

Company Registration No. 06886064 (England and Wales)

**AVIVA INVESTORS GR SPV2 LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

# AVIVA INVESTORS GR SPV2 LIMITED

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## AVIVA INVESTORS GR SPV2 LIMITED

### DIRECTORS, OFFICERS AND OTHER INFORMATION

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<b>Directors</b>	Mr M Monkhouse Mr G P Mills Mr A M Coles
<b>Secretary</b>	Mainstay (Secretaries) Limited
<b>Company number</b>	06886064
<b>Registered office</b>	Mainstay Whittington Hall Whittington Road Worcester WR5 2ZX
<b>Independent Auditors</b>	PricewaterhouseCoopers LLP 7 More London Riverside London SE1 2RT
<b>Other information</b>	The company is a member of the Aviva plc group of companies (the "Group")

# **AVIVA INVESTORS GR SPV2 LIMITED**

## **DIRECTORS' REPORT**

***FOR THE YEAR ENDED 31 DECEMBER 2019***

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

### **Principal activities and review of business**

The principal activity of the Company was that of investment in ground rent properties. The company has disposed of all its investment properties during the year as shown in note 9 to the financial statements and has ceased to trade. As such, the directors intend to liquidate the company. Accordingly, the financial statements have been prepared on a basis other than going concern. The effect of this is explained in note 3.2 to the financial statements.

### **Directors**

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

Mr B S Hill (resigned 11 October 2019)

Mr M Monkhouse

Mr C J Urwin (resigned 12 November 2019)

Mr G P Mills

Mr A M Coles (appointed 12 November 2019)

### **Qualifying third party indemnity provisions**

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

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

### **Principal risks and uncertainties**

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

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

# AVIVA INVESTORS GR SPV2 LIMITED

## DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

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### Principal risks and uncertainties (continued)

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

### Risk management policies

#### Approach to risk and capital management

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

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

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

##### *(i) Liquidity risk*

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

##### *(ii) Interest rate risk*

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

##### *(iii) Operational risk*

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

##### *(iv) Credit risk*

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

##### *(v) Market risk*

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

### Employees

The Company has no employees (2018: none).

### Post balance sheet events

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

### Future developments

The Company is expected to be placed into liquidation within 12 months of the signing of these financial statements and therefore, as mentioned in the going concern section below, they have been prepared on a basis other than a going concern.

## **AVIVA INVESTORS GR SPV2 LIMITED**

### **DIRECTORS' REPORT (CONTINUED)**

***FOR THE YEAR ENDED 31 DECEMBER 2019***

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#### **Going concern**

Following the sale of the interest in the various freeholds in Castle Quay Close, Nottingham the Directors plan to place the Company into liquidation within 12 months of the signing of these financial statements. Accordingly, the going concern basis of preparation is no longer appropriate and the financial statements have been prepared on a basis other than going concern. A provision has not been made for all expected costs associated with the liquidation of the Company as these are to be borne by Aviva Investors Ground Rent Holdco Limited.

No further adjustments were necessary in these financial statements to reduce assets to their realisable values, to provide for liabilities arising from the decision or to reclassify fixed assets and long-term liabilities as current assets and liabilities.

#### **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.

# AVIVA INVESTORS GR SPV2 LIMITED

## DIRECTORS' REPORT (CONTINUED)

**FOR THE YEAR ENDED 31 DECEMBER 2019**

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

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

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

On behalf of the board

Mr G P Mills

**Director**

17 April 2020

# AVIVA INVESTORS GR SPV2 LIMITED

## INDEPENDENT AUDITOR'S REPORT

### TO THE MEMBERS OF AVIVA INVESTORS GR SPV2 LIMITED

**For the year ended 31 December 2019**

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#### Report on the audit of the financial statements

##### Opinion

In our opinion, Aviva Investors GR SPV2 Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its 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 2019; the Statement of Comprehensive Income, and the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

##### Basis for opinion

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

##### Independence

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

##### Emphasis of matter - financial statements prepared on a basis other than going concern

In forming our opinion on the financial statements, which is not modified, we draw attention to note 3.2 to the financial statements which describes the directors' reasons why the financial statements have been prepared on a basis other than going concern.

##### Reporting on other information

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

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

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

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

##### Directors' Report

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

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



# AVIVA INVESTORS GR SPV2 LIMITED

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### TO THE MEMBERS OF AVIVA INVESTORS GR SPV2 LIMITED

**For the year ended 31 December 2019**

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

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

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

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

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

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

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

##### *Use of this report*

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

#### **Other required reporting**

##### **Companies Act 2006 exception reporting**

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

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

We have no exceptions to report arising from this responsibility.

##### **Entitlement to exemptions**

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

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

# AVIVA INVESTORS GR SPV2 LIMITED

## STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 £	2018 £
<b>Turnover</b>		11,493	11,248
Administrative expenses		(14,512)	(17,641)
Gain on disposal of investment properties		97,384	-
Change in fair value of investment properties	5	(6,000)	-
<b>Operating profit/(loss)</b>	6	88,365	(6,393)
Finance costs	7	(7,932)	(7,932)
<b>Profit/(loss) before taxation</b>		80,433	(14,325)
Tax on profit/(loss)	8	(2,102)	-
<b>Profit/(loss) for the financial year</b>		78,331	(14,325)
<b>Other comprehensive income</b>		-	-
<b>Total comprehensive income/(expense) for the year</b>		78,331	(14,325)

### Discontinued Operations

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

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

# AVIVA INVESTORS GR SPV2 LIMITED

## STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	Note	2019 £	£	2018 £	£
<b>Fixed assets</b>					
Investment properties	9		-		227,000
<b>Current assets</b>					
Debtors	10	213,729		558	
<b>Creditors: amounts falling due within one year</b>					
Intercompany borrowings	11	(132,192)		(132,192)	
Other creditors	12	(25,186)		(114,980)	
		(157,378)		(247,172)	
<b>Net current assets/(liabilities)</b>			56,351		(246,614)
<b>Total assets less current liabilities</b>			56,351		(19,614)
<b>Provisions for liabilities</b>					
Deferred tax liability	13	-		(2,366)	
			-		(2,366)
<b>Net assets/(liabilities)</b>			56,351		(21,980)
<b>Capital and reserves</b>					
Called up share capital	14		80,891		80,891
Accumulated Losses			(24,540)		(102,871)
<b>Total shareholders' funds/(deficit)</b>			56,351		(21,980)

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

Mr G P Mills  
Director

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

## AVIVA INVESTORS GR SPV2 LIMITED

### STATEMENT OF CHANGES IN EQUITY

*FOR THE YEAR ENDED 31 DECEMBER 2019*

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	Called up share capital	Accumulated losses	Total shareholders' funds
	£	£	£
<b>Balance at 1 January 2018</b>	80,891	(88,546)	(7,655)
Total comprehensive expense for the year	-	(14,325)	(14,325)
	<hr/>	<hr/>	<hr/>
<b>Balance at 31 December 2018</b>	80,891	(102,871)	(21,980)
Total comprehensive income for the year	-	78,331	78,331
	<hr/>	<hr/>	<hr/>
<b>Balance at 31 December 2019</b>	<u>80,891</u>	<u>(24,540)</u>	<u>56,351</u>

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

# AVIVA INVESTORS GR SPV2 LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

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### 1 Company information

Aviva Investors GR SPV2 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 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

Following the sale of the interest in the various freeholds in Castle Quay Close, Nottingham the Directors plan to place the Company into liquidation within 12 months of the signing of these financial statements. Accordingly, the going concern basis of preparation is no longer appropriate and the financial statements have been prepared on a basis other than going concern. A provision has not been made for all expected costs associated with the liquidation of the Company as these are to be borne by Aviva Investors Ground Rent Holdco Limited.

No further adjustments were necessary in these financial statements to reduce assets to their realisable values, to provide for liabilities arising from the decision or to reclassify fixed assets and long-term liabilities as current assets and liabilities.

#### 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.

## AVIVA INVESTORS GR SPV2 LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

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#### 3 Accounting policies

(Continued)

##### 3.4 Investment properties

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

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

##### 3.5 Financial instruments

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

###### i. Financial assets

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

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

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

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

Other financial assets are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in the statement of comprehensive income.

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

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

## AVIVA INVESTORS GR SPV2 LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

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#### 3 Accounting policies

(Continued)

##### ii. Financial liabilities

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

Basic financial liabilities, including loans and borrowings and trade payables, 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.

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.

#### 3.6 Share capital

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

#### 3.7 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.

# AVIVA INVESTORS GR SPV2 LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

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### 3 Accounting policies

(Continued)

#### 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.

#### 3.8 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.

#### 3.9 Cash flow statement

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

#### 3.10 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.

#### 3.11 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.

#### 3.12 Finance income and cost

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



## **AVIVA INVESTORS GR SPV2 LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

***FOR THE YEAR ENDED 31 DECEMBER 2019***

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#### **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 SPV2 LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

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**5 Change in fair value of investment properties**

	2019 £	2018 £
Change in fair value of investment properties	6,000	-

**6 Operating profit/(loss)**

	2019 £	2018 £
Operating profit/(loss) for the year is stated after charging/(crediting):		
Fees payable to the company's auditors for the audit of the company's financial statements	10,722	10,615

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

The Company did not have any employees during the current year or previous year.

The directors received no emoluments for services to the Company for the year (2018: £Nil).

**7 Finance costs**

	2019 £	2018 £
Loan interest payable to parent undertaking	7,932	7,932

# AVIVA INVESTORS GR SPV2 LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

### 8 Tax on profit/(loss)

	2019 £	2018 £
<b>Current tax</b>		
UK corporation tax on profits for the current year	4,468	-
Total UK current tax	4,468	-
<b>Deferred tax</b>		
Origination and reversal of timing differences	(2,366)	-
Total deferred tax	(2,366)	-
Total tax charge	2,102	-

Reconciliation of total tax credit included in profit and loss

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

	2019 £	2018 £
Profit/(loss) before taxation	80,433	(14,325)
Expected tax charge/(credit) based on the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%)	15,282	(2,722)
Tax effect of expenses that are not deductible in determining taxable profit	1,140	-
Tax effect of income not taxable in determining taxable profit	(18,503)	-
Gains not taxable	15,107	-
Group relief	-	2,722
Re-measurement of deferred tax - change in UK tax rate	(901)	-
Deferred tax not recognised	(10,023)	-
Taxation charge for the year	2,102	-

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

The deferred tax balances in Note 13 have been calculated using the future tax rate in force at the balance sheet date, being 17%.

# AVIVA INVESTORS GR SPV2 LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

### 9 Investment properties

	2019 £	2018 £
<b>Fair value</b>		
At 1 January 2019 and 31 December 2019	227,000	227,000
Revaluations	(6,000)	-
Disposals	(221,000)	-
	<u>-</u>	<u>-</u>
At 31 December	<u>-</u>	<u>227,000</u>
<b>Carrying value</b>		
At 31 December	<u>-</u>	<u>227,000</u>

The investment property was disposed of during the year.

Valuation at 31 December is represented by:

	2019 £	2018 £
Valuation of freehold properties	<u>-</u>	<u>227,000</u>

### Net gain from disposal of investment property

	2019 £	2018 £
Proceeds received from sale	318,384	-
Carrying value at disposal	(221,000)	-
	<u>97,384</u>	<u>-</u>
Gain on disposal	<u>97,384</u>	<u>-</u>

## AVIVA INVESTORS GR SPV2 LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

#### 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 rental streams net of income voids arising from vacancies or rent free periods and associated running costs. These capitalisations yields and rental values are based on comparable property and leasing transactions in the market, using the valuers' professional judgement and market observation. Other factors taken into account in the valuations include the tenure of the property, tenancy details and ground and structural conditions, being assumptions applied by the valuers and information provided by the General Partner which is derived from the Companies financial and property management systems and is subject to the Companies overall control environment.

A number of major proposals have been announced by the Government for residential ground rents including the abolition of leasehold houses, setting new ground rents to a peppercorn and a review of the enfranchisement process. We are now in a period of uncertainty in relation to many factors that impact on the residential ground rent investment market. The valuer has reduced their opinion on the value of the residential ground rents to reflect sentiment and uncertainty around future Government actions. Whilst transactional volumes and available evidence has begun to increase, there remains a paucity of comparable transactions and therefore the valuation reflects a greater degree of judgement.

#### 10 Debtors

	2019 £	2018 £
<b>Amounts falling due within one year:</b>		
Trade debtors	75	75
Amounts owed by group undertakings	213,579	-
Other debtors	75	483
	<u>213,729</u>	<u>558</u>

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

#### 11 Intercompany borrowings

	2019 £	2018 £
Loan from parent undertaking	<u>132,192</u>	<u>132,192</u>

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

# AVIVA INVESTORS GR SPV2 LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

### 12 Other creditors

	2019 £	2018 £
Corporation tax payable	4,468	-
Amounts due to group undertakings	-	93,873
Other creditors	75	225
Accruals and deferred income	20,643	20,882
	<u>25,186</u>	<u>114,980</u>

Amounts due 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 and assets recognised by the company and movements thereon:

	Liabilities 2019 £	Liabilities 2018 £
<b>Balances:</b>		
Revaluation of investment properties	-	2,366
	<u>-</u>	<u>2,366</u>
<b>Movements in the year:</b>		
	2019 £	2018 £
Liability at 1 January	2,366	2,366
Charge to profit or loss	(2,366)	-
	<u>-</u>	<u>-</u>
Liability at 31 December	-	2,366
	<u>-</u>	<u>2,366</u>

Deferred tax assets of £Nil (2018: £11,466) relating to losses carried forward have not been recognised on the basis that there is not expected to be taxable profits against which to utilise them in the foreseeable future.

### 14 Called up share capital

	2019 £	2018 £
<b>Ordinary share capital</b>		
<b>Issued and fully paid</b>		
808,908 (2018: 808,908) Ordinary shares of 10p each	80,891	80,891
	<u>80,891</u>	<u>80,891</u>

## AVIVA INVESTORS GR SPV2 LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

#### 15 Contingent liabilities and capital commitments

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

#### 16 Operating lease commitments

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

	2019 £	2018 £
Within one year	-	10,800
Between two and five years	-	43,200
In over five years	-	1,142,130
	<u>-</u>	<u>1,196,130</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 authorised for issue by the directors.

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

#### 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 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 of the group undertakings to consolidate these financial statements at 31 December 2019. The consolidated financial statements of Aviva Investors REaLM Ground Rent Limited Partnership are available on application to:

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

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.