

Company Registration No. 03824389 (England and Wales)

AVIVA INVESTORS GR SPV 12 LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

AVIVA INVESTORS GR SPV 12 LIMITED

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AVIVA INVESTORS GR SPV 12 LIMITED

DIRECTORS, OFFICERS AND OTHER INFORMATION

Directors	Mr M Monkhouse Mr A M Coles Mr M Borello
Secretary	Mainstay (Secretaries) Limited
Company number	03824389
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 12 LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

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

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. There have been no significant additions or disposals in the year.

Directors

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

Mr M Monkhouse

Mr G P Mills (resigned 15 December 2020)

Mr A M Coles

Mr M Borello (appointed 27 May 2020)

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 key risks arising in the Company are liquidity, interest rate, operational, credit, market and COVID-19 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.

AVIVA INVESTORS GR SPV 12 LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

(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.

(vi) COVID-19

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

Post entering into the third lockdown in late December 2020 the Government 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/General Partner believe the entity/partnership has a strong balance sheet and the right strategy in place to mitigate against the worst consequences of the outbreak. The Directors/General Partner will continue to monitor the COVID-19 situation closely and act accordingly to protect the interests of investors.

Employees

The company has no employees (2019: none).

Post balance sheet events

There have been no post balance sheet events.

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 dispersement of Ministry of Housing, Communities & 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. 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.

AVIVA INVESTORS GR SPV 12 LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

Going concern

At the balance sheet date the company had net current liabilities of £2,680,617 (2019: £2,658,306). This is driven by the intercompany borrowings with the parent of £2,604,345 (2019: £2,583,374) and other creditor balances. 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 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.

AVIVA INVESTORS GR SPV 12 LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

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 A M Coles
Director

20 April 2021

AVIVA INVESTORS GR SPV 12 LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF AVIVA INVESTORS GR SPV 12 LIMITED

For the year ended 31 December 2020

Report on the audit of the financial statements

Opinion

In our opinion, Aviva Investors GR SPV 12 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, 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 or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

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

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

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

AVIVA INVESTORS GR SPV 12 LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF AVIVA INVESTORS GR SPV 12 LIMITED

For the year ended 31 December 2020

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 identified that 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 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. 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.

AVIVA INVESTORS GR SPV 12 LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF AVIVA INVESTORS GR SPV 12 LIMITED

For the year ended 31 December 2020

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

20 April 2021

AVIVA INVESTORS GR SPV 12 LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

		2020	2019
	Note	£	£
Turnover		140,175	140,055
Administrative expenses		(16,729)	(16,870)
Change in fair value of investment properties	5	(59,000)	(282,000)
Operating profit/(loss)	6	64,446	(158,815)
Finance costs	7	(145,757)	(145,757)
Loss before taxation		(81,311)	(304,572)
Tax (expense)/credit on loss	8	(17,635)	47,940
Loss for the financial year		(98,946)	(256,632)
Other comprehensive income		-	-
Total comprehensive expense		(98,946)	(256,632)

Continuing Operations

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

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

AVIVA INVESTORS GR SPV 12 LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

	Note	2020 £	£	2019 £	£
Fixed assets					
Investment properties	9		4,684,000		4,743,000
Current assets					
Debtors	10	75		-	
Creditors: amounts falling due within one year					
Intercompany borrowings	11	(2,429,282)		(2,429,282)	
Other creditors	12	(251,410)		(229,024)	
		(2,680,692)		(2,658,306)	
Net current liabilities			(2,680,617)		(2,658,306)
Total assets less current liabilities			2,003,383		2,084,694
Provisions for liabilities					
Deferred tax liability	13	(262,821)		(245,186)	
			(262,821)		(245,186)
Net assets			1,740,562		1,839,508
Capital and reserves					
Called up share capital	14		809,760		809,760
Retained earnings			930,802		1,029,748
Total shareholders' funds			1,740,562		1,839,508

The financial statements were approved by the board of directors and authorised for issue on 20 April 2021 and are signed on its behalf by:

Mr A M Coles
Director

Company Registration No. 03824389

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

AVIVA INVESTORS GR SPV 12 LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

	Called up share capital	Retained earnings	Total shareholders' funds
	£	£	£
Balance as at 1 January 2019	809,760	1,286,380	2,096,140
Total comprehensive expense for the financial year	-	(256,632)	(256,632)
Balance as at 31 December 2019	809,760	1,029,748	1,839,508
Balance as at 1 January 2020	809,760	1,029,748	1,839,508
Total comprehensive expense for the financial year	-	(98,946)	(98,946)
Balance as at 31 December 2020	809,760	930,802	1,740,562

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

AVIVA INVESTORS GR SPV 12 LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Company Information

Aviva Investors GR SPV 12 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 amounts 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 £2,680,617 (2019: £2,658,306). This is driven by the intercompany borrowings with the parent of £2,604,345 (2019: £2,583,374) and other creditor balances. 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.

3.4 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.

AVIVA INVESTORS GR SPV 12 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

3 Accounting policies

(Continued)

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, 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.

AVIVA INVESTORS GR SPV 12 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

3 Accounting policies

(Continued)

3.6 Financial instruments (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 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 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.

AVIVA INVESTORS GR SPV 12 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

3 Accounting policies

(Continued)

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.

3.9 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 FRS 102 1.12(b), 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.

AVIVA INVESTORS GR SPV 12 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

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

	2020 £	2019 £
Change in fair value of investment properties	(59,000)	(282,000)

The change in fair value of investment properties is also reflected in note 9.

6 Operating profit/(loss)

	2020 £	2019 £
Operating profit/(loss) for the year is stated after charging:		
Fees payable to the company's auditors for the audit of the company's financial statements	11,120	10,722

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

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 (2019: £Nil).

7 Finance costs

	2020 £	2019 £
Loan interest payable to parent undertaking	145,757	145,757

AVIVA INVESTORS GR SPV 12 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

8 Tax on loss

	2020 £	2019 £
Current tax		
UK corporation tax on loss for the current year	-	-
Total UK current tax	-	-
Deferred tax		
Origination and reversal of timing differences	(11,210)	(47,940)
Effect of tax rate change on opening balance	28,845	-
Total deferred tax	17,635	(47,940)
Total tax charge/(credit)	17,635	(47,940)

Reconciliation of total tax charge/(credit) included in profit and loss

The tax assessed for the year is higher (2019: higher) than the standard rate of corporation tax in the UK. The difference is explained below:

	2020 £	2019 £
Loss before taxation	(81,311)	(304,572)
Expected tax credit based on the standard rate of corporation tax in the UK of 19% (2019: 19%)	(15,449)	(57,869)
Group relief	4,239	4,289
Re-measurement of deferred tax - change in UK tax rate	28,845	5,640
Taxation charge/(credit) for the year	17,635	(47,940)

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%. This revised rate has been used in the calculation of the Company's deferred tax assets and liabilities as at 31 December 2020.

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 Company's deferred tax liability by approximately £82,996.

AVIVA INVESTORS GR SPV 12 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

9 Investment properties

	2020 £	2019 £
Fair value		
At 1 January	4,743,000	5,025,000
Revaluations	(59,000)	(282,000)
At 31 December	<u>4,684,000</u>	<u>4,743,000</u>
Carrying value		
At 31 December	<u>4,684,000</u>	<u>4,743,000</u>

The historical cost of the investment properties as at 31 December 2020 was £3,300,731 (2019: £3,300,731). The investment properties were valued to fair value, in accordance with the RICS Valuation - Global Standards of the Royal Institution of Chartered Surveyors, as at 31 December 2020 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:

	2020 £	2019 £
Valuation of freehold properties	<u>4,684,000</u>	<u>4,743,000</u>

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 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 Governments 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 Company's financial and property management systems and is subject to the Company's overall control environment. There were no changes to the valuation techniques during the year.

AVIVA INVESTORS GR SPV 12 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

9 Investment properties

(Continued)

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.

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.

2020 Change in fair value

Fair value Unobservable input +25bps +50bps

Investment property £4,684,000 Equivalent yield (£361,000) (£671,000)

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

10 Debtors

	2020	2019
	£	£
Amounts falling due within one year:		
Prepayments and accrued income	75	-
	<u>75</u>	<u>-</u>

11 Intercompany borrowings

	2020	2019
	£	£
Loan from parent undertaking	2,429,282	2,429,282
	<u>2,429,282</u>	<u>2,429,282</u>

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

AVIVA INVESTORS GR SPV 12 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

12 Other creditors

	2020 £	2019 £
Amounts owed to group undertakings	175,063	154,092
Accruals and deferred income	76,347	74,932
	<u>251,410</u>	<u>229,024</u>

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

13 Deferred taxation

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

	Liabilities 2020 £	Liabilities 2019 £
Balances:		
Revaluation of investment properties	<u>262,821</u>	<u>245,186</u>
Movements in the year:	£	£
Liability at 1 January 2020	245,186	293,126
Charge/(credit) to profit or loss	17,635	(47,940)
Liability at 31 December 2020	<u>262,821</u>	<u>245,186</u>

Deferred tax assets of £5,188 (2019: £4,642) 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

	2020 £	2019 £
Ordinary share capital		
Issued and fully paid		
809,760 (2019: 809,760) Ordinary shares of £1 each	<u>809,760</u>	<u>809,760</u>
	<u>809,760</u>	<u>809,760</u>

15 Contingent liabilities and capital commitments

There were no contingent liabilities or capital commitments at the balance sheet date (2019: £nil).

AVIVA INVESTORS GR SPV 12 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

16 Operating lease commitments

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

	2020	2019
	£	£
Within one year	140,034	140,034
Between two and five years	560,136	560,136
In over five years	15,702,767	15,842,801
	<u>16,402,937</u>	<u>16,542,971</u>

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 the authorised for issue by the directors. No events that would have a material impact on the financial statements have been identified

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 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

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.