Company Registration No. 06869607 (England and Wales)

AVIVA INVESTORS GR SPV 8 LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

AVIVA INVESTORS GR SPV 8 LIMITED

CONTENTS

	Page(s)
Directors, Officers and Other Information	1
Directors' Report	2 - 5
Independent Auditors' Report	6 - 7
Statement of Comprehensive Income	8
Statement of Financial Position	9
Statement of Changes in Equity	10
Notes to the Financial Statements	11 - 21

AVIVA INVESTORS GR SPV 8 LIMITED

DIRECTORS, OFFICERS AND OTHER INFORMATION

Directors	Mr M Monkhouse Mr G P Mills Mr A M Coles
Secretary	Mainstay (Secretaries) Limited
Company number	06869607
Registered office	Mainstay Whittington Hall Whittington Road Worcester WR5 2ZX
Independent Auditors	PricewaterhouseCoopers LLP 7 More London Riverside London SE1 2RT
Other information	The company is a member of the Aviva plc group of companies (the "Group")

AVIVA INVESTORS GR SPV 8 LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

The directors present their annual report and audited financial statements for the year ended 31 December 2019.

Principal activities and review of business
The principal activity of the Company is that of investment in ground rent properties. The portfolio has been performing in line with expectation. The Company has disposed of some of its investment properties during the year as shown in note 9 to the financial statements.

Directors
The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Mr B S Hill (resigned 11 October 2019)
Mr M Monkhouse
Mr C J Urwin (resigned 12 November 2019)
Mr G P Mills
Mr A M Coles (appointed 12 November 2019)

Qualifying third party 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 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 1st October 2007). The 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.

Principal risks and uncertainties
The outbreak of the novel coronavirus (also known as COVID 19) in many countries is rapidly evolving and the socio-economic impact is unprecedented. It has been declared as a global pandemic and is having a major impact on economies and financial markets. The efficacy of government measures will materially influence the length of economic disruption, but it is probable we will see a period of slow economic growth or even recession.

Whilst it is not possible to fully assess the 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. Business continuity plans have been enacted for itself and service providers, so the Directors/General Partner expects the Company to be in a position to continue operations throughout this period.

However, there is unlikely to be an entity that is completely immune from the consequences of the outbreak and the Directors consider that the novel coronavirus presents increased uncertainty and risk with respect to the Company's performance and financial results. The Directors will continue to monitor the COVID-19 situation closely and act accordingly to protect the interests of investors.

Principal risks and uncertainties (continued)

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

Risk management policies

Approach to risk and capital management

The Company operates within the governance structure and priority framework of the Aviva Group ('Aviva').

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:

(i) Liquidity risk

Liquidity risk arises as a result of property assets being inherently illiquid. Liquidity risk is managed by ensuring that there is always sufficient headroom available to meet the working capital requirements of the business.

(ii) Interest rate risk

Interest rate risk arises as a result of the Company borrowing from its parent undertaking. Interest rate risk is managed by the Company borrowing at a fixed rate of interest.

(iii) 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 Global Services Limited, which manages and administers the Company's investments.

(iv) Credit risk

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

(v) Market risk

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

Employees

The Company has no employees (2018: none).

Post balance sheet events

Events after the reporting financial year have been evaluated up to the date the audited financial statements were approved and authorised for issue by the directors.

On January 30, 2020, the World Health Organisation declared the coronavirus (COVID-19) a public health emergency. There are no comparable recent events which may provide guidance as to the effect of the spread of COVID-19 and a potential pandemic, and, as a result, the ultimate impact of the COVID-19 outbreak or a similar health epidemic is highly uncertain and subject to change.

Given the emergence and spread of COVID-19 occurred in 2020, it is not considered relevant to conditions that existed at the balance sheet date. Consequently COVID-19 is considered to be a non-adjusting post balance sheet event. The measurement of assets and liabilities in the accounts has not been adjusted for its potential impact. The impact of COVID-19 is uncertain and may be material; the Directors are in dialogue with the Company's Portfolio Manager and will continue to monitor the situation.

UK Real Estate is yet to see the full impact of COVID-19 in terms of investment and occupier activity. The external valuation adviser has applied a "material uncertainty clause" to the 31 March 2020 valuation because they can no longer make reliable judgements on value in the current market. Liquidity and transaction volumes for all but the best quality real estate are likely to be depressed for the immediate period, although it is too early to tell what the longer-term effects may be. Various initiatives have been enacted across government and the industry to protect occupiers.

The Company invests in real estate long income and whilst not immune from the challenges likely to be presented to the wider market, should be well positioned compared to traditional real estate because of its focus on long-term contractual cashflows to strong tenant counterparties.

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.

2019 Change in fair value
Fair value Unobservable input +25bps +50bps

Investment property £12,692,999 Equivalent yield (£798,000) (£1,501,000)

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

Future developments

The directors have reviewed the activities of the business for the year and the position as at 31 December 2019. 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. 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 2019 and conclude the fair value of investment properties in the financial statements is appropriate.

Going concern

At the balance sheet date the company had net current liabilities of £7,240,947. This is driven by the intercompany borrowings with the parent of £7,553,637. The directors have received confirmation that Aviva Investors REaLM Ground Rent Limited Partnership intends to support the company to enable it to meet its obligations as they fall due and Aviva Investors Ground Rent Holdco Limited will not seek repayment of part or all of the amount loaned to this company, where to do so would place this company in an insolvent position.

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.

Statement as to disclosure of information to auditors
Each person who was a director of the Company on the date that this report was approved, confirms that:

(a). 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 this the auditors unaware; and
(b). each 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 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 directors' responsibilities in respect of the financial statements
The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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 FRS102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are 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 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

Mr G P Mills
Director
17 April 2020

AVIVA INVESTORS GR SPV 8 LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF AVIVA INVESTORS GR SPV 8 LIMITED

For the year ended 31 December 2019

Report on the audit of the financial statements

Opinion

In our opinion, Aviva Investors GR SPV8 Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the statement of financial position as at 31 December 2019; 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

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

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

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

Reporting on other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

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

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' Report for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements set out on page 5, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Entitlement to exemptions

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

Sandra Dowling (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
17 April 2020

AVIVA INVESTORS GR SPV 8 LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 £	2018 £
Turnover		629,771	801,266
Administrative expenses		(47,514)	(53,002)
Gain on disposal of investment properties		37,601	-
Change in fair value of investment properties	5	(552,094)	(2,392,000)
Operating profit/(loss)	6	67,764	(1,643,736)
Finance costs	7	(453,218)	(453,218)
Loss before taxation		(385,454)	(2,096,954)
Tax on loss	8	35,841	285,524
Loss for the financial year		(349,613)	(1,811,430)
Other comprehensive income		-	-
Total comprehensive expense for the year		(349,613)	(1,811,430)

Continuing Operations
All amounts reported in the Statement of Comprehensive Income for the years ended 31 December 2019 and 31 December 2018 relate to continuing operations.

The notes on pages 11 to 21 form part of these financial statements

AVIVA INVESTORS GR SPV 8 LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	Note	2019 £	2019 £	2018 £	2018 £
Fixed assets					
Investment properties	**9**		12,692,999		13,607,000
Current assets					
Debtors	**10**	2,155,531		1,188,131	
Creditors: amounts falling due within one year					
Intercompany borrowings	**11**	(7,553,637)		(7,553,637)	
Other creditors	**12**	(1,842,841)		(1,345,973)	
		(9,396,478)		(8,699,610)	
Net current liabilities			(7,240,947)		(7,711,479)
Total assets less current liabilities			5,452,052		5,895,521
Provisions for liabilities					
Deferred tax liability	**13**	(421,868)		(515,724)	
			(421,868)		(515,724)
Net assets			5,030,184		5,379,797
Capital and reserves					
Called up share capital	**14**		2,962,322		2,962,322
Retained earnings			2,067,862		2,417,475
Total shareholders' funds			5,030,184		5,379,797

The financial statements were approved by the board of directors and authorised for issue on 17 April 2020 and are signed on its behalf by:

Mr G P Mills
Director

Company Registration No. 06869607

The notes in pages 11 to 21 form part of these financial statements

AVIVA INVESTORS GR SPV 8 LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

	Called up share capital	Retained earnings	Total shareholders' funds
	£	£	£
Balance at 1 January 2018	2,962,322	4,228,905	7,191,227
Total comprehensive expense for the year	-	(1,811,430)	(1,811,430)
Balance at 31 December 2018	2,962,322	2,417,475	5,379,797
Total comprehensive expense for the year	-	(349,613)	(349,613)
Balance at 31 December 2019	2,962,322	2,067,862	5,030,184

The notes on pages 11 to 21 form part of these financial statements

1 Company Information

Aviva Investors GR SPV 8 Limited ("The Company") maintains a portfolio of investment in ground rent properties in the UK.

The company is a private company limited by shares and is incorporated and domiciled in England. The address of its registered office is Mainstay, Whittington Hall, Whittington Road, Worcester, WR5 2ZX.

2 Statement of compliance

The financial statements of the Company have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, The Financial Reporting Standards 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 as modified by the revaluation of investment properties measured at fair value through profit and loss, in compliance with UK accounting standards including Financial Reporting Standard 102 ("FRS 102"), the Financial Reporting Standards applicable in the United Kingdom and Republic of Ireland, and the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary a mounts in these financial statements are rounded to the nearest pound.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions changed. Management believes the underlying assumptions are appropriate. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

3.2 Going concern basis

At the balance sheet date the company had net current liabilities of £7,240,947 (2018: £7,711,479). This is driven by the intercompany borrowings with the parent of £7,553,637 (2018: £7,553,637). The directors have received confirmation that Aviva Investors REaLM Ground Rent Limited Partnership intends to support the company to enable it to meet its obligations as they fall due and Aviva Investors Ground Rent Holdco Limited will not seek repayment of part or all of the amount loaned to this company, where to do so would place this company in an insolvent position.

3.3 Turnover

Turnover represents amounts receivable from ground rents and other services, in all cases excluding value added tax, and all in the UK.

Ground rent and other receivables are recognised on an accruals basis in the Statement of Comprehensive Income, over the period to which the income relates.

3 **Accounting policies** **(Continued)**

3.4 Investment properties

Investment properties for which fair value can be measured reliably without undue cost or effort on an ongoing basis are measured at fair value annually by reference to a third party valuation report produced by independent appraisers, with any change recognised in the Statement of Comprehensive Income.

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.

3.5 Loans and borrowings

Loans and 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. Borrowing costs have been capitalised and are being amortised using the effective interest rate method over the life of the loan. Interest expense associated with loans and borrowings is accounted for on an accruals basis.

3.6 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 trade and other receivables and cash and bank balances, 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.

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 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 have been had the impairment not previously been recognised. The impairment reversal is recognised in the statement of comprehensive income.

Other financial assets 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.

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.

3 **Accounting policies** **(Continued)**

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

Basic financial liabilities, including loans and borrowings, are initially measured at transaction price (including transactions costs), except for those financial assets 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 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.

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.

Financial instruments disclosure exemption
The Company has taken advantage of the exemption, under FRS 102, from disclosure of its financial instruments, on the basis that it is a qualifying entity and the Company's financial instruments are disclosed within the consolidated financial statements of its parent entity, Aviva Investors REaLM Ground Rent Limited Partnership.

3.7 Share capital
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

3.8 Taxation

Current tax
Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date. Management periodically evaluates positions taken in tax returns with respect to situations in which the applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax
Deferred tax is provided in full, using the liability method on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets are recognised only to the extent that it is probable that taxable profit will be available against which deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.

Deferred tax relating to items recognised directly in changes in equity is recognised in the Statement of Changes in Equity and not in the Statement of Comprehensive Income.

3 **Accounting policies** **(Continued)**

3.9 Related party transactions

The Company 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 directors, separate disclosure is necessary to understand the effect of the transactions on the Company financial statements.

The Company has taken advantage of the exemption, under FRS 102, from disclosure of transactions with related parties who are wholly owned within the same Group. The Group includes the Company, its parent undertakings and its fellow subsidiary undertakings.

3.10 Cash flow statement

The Company has taken advantage of the exemption, under FRS102, from preparing a statement of cash flows, on the basis that it is a qualifying entity and the Company's cash flows are included within the consolidated statement of cash flows of its parent entity, Aviva Investors REaLM Ground Rent Limited Partnership.

3.11 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.

3.12 Administrative expenses

Administrative expenses include all costs not directly incurred in the operation of the Company's portfolio. This includes administration, finance and management expenses which are recognised on an accruals basis.

3.13 Finance income and cost

Finance income receivable and finance cost payable are recognised on an accruals basis.

4 Critical accounting estimates and judgements

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.

4.1 *Critical accounting estimates and assumptions*

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.

a. Investment properties

The fair value of investment properties is determined by using valuation techniques. For further details of the judgments and assumptions made, see note 9.

5 Change in fair value of investment properties

	2019	2018
	£	£
Change in fair value of investment properties	(552,094)	(2,392,000)

6 Operating profit/(loss)

	2019	2018
Operating profit/(loss)	£	£
Fees payable to the company's auditors for the audit of the company's financial statements	10,722	10,615

During the year no non-audit fees were paid to statutory auditors.

The Company did not have any employees during the current year or previous year.
The directors received no emoluments for services to the Company for the year (2018: £Nil).

7 Finance costs

	2019	2018
	£	£
Loan interest payable to parent undertaking	453,218	453,218

8 **Tax on loss**

	2019	2018
	£	£
Current tax		
UK corporation tax on loss for the current period	117,587	121,116
Adjustments in respect of prior periods	(59,572)	-
Total current tax	58,015	121,116
Deferred tax		
Origination and reversal of timing differences	(93,856)	(406,640)
Total deferred tax	(93,856)	(406,640)
Total tax credit	(35,841)	(285,524)

Reconciliation of total tax credit included in profit and loss

The tax assessed for the year is higher (2018: lower) than the standard rate of corporation tax in the UK. The difference is explained below:

	2019	2018
	£	£
Loss before taxation	(385,454)	(2,096,954)
Loss before taxation multiplied by 19.00% (2018: 19.00%)	(73,236)	(398,421)
Tax effect of expenses that are not deductible in determining taxable profit	104,898	-
Tax effect of income not taxable in determining taxable profit	(7,144)	-
Gains not taxable	(97,939)	-
Adjustments in respect of prior years	(59,572)	-
Group relief	-	(19,972)
Losses utilised in year/carried forward	-	(1,082)
Re-measurement of deferred tax - change in UK tax rate	14,011	47,840
Corporate interest restriction	86,111	86,111
Deferred tax not recognised	(2,970)	-
Taxation credit for the year	(35,841)	(285,524)

8 **Tax on loss** **(Continued)**

Finance (No 2) Act 2015 introduced legislation reducing the rate of corporation tax from 20% at 1 April 2016, to 19% from 1 April 2017 and to 18% from 1 April 2020. Finance Act 2016, which received Royal Assent on 15 September 2016, introduced legislation further reducing the corporation tax rate to 17% from 1 April 2020. On 11 March 2020, the UK Budget announcement stated that the corporation tax rate reduction to 17% from 1 April 2020 will no longer take place and that the current rate of 19% will remain in force.

The deferred tax balances in Note 13 have been calculated using the future tax rate in force at the balance sheet date, being 17%. Applying the revised tax rate would have the effect of increasing the recognised deferred tax liability position by £49,632 and the unrecognised deferred tax asset position by £18,864.

9 **Investment properties**

	2019	2018
	£	£
Fair value		
At 1 January	13,607,000	15,999,000
Revaluations	(552,094)	(2,392,000)
Disposals	(361,907)	-
At 31 December	12,692,999	13,607,000
Carrying value		
At 31 December	12,692,999	13,607,000

Net gain from disposal of investment property

	2019	2018
	£	£
Proceeds received from sale	399,508	-
Carrying value at disposal	(361,907)	-
Gain on disposal	37,601	-

The historical cost of the investment properties as at 31 December 2019 was £10,251,340 (2018: £10,573,331). The investment properties were valued to fair value, in accordance with the Appraisal and Valuation Manual of the Royal Institute of Chartered Surveyors, as at 31 December 2019 by CBRE Limited, professionally qualified chartered surveyors. The valuer has significant experience in the location and class of the investment property being valued.

Valuation at 31 December is represented by:

	2019	2018
	£	£
Valuation of freehold properties	12,692,999	13,607,000

9 Investment properties **(Continued)**

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 the 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 rental streams net of income voids arising from vacancies or rent free periods and associated running costs. These capitalisations yields and rental values are based on comparable property and leasing transactions in the market, using the valuers' professional judgement and market observation. Other factors taken into account in the valuations include the tenure of the property, tenancy details and ground and structural conditions, being assumptions applied by the valuers and 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. 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.

10 Debtors

	2019	2018
Amounts falling due within one year:	**£**	**£**
Trade debtors	30,346	1,490
Amounts owed by group undertakings	1,967,633	1,124,141
Other debtors	157,552	62,500
	2,155,531	1,188,131

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

11 Intercompany borrowings

	2019	2018
	£	**£**
Loan from parent undertaking	7,553,637	7,553,637

The loan from parent undertaking is unsecured, bears interest at 6% per annum and is repayable on demand.

12 Other creditors

	2019	2018
	£	£
Trade creditors	-	55,557
Corporation tax	26,436	121,116
Other creditors	1,278,635	891,835
Accruals and deferred income	537,770	277,465
	1,842,841	1,345,973

13 Deferred taxation

The following are the major deferred tax liabilities recognised by the company and movements thereon:

	Liabilities 2019	Liabilities 2018
Balances:	£	£
Revaluation of investment properties	421,868	515,724

Movements in the year:	£	£
Liability at 1 January	515,724	922,364
Credit to profit or loss	(93,856)	(406,640)
Liability at 31 December	421,868	515,724

Deferred tax assets of £160,343 (2018: £135,096) relating to interest disallowed under the Corporate Interest Restriction regime have not been recognised on the basis that it is not expected that tax relief will be available for this restriction in the foreseeable future.

14 Called up share capital

	2019	2018
	£	£
Ordinary share capital		
Issued and fully paid		
2,962,322 (2018: 2,962,322) Ordinary shares of £1 each	2,962,322	2,962,322
	2,962,322	2,962,322

15 Operating lease commitments

The company had the following minimum lease receivables under non-cancellable operating leases:

	2019 £	2018 £
Within one year	473,190	469,000
Between two and five years	1,892,759	1,875,999
In over five years	113,087,007	111,440,407
	115,452,956	113,785,406

16 Contingent liabilities and capital commitments

There were no contingent liabilities or capital commitments at the balance sheet date (2018: £nil).

17 Events after the reporting financial year

Events after the reporting financial year have been evaluated up to the date the audited financial statements were approved and authorised for issue by the directors.

On January 30, 2020, the World Health Organisation declared the coronavirus (COVID-19) a public health emergency. There are no comparable recent events which may provide guidance as to the effect of the spread of COVID-19 and a potential pandemic, and, as a result, the ultimate impact of the COVID-19 outbreak or a similar health epidemic is highly uncertain and subject to change.

Given the emergence and spread of COVID-19 occurred in 2020, it is not considered relevant to conditions that existed at the balance sheet date. Consequently COVID-19 is considered to be a non-adjusting post balance sheet event. The measurement of assets and liabilities in the accounts has not been adjusted for its potential impact. The impact of COVID-19 is uncertain and may be material; the Directors are in dialogue with the Company's Portfolio Manager and will continue to monitor the situation.

UK Real Estate is yet to see the full impact of COVID-19 in terms of investment and occupier activity. The external valuation adviser has applied a "material uncertainty clause" to the 31 March 2020 valuation because they can no longer make reliable judgements on value in the current market. Liquidity and transaction volumes for all but the best quality real estate are likely to be depressed for the immediate period, although it is too early to tell what the longer-term effects may be. Various initiatives have been enacted across government and the industry to protect occupiers.

The Company invests in real estate long income and whilst not immune from the challenges likely to be presented to the wider market, should be well positioned compared to traditional real estate because of its focus on long-term contractual cashflows to strong tenant counterparties.

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.

2019 Change in fair value **Fair value Unobservable input**	**+25bps**	**+50bps**
Investment property £12,692,999 Equivalent yield	(£798,000)	(£1,501,000)

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

18 Ultimate parent company

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

The Company's immediate parent undertaking is the Aviva Investors Ground Rent HoldCo Limited and its ultimate parent undertaking is Aviva Investors REaLM Ground Rent Unit Trust, which is registered in Jersey.

The Aviva Investors REaLM Ground Rent Limited Partnership, which indirectly has 100% interest of the Company, is both the largest and the smallest group of undertakings to consolidate these financial statements at 31 December 2019. 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

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