

Company Registration No. 06885998 (England and Wales)

AVIVA INVESTORS GR SPV 11 LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

AVIVA INVESTORS GR SPV 11 LIMITED

CONTENTS

	Page(s)
Directors, Officers and Other Information	1
Directors' Report	2 - 6
Independent Auditors' Report	7 - 9
Statement of Comprehensive Income	10
Statement of Financial Position	11
Statement of Changes in Equity	12
Notes to the Financial Statements	13 - 26

AVIVA INVESTORS GR SPV 11 LIMITED

DIRECTORS, OFFICERS AND OTHER INFORMATION

Directors	Mr M Monkhouse Mr A M Coles Mr M Borello
Secretary	Mainstay (Secretaries) Limited
Company number	06885998
Registered office	Mainstay Whittington Hall Whittington Road Worcester WR5 2ZX
Independent Auditors	PricewaterhouseCoopers LLP 7 More London Riverside London SE1 2RT

AVIVA INVESTORS GR SPV 11 LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

The directors present their annual report and audited financial statements for the year ended 31 December 2021.

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 A M Coles
Mr M Borello

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, COVID-19 and Ukraine Russia conflict 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. A liquidity risk table has been set out in note 19.

(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. The Operational risk for the Company is managed by Aviva Investors UK Fund Services Limited (a subsidiary of Aviva plc.), which manages and administers the Partnership's investments in the Company. Details of the Aviva Group approach to operational risk are set out in the financial statements of Aviva Investors UK Fund Services Limited.

AVIVA INVESTORS GR SPV 11 LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

(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 company. 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 markets globally. On February 22nd 2022 the United Kingdom government lifted all remaining COVID-19 restrictions. The Directors will continue to monitor the COVID-19 situation closely and act accordingly to protect the interests of investors.

(vii) Ukraine Russia Conflict

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

Employees

The company has no employees (2020: none).

Post balance sheet events

In a bid to resolve the building safety crisis, in January 2022 the Government reset its approach to building safety, promising to protect leaseholders from the cost of remediating combustible cladding and other non-cladding fire safety works. On 14 February 2022, the Government published a set of further amendments to the Building Safety Bill that aim to transfer the responsibility for building safety remediation costs on buildings over 11 metres in height from leaseholders to the developer or freeholder, irrespective of the repairing obligations within lease agreements. The Bill, as drafted, sets out that remediation (both cladding and non-cladding) of impacted buildings will be conducted or funded by the developer responsible for the safety defects and the normal limitation period for liability will accordingly be extended from 6 to 30 years. The amendments propose that the liability will transfer to freeholders, via a 'statutory waterfall', in the event developers fail to pay. The Bill, as currently drafted, would remove the rights of freeholders to recover all cladding and non-cladding fire safety remediation costs from specifically identified leaseholder groups. Further amendments to the Bill, which is in its final stages, remain possible.

As a result of the most recent announcement, the external valuer applied a 'material valuation uncertainty' ('MVU') declaration (as per VPS 3 and VPGA 10 of the RICS Valuation – Global Standards) to the valuation reported as at 31 March 2022. Whilst we have continued to produce a net asset value for the Fund as at 31 March 2022, as a consequence of the inclusion of the 'material valuation clause', less certainty and a higher degree of caution should be attached to the valuation as at 31 March 2022 than would normally be the case. No such clause was included in the external valuation reports as at 31 December 2021.

AVIVA INVESTORS GR SPV 11 LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

Future developments

The directors have reviewed the activities of the business for the year and the position as at 31 December 2021.

Regulatory Updates

Lease Reforms (Ground Rent) Bill

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. During the second half of the year the Leasehold Reform (Ground Rent) Bill made progress through Parliament with Royal Assent being given in February 2022. Whilst the removal of ground rent payments from residential leases and the ban on leasehold houses are the primary changes to pass, there remains uncertainty around the detail on how enfranchisement premiums will be calculated. This uncertainty delivered caution from investors, however a number of transactions continued to complete which provided market evidence for valuation purposes.

Building Safety Bill

During the year the Government continued with its Building Safety Programme, established to ensure residents of high rise buildings are safe now and in the future. This included the introduction of new building safety advisory guidance and the provision of funding through the Building Safety Fund to assist in the cost of remediating unsafe cladding systems. The business and its professional advisers continued to implement the guidance and applied for funding for buildings in the portfolio where fire safety works were identified following intrusive surveys and where the Fund is the responsible entity for this work. Final details of the legislation for fire and building safety in multi-storey residential buildings remained unclear as the Building Safety Bill continued to progress through Parliament.

On 14 February 2022, the Government proposed a set of further amendments to the Building Safety Bill that aim to transfer the responsibility for building safety remediation costs on buildings over 11 metres in height from leaseholders to the developer or freeholder, irrespective of the repairing obligations within lease agreements. The Bill, as drafted, sets out that remediation (both cladding and non-cladding) of impacted buildings will be conducted or funded by the developer responsible for the safety defects and the normal limitation period for liability will accordingly be extended from 6 to 30 years. The amendments propose that the liability will transfer to freeholders, via a 'statutory waterfall', in the event developers fail to pay. The Bill, as currently drafted, would remove the rights of freeholders to recover all cladding and non-cladding fire safety remediation costs from leaseholders.

Investment property Valuation

During 2021 the Fund's third party valuer has applied an illiquidity discount to buildings that require fire safety remediation works. As a result of the most recent announcements, in March 2022 the valuer has advised that there is currently 'material valuation uncertainty' (as per VPS 3 and VPGA 10 of the RICS Valuation – Global Standards) for certain residential ground rent assets in the portfolio. Whilst we have continued to produce a net asset value for the Fund as at 31st March 2022, consequently, less certainty and a higher degree of caution should be attached to the valuation than would normally be the case.

Going concern

At the balance sheet date the company had net current liabilities of £1,730,487 (2020: £1,745,963). This is driven by the intercompany borrowings with the parent of £1,797,702 (2020: £1,797,702) 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.

AVIVA INVESTORS GR SPV 11 LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

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, 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 safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also 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.

AVIVA INVESTORS GR SPV 11 LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

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

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

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

10 June 2022

AVIVA INVESTORS GR SPV 11 LIMITED

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF AVIVA INVESTORS GR SPV 11 LIMITED

FOR THE YEAR ENDED 31 DECEMBER 2021

Report on the audit of the financial statements

Opinion

In our opinion, Aviva Investors GR SPV 11 Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its profit 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 2021; the Statement of Comprehensive Income and the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

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

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

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

Reporting on other information

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

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

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

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

AVIVA INVESTORS GR SPV 11 LIMITED

INDEPENDENT AUDITORS' REPORT (CONTINUED)

TO THE MEMBERS OF AVIVA INVESTORS GR SPV 11 LIMITED

FOR THE YEAR ENDED 31 DECEMBER 2021

Directors' Report

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

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

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

- Discussions with management, including consideration of known or suspected instances of non compliance with laws and regulation and fraud;
- Reviewing relevant Board meeting minutes;
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations, 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;
- 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 11 LIMITED

INDEPENDENT AUDITORS' REPORT (CONTINUED)

TO THE MEMBERS OF AVIVA INVESTORS GR SPV 11 LIMITED

FOR THE YEAR ENDED 31 DECEMBER 2021

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
10 June 2022

AVIVA INVESTORS GR SPV 11 LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

		2021	2020
	Note	£	£
Turnover		125,515	305,992
Administrative expenses		(23,040)	(17,813)
Change in fair value of investment properties	5	79,000	(89,000)
Operating profit	6	181,475	199,179
Interest payable and similar expenses	7	(107,862)	(107,862)
Profit before taxation		73,613	91,317
Tax on profit	8	(56,058)	(38,188)
Profit for the financial year		17,555	53,129
Other comprehensive income		-	-
Total comprehensive income for the year		17,555	53,129

Continuing Operations

All amounts reported in the Statement of Comprehensive Income for the year ended 31 December 2021 and 31 December 2020 relate to continuing operations.

The notes on pages 13 to 26 form part of these financial statements

AVIVA INVESTORS GR SPV 11 LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

	Note	2021 £	£	2020 £	£
Fixed assets					
Investment properties	9		3,570,000		3,491,000
Current assets					
Debtors	10	147,999		169,582	
Creditors: amounts falling due within one year					
Amounts owed to parent undertaking	11	(1,797,702)		(1,797,702)	
Other creditors	12	(80,784)		(117,843)	
		(1,878,486)		(1,915,545)	
Net current liabilities			(1,730,487)		(1,745,963)
Total assets less current liabilities			1,839,513		1,745,037
Provisions for liabilities					
Deferred tax liability	13	(257,966)		(181,045)	
			(257,966)		(181,045)
Net assets			1,581,547		1,563,992
Capital and reserves					
Called up share capital	14		728,972		728,972
Retained earnings			852,575		835,020
Total shareholders' funds			1,581,547		1,563,992

The financial statements were approved by the board of directors and authorised for issue on 10 June 2022 and are signed on its behalf by:

Mr A M Coles
Director

Company Registration No. 06885998

The notes on pages 13 to 26 form part of these financial statements

AVIVA INVESTORS GR SPV 11 LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021

	Called up share capital	Retained earnings	Total shareholders' funds
	£	£	£
Balance as at 1 January 2020	728,972	781,891	1,510,863
Total comprehensive income for the financial year	-	53,129	53,129
Balance as at 31 December 2020	<u>728,972</u>	<u>835,020</u>	<u>1,563,992</u>
Balance as at 1 January 2021	728,972	835,020	1,563,992
Total comprehensive income for the financial year	-	17,555	17,555
Balance as at 31 December 2021	<u><u>728,972</u></u>	<u><u>852,575</u></u>	<u><u>1,581,547</u></u>

The notes on pages 13 to 26 form part of these financial statements

AVIVA INVESTORS GR SPV 11 LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Company Information

Aviva Investors GR SPV 11 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 GBP 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 £1,730,487 (2020: £1,745,963). This is driven by the intercompany borrowings with the parent of £1,797,702 (2020: £1,797,702) 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

Leases, where the lessor retains substantially all of the risks and rewards of ownership, are classified as operating leases. Receipts as lessors under operating leases (net of any incentives given to the lessee) are credited to the Statement of Comprehensive Income. If the impact of straight-lining is material the income is amortised over the lease term. 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.

AVIVA INVESTORS GR SPV 11 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

3 Accounting policies

(Continued)

3.4 Investment properties

Properties that are held for long-term rental yields or for capital appreciation or both, and that are not occupied by the Group are classified as investment properties. Investment properties comprise freehold land and buildings, and long leasehold land and buildings.

Investment properties are initially recorded at cost, including related transaction costs. Transaction costs include property transfer taxes, professional fees and initial leasing commissions to bring the property to the condition necessary for it to operate in the manner intended by the Group. Subsequent expenditure on major renovation and development of investment properties is capitalised at cost. The cost of maintenance, repairs and minor improvement are expensed when incurred.

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

Investment properties are derecognised when they have been disposed of or permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of investment properties are recognised in the Statement of Comprehensive Income in the year of retirement or disposal.

Gains or losses on the disposal of investment properties are determined as the difference between net disposal proceeds and the carrying value of the asset in the previous full period financial statements.

3.5 Loans and borrowings

Borrowings are recognised at the fair value of the consideration received net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised as a finance expense in the Statement of Comprehensive Income.

Borrowings are classified as current liabilities in the financial statements unless the Company has an unconditional right to defer the settlement of the liability for at least twelve months after the reporting date.

AVIVA INVESTORS GR SPV 11 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

3 Accounting policies

(Continued)

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 debtors, 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 11 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

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 provisions of the instrument.

Basic financial liabilities are initially measured at transaction price (including transaction costs).

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method. Debt instruments that are classified as payable within one year and which meet the above conditions are measured at the undiscounted amount of the cash or other consideration expected to be paid, net of impairment.

Other debt instruments not meeting these conditions are measured at amortised cost, using the effective interest rate method.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, is 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 11 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

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.

AVIVA INVESTORS GR SPV 11 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

3 Accounting policies

(Continued)

3.13 Interest payable and similar expenses

Interest payable on loans is charged to the Statement of Comprehensive Income using the effective interest rate (EIR) method.

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.

AVIVA INVESTORS GR SPV 11 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

5 Change in fair value of investment properties

	2021 £	2020 £
Change in fair value of investment properties	79,000	(89,000)
	<u> </u>	<u> </u>

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

6 Operating profit

	2021 £	2020 £
Operating profit for the year is stated after charging:		
Fees payable to the company's auditors for the audit of the company's financial statements	16,888	11,120
	<u> </u>	<u> </u>

During the year no non-audit fees were paid to statutory auditors (2020: £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 (2020: £Nil).

7 Interest payable and similar expenses

	2021 £	2020 £
Loan interest payable to parent undertaking	107,862	107,862
	<u> </u>	<u> </u>

AVIVA INVESTORS GR SPV 11 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

8 Tax on profit

	2021 £	2020 £
Current tax		
UK corporation tax on profit for the current year	-	34,260
Adjustments in respect of prior periods	(20,863)	-
Total UK current tax	(20,863)	34,260
Total current tax	(20,863)	34,260
Deferred tax		
Origination and reversal of timing differences	19,749	(16,910)
Effect of tax rate change on opening balance	57,172	20,838
Total deferred tax	76,921	3,928
Total tax charge	56,058	38,188

Reconciliation of total tax charge included in profit and loss

The tax assessed for the year is higher (2020: higher) than the standard rate of corporation tax in the UK. The difference is explained below:

	2021 £	2020 £
Profit before taxation	73,613	91,317
Expected tax charge based on the standard rate of corporation tax in the UK at 19% (2020: 19%)	13,986	17,350
Adjustments in respect of prior years	(20,863)	-
Group relief	1,024	-
Re-measurement of deferred tax - change in UK tax rate	61,911	20,838
Taxation charge/(credit) for the year	56,058	38,188

AVIVA INVESTORS GR SPV 11 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

8 Tax on profit

(Continued)

During 2021 the UK Government enacted an increase in the UK corporation tax rate to 25%, from 1 April 2023. This revised rate has been used in the calculation of the Company's deferred tax liabilities as at 31 December 2021 and increased the Company's deferred tax liabilities by £61,912.

During 2020, the reduction in the UK corporation tax rate that was due to take effect was cancelled, and as a result, the rate remained at 19%. This rate was used in the calculation of the Company's deferred tax assets and liabilities as at 31 December 2020 and increased the Company's deferred tax liabilities by £19,057.

The Company also has unrecognised temporary differences of £11,641 (2020: £11,641) to carry forward indefinitely against future taxable income. This comprises £11,641 in relation to the Corporate Interest Restriction.

9 Investment properties

	2021 £	2020 £
Fair value		
At 1 January	3,491,000	3,580,000
Revaluations	79,000	(89,000)
	<u>3,570,000</u>	<u>3,491,000</u>
At 31 December	<u>3,570,000</u>	<u>3,491,000</u>
Carrying value		
At 31 December	<u>3,570,000</u>	<u>3,491,000</u>

The historical cost of the investment properties as at 31 December 2021 was £2,538,137 (2020: £2,538,137). The investment properties were valued at fair value, in accordance with the Appraisal and Valuation Manual of The Royal Institution of Chartered Surveyors, as at 31 December 2021 by CB Richard Ellis Limited, professionally qualified chartered surveyors. The valuer has significant experience in the location and class of the investment properties being valued.

Valuation at 31 December is represented by:

	2021 £	2020 £
Valuation of freehold properties	<u>3,570,000</u>	<u>3,491,000</u>

AVIVA INVESTORS GR SPV 11 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

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 valuation processes and results are held between the Fund Manager and the independent valuers at least once every quarter. At each year, end the Fund Manager:

- Verifies all major inputs to the independent valuation report
- Assesses property valuation movements when compared to the prior year valuation report
- Holds discussions with the independent valuer

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

A number of major legislative changes announced by Government for residential ground rents continued to progress through Parliament during 2021. This included the Leasehold Reform (Ground Rent) Bill which has set out to abolish leasehold houses, set new ground rents to a peppercorn and introduce changes to the enfranchisement process. In addition, Government has continued to progress the Building Safety Bill with the key objective to deliver remediation to buildings over 11 metres with unsafe cladding and non-cladding fire safety defects. The responsibility for funding and remediating these buildings have remained unclear whilst the Government announced its intention to make a substantive overhaul by way of the introduction of further amendments in 2022.

During 2021 and at the year end, the Fund's third party valuer has applied an illiquidity discount* to buildings that require fire safety remediation works.

* The valuations do not reflect remediation costs where the Fund will have to pay, (which they should, if the costs were known), but do apply an illiquidity discount to properties that could be affected, reflecting the fact that the marketability of these assets will be negatively impacted.

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.

2021 Change in fair value

Fair value Unobservable input +25bps +50bps

Investment property £3,570,000 Equivalent yield (£256,000) (£478,000)

These amounts are not an estimate or a forecast of the impact of COVID-19 or any other variables or post balance sheet events on 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 2021 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.

AVIVA INVESTORS GR SPV 11 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

10 Debtors

	2021	2020
	£	£
Amounts falling due within one year:		
Trade debtors	6,074	-
Amounts owed by group undertakings	123,442	163,650
Other debtors	11,703	4,157
Prepayments and accrued income	6,780	1,775
	<u>147,999</u>	<u>169,582</u>

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

11 Amounts owed to parent undertaking

	2021	2020
	£	£
Loan from parent undertaking	<u>1,797,702</u>	<u>1,797,702</u>

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

12 Other creditors

	2021	2020
	£	£
Corporation tax payable	-	15,455
Other creditors	27,266	63,770
Accruals and deferred income	53,518	38,618
	<u>80,784</u>	<u>117,843</u>

AVIVA INVESTORS GR SPV 11 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

13 Deferred tax liability

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

	Liabilities 2021 £	Liabilities 2020 £
Balances:		
Revaluation of investment properties	257,966	181,045
	<u>257,966</u>	<u>181,045</u>
Movements in the year:	£	£
Liability at 1 January	181,045	177,117
Charge to profit or loss	76,921	3,928
	<u>76,921</u>	<u>3,928</u>
Liability at 31 December	257,966	181,045
	<u>257,966</u>	<u>181,045</u>

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

14 Called up share capital

	2021 £	2020 £
Authorised ordinary share capital		
Issued and fully paid		
7,289,717 (2020: 7,289,717) Ordinary shares of 10p each	728,972	728,972
	<u>728,972</u>	<u>728,972</u>
	<u>728,972</u>	<u>728,972</u>

15 Operating lease commitments

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

	2021 £	2020 £
Within one year	115,501	115,501
Between two and five years	462,003	462,003
In over five years	14,238,883	14,354,329
	<u>14,816,387</u>	<u>14,931,833</u>
	<u>14,816,387</u>	<u>14,931,833</u>

16 Contingent liabilities and capital commitments

There were no contingent liabilities or capital commitments at the balance sheet date (2020: £nil).

AVIVA INVESTORS GR SPV 11 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

17 Events after the reporting financial year

In a bid to resolve the building safety crisis, in January 2022 the Government reset its approach to building safety, promising to protect leaseholders from the cost of remediating combustible cladding and other non-cladding fire safety works. On 14 February 2022, the Government published a set of further amendments to the Building Safety Bill that aim to transfer the responsibility for building safety remediation costs on buildings over 11 metres in height from leaseholders to the developer or freeholder, irrespective of the repairing obligations within lease agreements. The Bill, as drafted, sets out that remediation (both cladding and non-cladding) of impacted buildings will be conducted or funded by the developer responsible for the safety defects and the normal limitation period for liability will accordingly be extended from 6 to 30 years. The amendments propose that the liability will transfer to freeholders, via a 'statutory waterfall', in the event developers fail to pay. The Bill, as currently drafted, would remove the rights of freeholders to recover all cladding and non-cladding fire safety remediation costs from specifically identified leaseholder groups. Further amendments to the Bill, which is in its final stages, remain possible.

As a result of the most recent announcement, the external valuer applied a 'material valuation uncertainty' ("MVU") declaration (as per VPS 3 and VPGA 10 of the RICS Valuation – Global Standards) to the valuation reported as at 31 March 2022. Whilst we have continued to produce a net asset value for the Fund as at 31 March 2022, as a consequence of the inclusion of the 'material valuation clause', less certainty and a higher degree of caution should be attached to the valuation as at 31 March 2022 than would normally be the case. No such clause was included in the external valuation reports as at 31 December 2021.

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 2021. 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

AVIVA INVESTORS GR SPV 11 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

19 Liquidity Risk Table

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.