,515	<b>241,838</b>	273,560
Professional fees	<b>1,123,387</b>	957,093	<b>932,191</b>	907,642
Valuation fees	<b>137,759</b>	196,567	<b>137,759</b>	196,567
Administrator fees	<b>33,860</b>	27,860	<b>33,860</b>	27,860
Tax consulting fees	<b>485</b>	7,107	<b>485</b>	7,107
Bank charges	<b>1,275</b>	1,126	<b>848</b>	678
Service charges	<b>949</b>	22,355	<b>66,390</b>	22,355
Provision for bad debts	<b>57,876</b>	-	<b>57,876</b>	-
<b>Total</b>	<b>5,619,159</b>	6,215,037	<b>5,095,546</b>	5,780,087

The Group and the Partnership has no employees in the current year or prior year. The Directors received £Nil emoluments for services to the Partnership for the financial year (31 December 2019: £Nil).

\* During the year no non-audit fees were paid to statutory auditors (31 December 2019: £Nil).

# AVIVA INVESTORS REaLM GROUND RENT LIMITED PARTNERSHIP

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2020

#### 7. Finance costs - interest payable

	Group 1 Jan 20 to 31 Dec 20 £	Group 1 Jan 19 to 31 Dec 19 £	Partnership 1 Jan 20 to 31 Dec 20 £	Partnership 1 Jan 19 to 31 Dec 19 £
Loan interest	<b>4,252,214</b>	4,252,214	-	-

#### 8. Finance costs - distributions

	Group 1 Jan 20 to 31 Dec 20 £	Group 1 Jan 19 to 31 Dec 19 £	Partnership 1 Jan 20 to 31 Dec 20 £	Partnership 1 Jan 19 to 31 Dec 19 £
Finance costs - distributions declared and paid	<b>11,703,124</b>	11,178,337	<b>11,703,124</b>	11,178,337
Proposed distributions at 31 December	<b>4,243,126</b>	3,627,325	<b>4,243,126</b>	3,627,325
<b>Total amounts available for distribution as per Statement of Comprehensive Income</b>	<b>15,946,250</b>	14,805,662	<b>15,946,250</b>	14,805,662

In accordance with the Partnership Agreement, distributions of net income have been allocated to the Partners in proportion to their ownership percentage for the year to which the distribution relates. At the year end the percentage holdings were:

Aviva Investors REaLM Ground Rent Unit Trust	99.99%
Aviva Investors Ground Rent GP Limited	0.01%

During the year the General Partner received priority distributions of £1,595 (31 December 2019: £1,480), out of which £7.901 was still payable as at 31 December 2020 (31 December 2019: £6,306).

# AVIVA INVESTORS REaLM GROUND RENT LIMITED PARTNERSHIP

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2020

#### 9. Tax on loss

The Partnership is not subject to taxation and no provision for taxation on the Partnership losses has been made in the financial statements. Any tax on income or capital is the responsibility of each individual partner.

The tax income in the Group Statement of Comprehensive Income and the deferred tax liability in the Group Statement of Financial Position relates to deferred tax recognised on revaluation of investment properties held by subsidiaries that, as limited companies, are subject to taxation.

#### Factors affecting total tax charge/(credit) for the year

	Group 1 Jan 20 to 31 Dec 20 £	Group 1 Jan 19 to 31 Dec 19 £
	-	
<b>Current tax:</b>		
UK corporation tax for the year 19.00% (31 December 2019: for the year 19.00%)	431,895	436,045
Prior year adjustment	343,064	(1,678)
<b>Total current tax</b>	<b>774,959</b>	434,367
<b>Deferred tax:</b>		
Origination and reversal of timing differences	(594,889)	(670,646)
Effect of tax rate change on opening balance	838,437	-
Prior year adjustment	-	(357,808)
<b>Total deferred tax</b>	<b>243,548</b>	(1,028,454)
<b>Tax on loss</b>	<b>1,018,507</b>	(594,087)

# AVIVA INVESTORS REaLM GROUND RENT LIMITED PARTNERSHIP

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

### 9. Tax on loss (continued)

Factors affecting the tax charge/(credit) for the year:

The tax assessed for the year is higher than (31 December 2019: higher than) the standard rate of corporation tax in the UK of 19.00% (31 December 2019: 19.00%). The differences are explained below.

	Group 1 Jan 20 to 31 Dec 20 £	Group 1 Jan 19 to 31 Dec 19 £
Loss before taxation	(9,010,671)	(11,398,176)
Tax at 19.00% (31 December 2019: 19.00%)	(1,712,027)	(2,165,653)
	<u>(1,712,027)</u>	<u>(2,165,653)</u>
<b>Effects of:</b>		
Partnership income not taxable	1,006,002	1,425,196
Adjustments in respect of prior periods	343,064	(359,486)
Expenses not deductible for tax purposes	737,133	244,915
Income not taxable for tax purposes	(25,840)	(72,399)
Capital losses	(594,890)	(165,396)
Change in UK tax rate	838,436	113,643
Movement on unrecognised deferred tax	-	(40,818)
Corporate Interest Restriction	426,629	425,911
	<u>1,018,507</u>	<u>(594,087)</u>
<b>Tax charge/(credit) for the year</b>		
<b>Deferred tax liability</b>		
At beginning of year	7,126,723	8,155,177
Credit for the year	243,548	(1,028,454)
	<u>7,370,271</u>	<u>7,126,723</u>
The provision for deferred tax is made up as follows:		
Revaluation of investment properties	<u>7,370,271</u>	<u>7,126,723</u>

Deferred tax assets of £Nil (31 December 2019: £17,891) relating to losses carried forward, £839,551 (31 December 2019: £758,998) relating to revaluation of investment properties, and £1,775,731 (31 December 2019: £1,207,168) relating to interest disallowed under the Corporate Interest Restriction regime have not been recognised on the basis that there is not expected to be taxable profits against which to utilise them in the foreseeable future.



# AVIVA INVESTORS REaLM GROUND RENT LIMITED PARTNERSHIP

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

### 9. Tax on loss (continued)

During 2020, the reduction in the UK corporation tax rate that was due to take effect from 1 April 2020 was cancelled and as result, the rate has remained at 19%. This revised rate has been used in the calculation of the Partnership's deferred tax assets and liabilities as at 31 December 2020, and increased the deferred tax liability by £838,437.

In the Budget of 3 March 2021 the UK Government announced that the UK corporation tax rate will increase to 25% from 1 April 2023. As of 31 December 2020, this measure had not been substantively enacted and therefore no impact is reflected in the calculation of the Company's deferred tax assets and liabilities as at 31 December 2020. This measure would increase the deferred tax liability by approximately £2,327,455, and the unrecognised deferred tax liability by approximately £825,879.

### 10. Investment properties

Group	Freehold £	Total £
<b>Fair market value at 1 January 2019</b>	693,237,360	693,237,360
Property acquisitions	117,645,985	117,645,985
Change in fair value of investment property	(13,099,567)	(13,099,567)
Disposal proceeds	(16,670,779)	(16,670,779)
Gain on disposal of investment property	1,087,001	1,087,001
<b>Net fair market value at 31 December 2019</b>	<b>782,200,000</b>	<b>782,200,000</b>
Property acquisitions	201,455	201,455
Capital expenditure	839,056	839,056
Refund of deposits for investment properties	(5,477,123)	(5,477,123)
Change in fair value of investment property	(9,276,548)	(9,276,548)
Disposal proceeds	63,105	63,105
Loss on disposal of investment property	(154,945)	(154,945)
<b>Net fair market value at 31 December 2020</b>	<b>768,395,000</b>	<b>768,395,000</b>
<b>Partnership</b>	<b>Freehold £</b>	<b>Total £</b>
<b>Fair market value at 1 January 2019</b>	555,462,360	555,462,360
Property acquisitions	117,645,985	117,645,985
Change in fair value of investment property	(8,974,523)	(8,974,523)
Disposal proceeds	(13,946,775)	(13,946,775)
Gain on disposal of investment property	705,953	705,953
<b>Net fair market value at 31 December 2019</b>	<b>650,893,000</b>	<b>650,893,000</b>
Property acquisitions	201,455	201,455
Capital expenditure	(4,638,067)	(4,638,067)
Change in fair value of investment property	(6,281,548)	(6,281,548)
Disposal proceeds	63,105	63,105
Loss on disposal of investment property	(154,945)	(154,945)
<b>Net fair market value at 31 December 2020</b>	<b>640,083,000</b>	<b>640,083,000</b>

# AVIVA INVESTORS REaLM GROUND RENT LIMITED PARTNERSHIP

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2020

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#### 10. Investment properties (continued)

The investment properties were valued at fair value, in accordance with the Appraisal and Valuation Manual of The Royal Institution of Chartered Surveyors, as at 31 December 2020 by CB Richard Ellis Limited, professionally qualified chartered surveyors. The valuer has significant experience in the location and class of the investment properties being valued.

Significant assumptions used in valuation:

The valuations performed by the independent valuer for financial reporting processes have been reviewed by the Fund Manager. Discussions of valuation processes and results are held between the Fund Manager and the independent valuers at least once every quarter. At each year end, the Fund Manager:

- verifies all major inputs to the independent valuation report
- assesses property valuation movements when compared to the prior year valuation report
- holds discussions with the independent valuer

Investment properties are valued by using the investment method which involves applying capitalisation yields to current and estimated future ground rent income streams. The capitalisation yields applied are based on comparable market transactions, reflecting the length of lease terms and the review method and frequency, using the valuers' professional judgement and market observation. Other factors taken into account in the valuations include whether the freeholder is responsible for management or the insurance of the property. The tenure of the property, tenancy details, trading information (commercial ground rents) and any other known factors, including building safety matters that require remedial works (following the Government's new advice issued in January 2020) are also taken into consideration by the valuers, together with any other information provided by the General Partner which is derived from the Companies financial and property management systems and is subject to the Companies overall control environment.

A number of major proposals have been announced by the Government for residential ground rents including the abolition of leasehold houses, setting new ground rents to a peppercorn and a review of the enfranchisement process. We are now in a period of uncertainty in relation to many factors that impact on the residential ground rent investment market. The valuer has reduced their opinion on the value of the residential ground rents to reflect sentiment and uncertainty around future Government actions and reforms. Whilst transactional volumes and available evidence has begun to increase, there remains a paucity of comparable transactions and therefore the valuation reflects a greater degree of valuation judgement. Where cladding or other fire safety issues have been identified in buildings within the businesses portfolio, the valuer has adjusted these to reflect a discount reflecting the impact on liquidity of those specific assets rather than any cost liability.

If investment properties were stated on the historical cost basis, the amounts would be as follows:

	<b>Group</b>	<b>Group</b>	<b>Partnership</b>	<b>Partnership</b>
	<b>31 Dec 20</b>	<b>31 Dec 19</b>	<b>31 Dec 20</b>	<b>31 Dec 19</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Freehold</b>	<b><u>703,440,737</u></b>	<b><u>707,969,189</u></b>	<b><u>592,497,337</u></b>	<b><u>597,025,790</u></b>

During 2020 the Partnership completed the acquisition of investments totalling £201,455.

During 2020, the Group and Partnership sold 15 investment properties. The net sale price was £63,105 on which the Group made a loss of £154,945.

# AVIVA INVESTORS REaLM GROUND RENT LIMITED PARTNERSHIP

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

### 10. Investment properties (continued)

The table below shows the results of Management's evaluation of the sensitivity of the Level 3 fair value of investment properties at 31 December to changes in unobservable inputs to a reasonable alternative:

As at 31 December 2020

	Fair value £m	Change in fair value		
		Unobservable input	+25bps £m	+50bps £m
Investment property	768.4	Equivalent yield	(54.0)	(101.2)

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

### 11. Investments in subsidiaries

	Partnership 2020 £	Partnership 2019 £
Cost at 1 January	25,124,600	25,124,600
<b>Historic cost of investment at 31 December</b>	<b>25,124,600</b>	<b>25,124,600</b>

The General Partner believes that the carrying value of the investments is supported by their underlying net assets.

There were no additions or disposals during the year ended 31 December 2020.

# AVIVA INVESTORS REaLM GROUND RENT LIMITED PARTNERSHIP

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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### 11. Investments in subsidiaries (continued)

At the year end the Group had the following subsidiaries:

Company	Equity interest	Country of incorporation	Business activity
Aviva Investors Ground Rent HoldCo Limited <sup>(1)</sup>	100%	United Kingdom	Holding Company
Aviva Investors GR SPV1 Limited <sup>(*)</sup> (2)	100%	United Kingdom	Investment
Aviva Investors GR SPV2 Limited <sup>(*)</sup> (2)	100%	United Kingdom	Investment
Aviva Investors GR SPV3 Limited <sup>(*)</sup> (2)	100%	United Kingdom	Investment
Aviva Investors GR SPV4 Limited <sup>(*)</sup> (2)	100%	United Kingdom	Investment
Aviva Investors GR SPV5 Limited <sup>(*)</sup> (2)	100%	United Kingdom	Investment
Aviva Investors GR SPV6 Limited <sup>(*)</sup> (2)	100%	United Kingdom	Investment
Aviva Investors GR SPV7 Limited <sup>(*)</sup> (2)	100%	United Kingdom	Investment
Aviva Investors GR SPV8 Limited <sup>(*)</sup> (2)	100%	United Kingdom	Investment
Aviva Investors GR SPV9 Limited <sup>(*)</sup> (2)	100%	United Kingdom	Investment
Aviva Investors GR SPV10 Limited <sup>(*)</sup> (2)	100%	United Kingdom	Investment
Aviva Investors GR SPV11 Limited <sup>(*)</sup> (2)	100%	United Kingdom	Investment
Aviva Investors GR SPV12 Limited <sup>(*)</sup> (2)	100%	United Kingdom	Investment
Aviva Investors GR SPV13 Limited <sup>(*)</sup> (2)	100%	United Kingdom	Investment
Aviva Investors GR SPV14 Limited <sup>(*)</sup> (2)	100%	United Kingdom	Investment
Aviva Investors GR SPV15 Limited <sup>(*)</sup> (2)	100%	United Kingdom	Investment
Aviva Investors GR SPV16 Limited <sup>(*)</sup> (2)	100%	United Kingdom	Investment
Aviva Investors GR SPV17 Limited <sup>(*)</sup> (2)	100%	United Kingdom	Investment

<sup>(\*)</sup> Ownership is held indirectly

<sup>(1)</sup> Address of registered office address: St Helen's, 1 Undershaft, London, United Kingdom, EC3P 3DQ.

<sup>(2)</sup> Address of registered office address: Mainstay, Whittington Hall, Whittington Road, Worcester, United Kingdom, WR5 2ZX.

# AVIVA INVESTORS REaLM GROUND RENT LIMITED PARTNERSHIP

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

### 12. Debtors : Amounts falling due within one year

	Group 31 Dec 20 £	Group 31 Dec 19 £	Partnership 31 Dec 20 £	Partnership 31 Dec 19 £
Service charges - insurance	5,112,612	4,770,343	5,070,847	4,771,191
Trade debtors*	1,942,703	1,047,146	1,053,984	148,634
Amounts owed by General Partner	89,552	79,542	89,552	79,542
VAT recoverable	287,912	27,074	287,912	27,074
Corporation tax receivable	-	102,320	-	-
Prepayments and accrued income	55,131	7,776	3,826	7,776
Other receivables	7,060,858	7,333,631	7,716,778	7,268,864
Project costs	-	49,236	-	49,236
<b>Total</b>	<b>14,548,768</b>	<b>13,417,068</b>	<b>14,222,899</b>	<b>12,352,317</b>

In the prior year, project costs relate to purchase deals where the funding has been transferred to lawyers.

The amounts owed by Group undertakings are unsecured, interest free, have no fixed date of repayments and are payable on demand.

\*The Trade Debtors balance includes provision for bad debt of £57,876 (31 December 2019: £Nil).

### 13. Cash at bank and in hand

	Group 31 Dec 20 £	Group 31 Dec 19 £	Partnership 31 Dec 20 £	Partnership 31 Dec 19 £
Cash at bank and in hand	42,893,899	39,169,365	39,659,667	35,720,825

# AVIVA INVESTORS REaLM GROUND RENT LIMITED PARTNERSHIP

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

### 14. Creditors: amounts falling due within one year

	<b>Group</b> <b>31 Dec 20</b> £	<b>Group</b> <b>31 Dec 19</b> £	<b>Partnership</b> <b>31 Dec 20</b> £	<b>Partnership</b> <b>31 Dec 19</b> £
Trade creditors	<b>5,098,260</b>	4,851,315	<b>1,113,625</b>	429,683
Deferred income	<b>8,764,978</b>	7,644,082	<b>6,911,198</b>	5,585,671
Loan interest payable	<b>1,068,862</b>	1,071,791	-	-
Finance costs - distributions payable to General Partner	<b>7,901</b>	6,306	<b>7,901</b>	6,306
Finance costs - distributions payable to Limited Partner	<b>4,235,225</b>	3,621,019	<b>4,235,225</b>	3,621,019
Accruals	<b>1,376,351</b>	3,102,215	<b>972,743</b>	2,688,900
Amounts owed to group undertakings	-	-	<b>1,104,872</b>	1,464,521
Corporation tax payable	<b>220,533</b>	-	-	-
VAT payable	<b>1,057,402</b>	206,913	<b>1,057,402</b>	206,913
Provision	<b>819,927</b>	1,308,934	<b>819,927</b>	1,308,934
<b>Total</b>	<b>22,649,439</b>	21,812,575	<b>16,222,893</b>	15,311,947

A provision of £819,927 (31 December 2019: £1,308,934) has been made for the total cost of an on-going legal case that it is probable that the fund will have to incur.

# AVIVA INVESTORS REaLM GROUND RENT LIMITED PARTNERSHIP

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2020

#### 15. Related party borrowings

	Group 2020 £	Group 2019 £
Borrowings at 1 January	73,882,566	73,882,566
<b>Total borrowings at 31 December</b>	<b>73,882,566</b>	<b>73,882,566</b>

On 18 July 2011, Aviva Investors Ground Rent Holdco Limited, a subsidiary undertaking of the Partnership entered into a £50,000,000 loan facility with Pavilion Trustees Limited in its capacity as Trustee of the Aviva Investors REaLM Ground Rent Unit Trust. On 22 April 2014, the parties agreed to amend the facility to £70,000,000. During 2016, Pavilion Trustees Limited was replaced with RBC Cees Trustee Limited. On 12 December 2016 the parties agreed to amend this facility to £120,000,000. As at 31 December 2020, £73,882,566 (31 December 2019: £73,882,566) had been drawn down under the facility. Interest is charged on the borrowings at a fixed rate of 5.94% per annum for the first £63,025,489, then a fixed rate of 4.94% for the next £5,289,098 and 4.44% thereafter.

The facility is unsecured and is repayable on demand.

The terms of the facility include a financial undertaking relating to loan to value percentage ("LTV"). The facility requires that the LTV percentage is calculated as the loan amount divided by the value of the aggregate market value of the properties held by the subsidiaries of the Borrower, based on the most recent market valuation. The percentage should not exceed 85.00% on the date of the first advance and should not exceed 75.00% at any time thereafter. The LTV percentage is calculated each quarter with reference to the most recent investment property valuation. As at 31 December 2020, the LTV was 57.58% (31 December 2019: 56.27%) which is based on the 31 December 2020 valuation report.

The Group repaid interest bearing loans during the year from Aviva Investors REaLM Ground Rent Unit Trust amounting to £Nil (31 December 2019: £Nil).

#### 16. Analysis of net debt

	At 1 January 2020 £	Cash flows £	Non-cash movements £	At 31 December 2020 £
<b>Group</b>				
Cash at bank and in hand	39,169,365	3,724,534	-	42,893,899
Debt due in more than 1 year	(73,882,566)	-	-	(73,882,566)
Loan interest due within 1 year	(1,071,791)	4,255,143	(4,252,214)	(1,068,862)
	<b>(35,784,992)</b>	<b>7,979,677</b>	<b>(4,252,214)</b>	<b>(32,057,529)</b>
	At 1 January 2020 £	Cash flows £		At 31 December 2020 £
<b>Partnership</b>				
Cash at bank and in hand		35,720,825	3,938,842	39,659,667

# AVIVA INVESTORS REaLM GROUND RENT LIMITED PARTNERSHIP

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

### 17. Contingent liabilities and commitments

There were no commitments or contingent liabilities at the reporting date (31 December 2019: £Nil).

### 18. Net assets attributable to Partners

	Limited Partner 100% £	Total 100% £
<b>Proceeds from Partners</b>		
At 1 January 2020	650,144,921	650,144,921
At 31 December 2020	<u>650,144,921</u>	<u>650,144,921</u>
<b>Profit and loss account</b>		
At 1 January 2020	81,819,648	81,819,648
Total comprehensive income for the year before distributions to the Limited Partners	5,917,072	5,917,072
Finance costs - distributions to Limited Partners	<u>(15,946,250)</u>	<u>(15,946,250)</u>
At 31 December 2020	<u>71,790,470</u>	<u>71,790,470</u>
Net assets attributable to Partners at 31 December 2020	<u><b>721,935,391</b></u>	<u><b>721,935,391</b></u>

The General Partner is entitled to 0.00% of the net assets.

	Limited Partner 100% £	Total 100% £
<b>Proceeds from Partners</b>		
At 1 January 2019	572,144,921	572,144,921
Partner's loan advances	78,000,000	78,000,000
At 31 December 2019	<u>650,144,921</u>	<u>650,144,921</u>
<b>Profit and loss account</b>		
At 1 January 2019	92,623,737	92,623,737
Total comprehensive income for the year before distributions to the Limited Partners	4,001,573	4,001,573
Finance costs - distributions to Limited Partners	<u>(14,805,662)</u>	<u>(14,805,662)</u>
At 31 December 2019	<u>81,819,648</u>	<u>81,819,648</u>
Net assets attributable to Partners at 31 December 2019	<u><b>731,964,569</b></u>	<u><b>731,964,569</b></u>

The General Partner is entitled to 0.00% of the net assets.



# AVIVA INVESTORS REaLM GROUND RENT LIMITED PARTNERSHIP

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

### 19. Related party transactions

	31 Dec 2020 (Expenses paid) / income earned in the year £	31 Dec 2020 (Payable) / receivable at year end £	31 Dec 2019 (Expenses paid) / income earned in the year £	31 Dec 2019 (Payable) / receivable at year end £
<b>Group</b>				
Aviva Investors UK Fund Services Limited - fund management fees	(3,554,806)	(713,843)	(2,805,520)	(2,128,351)
Income earned in the year/receivable at year end on behalf of Aviva Investors Ground Rent GP Limited	10,010	89,552	16,106	79,542
Aviva Investors REaLM Ground Rent Unit Trust - loan	-	(73,882,566)	-	(73,882,566)
Aviva Investors REaLM Ground Rent Unit Trust - loan interest	(4,252,214)	(1,068,862)	(4,252,214)	(1,071,791)
Aviva Investors Ground Rent GP Limited - priority distribution	(1,595)	(7,901)	(1,480)	(6,306)
Aviva Investors REaLM Ground Rent Unit Trust - distributions	(15,944,655)	(4,235,225)	(14,804,182)	(3,621,019)
	<u>(23,743,260)</u>	<u>(79,818,845)</u>	<u>(21,847,290)</u>	<u>(80,630,491)</u>

# AVIVA INVESTORS REaLM GROUND RENT LIMITED PARTNERSHIP

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

### 19. Related party transactions (continued)

	31 Dec 2020 (Expenses paid) / income earned in the year £	31 Dec 2020 (Payable) / receivable at year end £	31 Dec 2019 (Expenses paid) / income earned in the year £	31 Dec 2019 (Payable) / receivable at year end £
<b>Partnership</b>				
Aviva Investors UK Fund Services Limited - fund management fees	(3,554,806)	(713,843)	(2,805,520)	(2,128,351)
Income earned in the year/receivable at year end on behalf of Aviva Investors Ground Rent GP Limited	10,010	89,552	16,106	79,542
Aviva Investors Ground Rent GP Limited - priority distribution	(1,595)	(7,901)	(1,480)	(6,306)
Aviva Investors REaLM Ground Rent Unit Trust - distributions	(15,944,655)	(4,235,225)	(14,804,182)	(3,621,019)
Aviva Investors Ground Rent Holdco Limited - trading balance	185,634	(1,104,872)	(2,664,281)	(1,464,521)
	<u>(19,305,412)</u>	<u>(5,972,289)</u>	<u>(20,259,357)</u>	<u>(7,140,655)</u>

Aviva Investors UK Fund Services Limited receives fees as it acts as the Fund manager for the Partnership.

The General Partner is entitled to a priority distribution of 0.01% of the net income from the Partnership. Expenses of the General Partner totalling £10,010 have been paid out of the bank accounts of the Partnership and recharged to the General Partner (31 December 2019: £16,106). As at 31 December 2020, the Partnership has had an outstanding receivable from the General Partner amounting to £89,552 (31 December 2019: £79,542).

As at 31 December 2020, the Group has an outstanding loan payable and interest payable to the Trust amounting to £73,882,566 (31 December 2019: £73,882,566) and £1,068,862 (31 December 2019: £1,071,791) respectively (see Note 14 and Note 15 for further details).

The Directors of Aviva Investors Ground Rent GP Limited received no emoluments for services to the Partnership for the financial year (31 December 2019: £Nil).

# AVIVA INVESTORS REaLM GROUND RENT LIMITED PARTNERSHIP

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2020

#### 20. Financial instruments

The carrying values of the Group's and the Partnership's financial assets and liabilities are summarised by category below:

	Group 31 Dec 20 £	Group 31 Dec 19 £	Partnership 31 Dec 20 £	Partnership 31 Dec 19 £
<b>Financial assets measured at undiscounted amount:</b>				
Debtors (see Note 12)	14,263,601	13,409,292	13,989,037	12,344,541
Cash at bank and in hand (see Note 13)	42,893,899	39,169,365	39,659,667	35,720,825
	<u>57,157,500</u>	<u>52,578,657</u>	<u>53,648,704</u>	<u>48,065,366</u>
<b>Financial liabilities measured at undiscounted amount payable:</b>				
Creditors (see Note 14)	(11,786,599)	(12,859,559)	(7,434,365)	(8,417,342)
Related party borrowings (see Note 15)	(73,882,566)	(73,882,566)	-	-
	<u>(85,669,165)</u>	<u>(86,742,125)</u>	<u>(7,434,365)</u>	<u>(8,417,342)</u>

The Group's and the Partnership's income, expense, gains and losses in respect of financial instruments are summarised below:

	Group 1 Jan 20 to 31 Dec 20 £	Group 1 Jan 19 to 31 Dec 19 £	Partnership 1 Jan 20 to 31 Dec 20 £	Partnership 1 Jan 19 to 31 Dec 19 £
<b>Finance income and expense</b>				
Total finance income for financial assets at undiscounted amount	186,584	137,360	179,788	126,783
Total interest expense for financial liabilities at undiscounted amount (see Note 7)	(4,252,214)	(4,252,214)	-	-

# **AVIVA INVESTORS REaLM GROUND RENT LIMITED PARTNERSHIP**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED 31 DECEMBER 2020**

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#### **21. Parent and ultimate controlling undertaking**

The General Partner of the Partnership is Aviva Investors Ground Rent GP Limited, a company incorporated in Great Britain and registered in England and Wales.

The Partnership's ultimate parent undertaking is Aviva Investors REaLM Ground Rent Unit Trust, which is registered in Jersey.

Aviva Investors REaLM Ground Rent Limited Partnership is the largest and the smallest group of undertakings to consolidate the financial statements of its subsidiaries at 31 December 2020. The consolidated financial statements of Aviva Investors REaLM Ground Rent Limited Partnership are available on application to:

Aviva Company Secretarial Services Limited  
St Helen's  
1 Undershaft  
London  
EC3P 3DQ

#### **22. Events after the reporting period**

Events after the reporting period have been evaluated up to the date the audited financial statements were approved and authorised for issue by the General Partner and there are no events to be disclosed or adjusted for in these audited financial statements.

## AVIVA INVESTORS REaLM GROUND RENT LIMITED PARTNERSHIP

### ADDITIONAL AIFMD DISCLOSURES - UNAUDITED FOR THE YEAR ENDED 31 DECEMBER 2020

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#### Remuneration

In line with the requirements of the Alternative Investment Fund Managers Directive ("AIFMD"), Aviva Investors UK Fund Services Limited ("AIUKFSL") is subject to a remuneration policy which is reviewed annually and is consistent with the principles outlined in the European Securities and Markets Authority guidelines on sound remuneration policies under AIFMD.

Aviva Investors' remuneration framework is based on a total reward approach and is designed to reflect the success or failure against a range of personal and company performance objectives.

There are four components of pay:

- Basic Salary – set within an appropriate market range, which is sufficient to allow the possibility, where performance so warrants, that an employee may receive no variable pay.
- Annual bonus – a discretionary short-term incentive plan where individuals may receive a bonus based on business and individual performance against targets. Where bonuses are equal to or greater than £75,000, a 3 year deferral with pro-rata vesting in Aviva funds and/or Aviva Group Plc shares occurs, following this a further holding period applies where regulation requires.

The extent to which each aspect of performance affects the overall payment level depends on the role and responsibilities of the individual. Performance is measured against a combination of individual, business unit, Aviva Investors and Group performance over an appropriate period.

- A rounded assessment of financial performance is made accounting for a range of financial considerations, including, but not limited to operating profit, investment performance and net flows. The assessment of Aviva Investors' financial performance is formed with reference to -:
  - Actual results vs. prior period results
  - Actual results vs. agreed plans
  - Actual results relative to competitors
  - Actual results vs., and progress towards, our long-term target ambition.
- The remuneration of employees in Control Functions (defined as Risk, Compliance and Audit) is determined independently of the financial results of Aviva Investors in order to reinforce the independence of these functions.
- The non-financial considerations include consideration of risk, conduct, culture, customer and employee engagement metrics, with Aviva values clearly underpinning all our decisions.
- The Performance assessment does not encourage risk taking outside the Aviva Investors stated risk appetite and includes mechanisms by which performance against risk and conduct related measures has a significant impact on the availability and size of business and individual variable awards.

# AVIVA INVESTORS REaLM GROUND RENT LIMITED PARTNERSHIP

## ADDITIONAL AIFMD DISCLOSURES - UNAUDITED

### FOR THE YEAR ENDED 31 DECEMBER 2020

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#### Remuneration (continued)

- Through Aviva Investors' Global Reward Framework, all investment employees should support responsible investment and integrate ESG considerations into their investment processes, including the consideration of Sustainability Risk. ESG metrics and research are embedded in the investment process and form part of the investment scorecard and annual risk attestation. The Chief Investment Officers and investment desk heads consider how investment employees demonstrate their commitment to ESG processes as part of the determination of performance and pay outcomes.
- Long Term Incentive Awards (LTIA) – discretionary long-term incentive plan to align reward with long-term investment performance, Aviva Group and Shareholders, and with the additional intention to help retain key talent. Part of the long-term incentive plan is in Aviva Investors Funds and part is in Aviva Restricted Share Units (RSUs), for the AI CEO the RSUs have additional performance conditions of Total Shareholder Return and Solvency II Return on Equity. Vesting is after 3 years and awards for Identified Staff will be subject to a pre-vesting assessment of individual performance, behaviours, and alignment with the company values of Aviva Investors throughout the three-year performance period.
- Benefits in Kind – standard benefits are provided that are appropriate to the market.

Code Staff are not permitted to undertake personal hedging strategies in respect of any variable remuneration.

Aviva Investors believes in rewarding strong performance and achievement of our business and individual goals; however, the manner in which these goals are achieved is also important. We do not consider it appropriate to reward people who have engaged in inappropriate behaviour or conduct which is not in line with Aviva's values and variable pay awards are subject to the Aviva Group Malus and Clawback Policy. As such, Aviva may decide that a Deferred Award which has not vested will lapse wholly or in part if they consider that:

- the participant or their team has, in the opinion of the Directors, engaged in misconduct which ought to result in the complete or partial forfeit or repayment of their award;
- there has been, in the opinion of the Directors, a material failure of risk management by reference to Group risk management standards, policies and procedures, taking into account the proximity of the participant to the failure of risk management in question and the level of the participant's responsibility;
- there is, in the opinion of the Directors, a materially adverse misstatement of Aviva's or the participant's relevant business unit's financial statements for which the participant has some responsibility;
- the participant participated in or was responsible for conduct which resulted in significant, or potentially significant, loss(es) to their relevant business unit, Aviva or any member of the Aviva Group;
- the participant failed to meet appropriate standards of fitness and propriety;
- there is evidence of misconduct or material error that would justify, or would have justified, had the participant still been employed, summary termination of their contract of employment; or
- any other circumstances required by local regulatory obligations to which any member of the Group or business unit is subject.

# AVIVA INVESTORS REaLM GROUND RENT LIMITED PARTNERSHIP

## ADDITIONAL AIFMD DISCLOSURES - UNAUDITED

### FOR THE YEAR ENDED 31 DECEMBER 2020

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#### Remuneration (continued)

The remuneration policies are designed to ensure that any relevant conflicts of interest can be managed appropriately at all times and that the remuneration of its senior staff is in line with the risk policies and objectives of the Alternative Investment Funds ("AIF's") it manages, and takes into account the promotion of sound and effective risk management and the achievement of fair outcomes for all customers.

AIUKFSL has no employees but is a wholly owned subsidiary of Aviva Investors Holdings Limited. For the year to 31 December 2020, apportioned remuneration based on the time assessed to be spent on AIUKFSL AIFMD activity paid by Aviva Plc, the ultimate parent of AIUKFSL, to its senior management team, and Code Staff:

	Senior Management	Other Code Staff
Total Remuneration:	£1.4m	£1.3m
Of which, Fixed Remuneration:	31%	37%
Variable Remuneration:	63%	58%
Pension/Benefits:	6%	5%
Number of Code staff:	21	25

## **AVIVA INVESTORS REaLM GROUND RENT LIMITED PARTNERSHIP**

### **ADDITIONAL AIFMD DISCLOSURES - UNAUDITED**

### **FOR THE YEAR ENDED 31 DECEMBER 2020**

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#### **Leverage**

Leverage as required to be calculated by the AIFM Directive.

Pursuant to its regulatory obligations, the General Partner is required to express the level which the Partnership's leverage will not exceed. For the purposes of this disclosure, leverage is any method by which the Partnership's exposure is increased beyond its holding of securities and cash. A partnership's exposure may be increased by using derivatives, by reinvesting cash borrowings, through securities lending or securities borrowing arrangements, or by such other means as may be permitted to be used pursuant to that partnership's investment objectives and strategy (such increase referred to herein as the "Incremental Exposure"). The AIFM Directive prescribes two methodologies for calculating overall exposure of a partnership: the "gross methodology" and the "commitment methodology". These methodologies are briefly summarised below but are set out in full detail in the AIFM Directive.

The commitment methodology takes account of the hedging and netting arrangements employed by a partnership at any given time (purchased and sold derivative positions will be netted where both relate strictly to the same underlying asset). This calculation of exposure includes all incremental exposure as well as the Partnership's own physical holdings and cash. By contrast, the gross methodology does not take account of the netting or hedging arrangements employed by a partnership. This calculation of exposure under the gross methodology includes all Incremental Exposure as well as the Partnership's own physical holdings, excluding cash.

The AIFM Directive requires each leverage ratio to be expressed as the ratio between a partnership's total exposure (including securities and cash) and its net asset value. Using the methodologies prescribed under the AIFM Directive, the Partnership is generally expected to be leveraged at the ratio of 1.3:1 using the commitment methodology and 1.3:1 using the gross methodology. The Partnership may, however, have higher levels of leverage, including in atypical and volatile market conditions. In such circumstances, leverage will not exceed the ratio of 1.5:1 using the commitment methodology and 1.5:1 using the gross methodology.