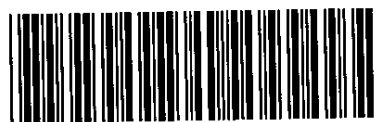


**2-10 MORTIMER STREET GP LIMITED**  
**Registered in England and Wales No: 07458495**

**REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED  
31 DECEMBER 2018**

TUESDAY



\*A89CWE89\*

A08

09/07/2019

#186

COMPANIES HOUSE

**2-10 Mortimer Street GP Limited**  
**Registered in England and Wales: No. 07458495**

## **Contents**

	Page
Directors, Officers and Other Information	1
Directors' Report	2-5
Independent Auditor's Report to the Members of 2-10 Mortimer Street GP Limited	6-7
Statement of Comprehensive Income	8
Statement of Changes in Equity	9
Statement of Financial Position	10
Notes to the Financial Statements	11-18

**2-10 Mortimer Street GP Limited**  
**Registered in England and Wales: No. 07458495**

## **Directors, Officers and Other Information**

### **Directors:**

P A Ferrari  
C-E Lawrence  
T A Smithers  
L Baker  
N J Gardiner  
D A Diemer

### **Officer – Company Secretary**

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

### **Independent Auditor**

KPMG LLP  
15 Canada Square  
London  
E14 5GL

### **Registered Office**

St Helen's  
1 Undershaft  
London  
EC3P 3DQ

### **Company Number**

Registered in England and Wales: No. 07458495

## **Directors' Report**

### **For the year ended 31 December 2018**

The Directors present their report and financial statements for 2-10 Mortimer Street GP Limited ("the Company") for the year ended 31 December 2018.

#### **Results and dividends**

The Directors do not recommend the payment of a dividend for the year ended 31 December 2018 (2017: £nil). The profit for the Company for 2018 was £520 (2017: £28,196).

#### **Directors**

The current Directors of the Company and those in office throughout the year, except as noted, are as follows:

P A Ferrari  
C-E Lawrence  
T A Smithers  
L Baker  
N J Gardiner  
D A Diemer

#### **Principal activity of the Company**

The principal activity of the Company is to act as the General Partner of 2-10 Mortimer Street Limited Partnership (the "Partnership"). The Company also has a 0.01% interest in the Partnership. The Directors consider that this will continue to remain unchanged into the foreseeable future.

#### **Review of the Company's business**

The Company continued to act as the General Partner to the Partnership.

#### **Future outlook**

The directors aim to maintain the management policies which have resulted in the Company's current position. The Directors consider that this will continue for the foreseeable future.

#### **Risk management policies**

The Company holds a capital investment in the Partnership of 0.01% and is entitled to a distribution of 0.01% of the Net Income available for distribution from the Partnership. The principal risk therefore is the performance of the Partnership which the Directors monitor regularly.

#### **Principal risks and uncertainties**

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

## **Directors' Report**

### **For the year ended 31 December 2018 (continued)**

#### **Principal risks and uncertainties (continued)**

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

The Aviva Investors Global Services Limited (the "Fund Manager") operates within the overall Aviva Group governance structure and priority framework. It also has its own established governance framework, with clear terms of reference for the Board and the Aviva Executive Committee and a clear organisation structure, with documented delegated authorities and responsibilities (largely through role profiles). The management of the Company's risk falls within the mandate of the Fund Manager.

##### **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:

##### **Market risk**

The Company's exposure to market risk takes the form of property valuations, which have a direct impact on the value of the Partnership's investments. Market risk is managed by ongoing proactive asset management. The management of this risk falls within the mandate of the Fund Manager which makes and manages investments on behalf of the Company.

##### **Credit risk**

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company has no significant concentrations of credit risk.

The Company structures the levels of credit risk it accepts by placing limits on its exposure to a single counterparty, or groups of counterparties, and to geographical and industry segments. Such risks are subject to a quarterly or more frequent review.

##### **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 activities.

##### **Liquidity risk**

Liquidity risk is managed by ensuring that there is always sufficient headroom available to meet the working capital requirements of the business.

##### **Brexit**

In relation to the assessment and monitoring of economic, political and regulatory risks, the Company is continuing to evaluate the impact of the outcome of the June 2016 referendum in relation to the UK's membership of the EU on the Company's business strategy and business risks in the short, medium and long term. In the short term there is no significant impact expected on the Company's business activities, there will be no immediate change in the business strategy and it does not affect the going concern position of the Company. The Company will continue to closely monitor developments and will consider making appropriate changes to the business strategy once the impact of the referendum result on the UK and European real estate industry is more certain.

## **Directors' Report**

### **For the year ended 31 December 2018 (continued)**

#### **Employees**

The Company has no employees (2017: nil).

#### **Going concern**

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the Financial Statements.

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

Events after the reporting financial year have been evaluated up to the date the financial statements were approved and authorised for issue by the directors. No events that would have a material impact on the financial statements have been identified.

#### **Independent Auditor**

It is the intention of the Directors to reappoint the auditor, KPMG LLP, under the deemed appointment rules of section 487 of the Companies Act 2006.

#### **Disclosure of information to the independent auditors**

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

- (a) so far as the Director is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing their report, of which the auditor is 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 auditor is 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.

## Directors' Report

### For the year ended 31 December 2018 (continued)

#### Statement of Directors' Responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

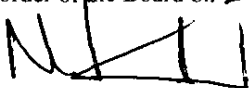
Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of its profit or loss for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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 its financial statements comply with the Companies Act 2006. They are 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, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

This report has been prepared in accordance with the special provisions relating to small companies within part 415(A) of the Companies Act 2006.

By order of the Board on 21 June 2019



N J Gardiner

Director

St Helen's  
1 Undershaft  
London  
EC3P 3DQ

# **Independent Auditor's Report to the Members of 2-10 Mortimer GP Limited**

## **Opinion**

We have audited the financial statements of 2-10 Mortimer Street GP ("the company") for the year ended 31 December 2018 which comprise the Statement of Comprehensive Income, the Statement of Changes in Equity, the Statement of Financial Position and related notes, including the accounting policies in note 3.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of the company's profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

## **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

## **The impact on our audit of uncertainties due to the UK exiting the European Union**

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, such as property valuation and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

## **Going concern**

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease their operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

## **Directors' report**

The directors are responsible for the directors' report. Our opinion on the financial statements does not cover that report and we do not express an audit opinion thereon.

Our responsibility is to read the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the directors' report:



## Independent Auditor's Report to the Members of 2-10 Mortimer GP Limited (continued)

- in our opinion the information given in that report for the financial year is consistent with the financial statements; and
- in our opinion that report has been prepared in accordance with the Companies Act 2006.

### Matters on which we are required to report by exception

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

- 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
- the company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.

We have nothing to report in these respects.

### Directors' responsibilities

As explained more fully in their statement set out on page 5, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; 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; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

### Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

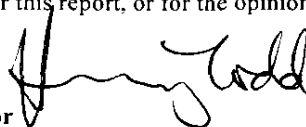
### The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Henry Todd (Senior Statutory Auditor)  
for and on behalf of KPMG LLP, Statutory Auditor  
Chartered Accountants

15 Canada Square  
London  
E14 5GL

28 June 2019



## Statement of Comprehensive Income For the year ended 31 December 2018

	Notes	2018 £	2017 £
Revenue	5	2,516	6,254
Administrative expenses	6	(1,207)	21,942
<b>Profit on ordinary activities before taxation</b>		<b>1,309</b>	<b>28,196</b>
Tax on profit on ordinary activities	7	(789)	-
<b>Profit for the financial year</b>		<b>520</b>	<b>28,196</b>
<b>Total comprehensive profit for the financial year</b>		<b>520</b>	<b>28,196</b>

All amounts reported in the Statement of Comprehensive Income for the years ended 31 December 2018 and 31 December 2017 relate to continuing operations.

The notes on pages 11 to 18 form an integral part of these financial statements.

## Statement of Changes in Equity For the year ended 31 December 2018

	Called up share capital £	(Accumulated losses)/retained earnings £	Total £
At 1 January 2017	100	(28,304)	(28,204)
Total comprehensive income for the financial year	-	28,196	28,196
<b>At 31 December 2017</b>	<b>100</b>	<b>(108)</b>	<b>(8)</b>
At 1 January 2018	100	(108)	(8)
Total comprehensive income for the financial year	-	520	520
<b>At 31 December 2018</b>	<b>100</b>	<b>412</b>	<b>512</b>

The notes on pages 11 to 18 form an integral part of these financial statements.

## Statement of Financial Position

### As at 31 December 2018

	Note	2018 £	2017 £
<b>Non-current assets</b>			
Investments	8	18	18
		<u>18</u>	<u>18</u>
<b>Current assets</b>			
Debtors: amounts falling due within one year	9	515	6,940,100
Cash at bank and in hand	10	386,954	381,110
		<u>387,469</u>	<u>7,321,210</u>
<b>Creditors: amounts falling due within one year</b>	11	<b>(386,975)</b>	<b>(7,321,236)</b>
<b>Net current assets/(liabilities)</b>		<u><b>494</b></u>	<u><b>(26)</b></u>
<b>Total assets less current liabilities</b>		<u><b>512</b></u>	<u><b>(8)</b></u>
<b>Net assets/(liabilities)</b>		<u><b>512</b></u>	<u><b>(8)</b></u>
<b>Capital and reserves</b>			
Called up share capital	12	100	100
Retained earnings/(accumulated losses)		412	(108)
<b>Total shareholders' equity/(deficit)</b>		<u><b>512</b></u>	<u><b>(8)</b></u>

These Financial Statements were approved and authorised for issue by the Board of Directors on 21 June 2019 and were signed on its behalf by



N J Gardiner  
Director

The notes on pages 11 to 18 form an integral part of these financial statements.

## **Notes to the financial statements**

### **For the year ended 31 December 2018**

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

2-10 Mortimer Street GP Limited acts as the general partner to 2-10 Mortimer Street Limited Partnership (the "Partnership").

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

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

The individual financial statements of 2-10 Mortimer Street GP Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

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

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

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

The preparation of financial statements in conformity with FRS 102 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.

The functional currency of the Company is considered to be pounds sterling because that is the currency of the primary economic environment in which the Company operates.

The Company has taken advantage of the exemptions under Section 400 of the Companies Act 2006 not to prepare group financial statements as it and its subsidiaries are included in the consolidated financial statements of Norwich Union (Shareholder GP) Limited.

##### **Strategic report**

A strategic report has not been included in these financial statements as the Company qualifies for exemption as a small entity under Section 382 of the Companies Act 2006 relating to small entities.

##### **Going concern**

The Directors have a reasonable expectation that the Company will have access to adequate resources to continue in operational existence for the foreseeable future and have therefore continued to adopt the going concern basis in preparing the Financial Statements

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

The Company has taken advantage of the exemption, under paragraph 1A.8 of FRS 102, from preparing a statement of cash flows, on the basis that it qualifies as a small entity.

## Notes to the financial statements (continued)

### For the year ended 31 December 2018

#### 3. Accounting policies (continued)

##### Investment in the Partnership

Investment in the Partnership is held at cost, subject to an annual impairment review.

##### Investment in subsidiary undertakings

Investments in subsidiary undertakings are held at cost, subject to an annual impairment review.

##### Debtors and other current assets

Receivables are recognised and carried at the lower of their originally invoiced value and recoverable amount. Where the time value of money is material the receivables are carried at amortised cost. Provisions are made where there is objective evidence that the amount will not be recovered in full.

##### Current liabilities

Other payables are initially recognised and carried at transaction price plus attributable transaction costs. Where the time value of money is material the payables are carried at amortised cost.

##### 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 Partnership becomes a party to the contractual provisions of the instrument.

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

##### (ii) Financial liabilities

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

Basic financial liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs).

##### Cash at bank and in hand

Cash at bank and in hand comprises cash balances held with banks.

##### Administrative expenses

Administrative expenses include administration, finance and management expenses

## Notes to the financial statements (continued)

### For the year ended 31 December 2018

#### 3. Accounting policies (continued)

##### Taxation

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

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

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

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

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

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

The preparation of the Company's Financial Statements requires the Directors to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the reporting date. The estimates and associated assumptions are based on historical experience, expectations of future events and other factors that are considered to be relevant.

However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the assets or liabilities affected.

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

#### 5. Revenue

	2018 £	2017 £
Income distribution from 2-10 Mortimer Street Limited Partnership	1,516	1,111
Priority distribution from 2-10 Mortimer Street Limited Partnership	1,000	5,143
	<b>2,516</b>	<b>6,254</b>

## Notes to the financial statements (continued)

### For the year ended 31 December 2018

#### 6. Profit on ordinary activities before taxation

Fees payable to the auditors for the audit of the Company's Financial Statements for the year amounting to £1,000 (31 December 2017: £1,000) are settled by the Partnership.

##### Administrative expenses

	2018 £	2017 £
Fees payable to the auditor for the audit of the Company's financial statements	1,000	1,000
Bank charges	207	185
Administration fee	-	(23,127)
	<u>1,207</u>	<u>(21,942)</u>

In the current year the Directors received no emoluments from the Company for services to the Company for the year (2017: £nil). The Company had no employees during the year (2017: nil).

#### 7. Tax on profit on ordinary activities

The total tax charge comprises:

	2018 £	2017 £
<b>Current tax</b>		
UK Corporation tax on profit for the year	208	-
Adjustments in respects of prior periods	581	-
<b>Total current tax charge</b>	<u>789</u>	<u>-</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	-	-
<b>Total deferred tax</b>	<u>-</u>	<u>-</u>
<b>Tax charge on profit on ordinary activities</b>	<u>789</u>	<u>-</u>

##### (a) Tax reconciliation

The tax on the Company's loss before tax differs from the theoretical amount that would arise using the tax rate in the United Kingdom as follows:

	2018 £	2017 £
Profit / (loss) on ordinary activities before tax	<u>1,309</u>	<u>28,196</u>
Tax calculated at standard UK corporation tax rate of 19% (2017: 19.25%)	249	5,428
Effect of:		
Share of partnership taxable profits	437	481
Non taxable income	(478)	(1,204)
Changes to tax rates	-	(550)
Deferred tax not recognised	-	(4,155)
Adjustments in respect of prior periods	581	-
<b>Tax charge on ordinary activities for the year</b>	<u>789</u>	<u>-</u>



## Notes to the financial statements (continued)

### For the year ended 31 December 2018

#### (b) Deferred tax

At 31 December 2018 the Company had the following unrecognised deferred tax assets (calculated at 17% (2017: 17%) to carry forward indefinitely against future taxable income.

	2018 £	2017 £
Balance as at 1 January	109	4,231
Prior year adjustment	(109)	33
Charge for the year	-	(3,669)
Changes to tax rates	-	(486)
Balance as at 31 December	<u>-</u>	<u>109</u>

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

A reduction in the UK Corporation tax rate from 19% to 18% (effective from 1 April 2020) was substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the Company's future current tax charge accordingly.

## Notes to the financial statements (continued)

### For the year ended 31 December 2018

#### 8. Investments

##### a) Investments in Partnership

###### Cost

Balance as at 1 January

Balance as at 31 December

2018	2017
£	£
10	10
<b>10</b>	<b>10</b>

Details of the principal associates at the year end are as follows:

Investments in associated companies	% Interest held	Nature of business	Address
2-10 Mortimer Street Limited Partnership	0.01%	Developing property in the United Kingdom	St Helen's 1 Undershaft London EC3P 3DQ

##### b) Investments in Subsidiary undertakings

###### Shares at cost

Balance as at 1 January

Balance as at 31 December

2018	2017
£	£
8	8
<b>8</b>	<b>8</b>

Subsidiary undertakings	% Ordinary shares held	Nature of business	Address
2-10 Mortimer Street (GP No.1) Limited	100%	Property investment	St Helen's 1 Undershaft London EC3P 3DQ
Mortimer Street Nominee 1 Limited	100%	Nominee company	St Helen's 1 Undershaft London EC3P 3DQ
Fitzroy Place GP 2 Limited	100%	Property investment	St Helen's 1 Undershaft London EC3P 3DQ
Fitzroy Place Management Company Limited	100%	Management of communal areas between property developments at Fitzroy Place	St Helen's 1 Undershaft London EC3P 3DQ

The total historical cost of investments is £18. Mortimer Street Nominee 1 Limited remained dormant during the years ended 31 December 2017 and 31 December 2018.

## Notes to the financial statements (continued)

### For the year ended 31 December 2018

#### 9. Debtors: amounts falling due within one year

	2018 £	2017 £
Amounts due from Fitzroy Place Residential Ltd	-	6,940,000
Other debtors	100	100
Distribution receivable from 2-10 Mortimer Street Limited Partnership	415	-
	<u>515</u>	<u>6,940,100</u>

Amounts due from related parties are unsecured, interest free and repayable on demand.

#### 10. Cash at bank and in hand

Company cash at bank and in hand is £386,954 (2017: £381,110).

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

	2018 £	2017 £
Accruals	1,000	1,000
Amounts due to Aviva Life & Pensions UK Limited	10	10
Amounts due to 2-10 Mortimer Street Limited Partnership	385,168	7,320,218
Amounts due to 2-10 Mortimer Street GP (No 1) Limited	2	2
Amounts due to Fitzroy Place GP 2 Limited	2	2
Amounts due to Fitzroy Place Management Company Limited	2	2
Amounts due to Mortimer Street Nominee 1 Limited	2	2
Tax payable	789	-
	<u>386,975</u>	<u>7,321,236</u>

Amounts due to related parties are unsecured, interest free and repayable on demand.

#### 12. Called up share capital

	2018 £	2017 £
The allotted, called up and share capital of the Company at 31 December was:		
50 A ordinary shares of £1 each and 50 B shares of £1 each	<u>100</u>	<u>100</u>
	<u>100</u>	<u>100</u>

## Notes to the financial statements (continued)

### For the year ended 31 December 2018

#### 13. Contingent liabilities and capital commitments

There were no contingent liabilities or commitments at the Statement of Financial Position date (2017: £nil).

#### 14. Related party transactions

##### (a) Key management compensation

The members of the Board of Directors, who are considered to be the key management of the Company, are listed on page 1 of these Financial Statements.

There are no amounts receivable from or payments due to members of the Board of Directors.

##### (b) Services provided to related parties

During the year the Company acted as General Partner for the Partnership. Income distribution from the Partnership of £1,516 (2017: £1,111) was recognised in the year as well as priority distribution to cover expenses incurred of £1,000 (2017: £5,143).

##### (c) Services provided by related parties

During the year ended 31 December 2017, the Company received refund of administration fees of £23,127 from Aviva Investors Global Services Limited (AIGSL). AIGSL provides asset management and administration services to the Partnership. The ultimate holding company of AIGSL is Aviva plc.

At 31 December 2018, £10 (2017: £10) was due from the Company to Aviva Life & Pensions UK Limited as disclosed in note 11.

At 31 December 2018, £385,168 (2017: £7,320,218) was due from the Company to the Partnership as disclosed in note 11. This amount mainly relates to HMRC refunds received on behalf of the Partnership in the prior years.

At the year end date £2 (2017: £2) was due from the Company to 2-10 Mortimer Street GP (No 1) Limited, Fitzroy Place GP 2 Limited, Fitzroy Place Management Company Limited and Mortimer Street Nominee 1 Limited, as disclosed in note 11.

Amounts due to related parties are unsecured and no guarantees were received in respect thereof.

#### 15. Parent and ultimate controlling undertaking

At 31 December 2018 2-10 Mortimer Street GP Limited is owned equally by Norwich Union (Shareholder GP) Limited and Tower View (GP) Limited. No party has overall control.

Norwich Union (Shareholder GP) Limited is incorporated in the United Kingdom and is a wholly owned subsidiary of Aviva Life & Pensions UK Limited, whose ultimate controlling entity is Aviva plc.

Tower View (GP) Limited is incorporated in Jersey and is a wholly owned subsidiary of New Riverview Limited, who is the ultimate controlling entity.

Aviva plc is a company incorporated in the United Kingdom. New Riverview Limited is a company incorporated in Jersey. Copies of the financial statements of Aviva plc are publically available from Companies House, Crown Way, Maundy, Cardiff CF14 3UZ.

#### 16. Post balance sheet events

There are no significant balance sheet events to report.

**2-10 MORTIMER STREET LIMITED PARTNERSHIP**

**Registered in England No: LP14228**

**GENERAL PARTNER'S REPORT AND CONSOLIDATED  
FINANCIAL STATEMENTS FOR THE YEAR ENDED**

**31 DECEMBER 2018**

THESE PARTNERSHIP  
ACCOUNTS FORM  
PART OF THE ACCOUNTS  
OF COMPANY  
No. 07458493

# **2-10 Mortimer Street Limited Partnership**

## **Contents**

Partners, Advisers and Other Information	1
Strategic Report	2-5
General Partner's Report	6-8
Independent Auditor's Report to the Partners of 2-10 Mortimer Street Limited Partnership	9-11
Consolidated and Partnership Statement of Total Comprehensive Income	12
Consolidated and Partnership Statements of Financial Position	13
Consolidated and Partnership Statements of Changes in Net Assets Attributable to Partners	14
Consolidated and Partnership Cash Flow Statements	15
Notes to the Consolidated Financial Statements	16-35

# **2-10 Mortimer Street Limited Partnership**

## **Partners, Advisers and Other Information**

### **Partners:**

#### **Limited Partners**

Aviva Life & Pensions UK Limited  
St Helen's  
1 Undershaft  
London  
EC3P 3DQ

Tower View Limited  
13 Castle Street  
St Helier  
Jersey  
JE4 5UT

#### **General Partner**

2-10 Mortimer Street GP Limited  
St Helen's  
1 Undershaft  
London  
EC3P 3DQ

#### **Fund Manager**

Aviva Investors Global Services Limited  
St Helen's  
1 Undershaft  
London  
EC3P 3DQ

#### **Independent Auditor**

KPMG LLP  
15 Canada Square  
London  
E14 5GL

#### **Bankers**

Barclays Bank PLC  
1 Churchill Place  
London  
E14 5HP

#### **Registered Office**

St Helen's  
1 Undershaft  
London  
EC3P 3DQ

#### **Registered Number**

Registered in England and Wales: No LP14228

# **2-10 Mortimer Street Limited Partnership**

## **Strategic Report for the year ended 31 December 2018**

The directors of the General Partner (the “directors”) present their strategic report of 2-10 Mortimer Street Limited Partnership (the “Partnership”) for the year ended 31 December 2018.

### **The Partnership**

The Partnership was established on 6 December 2010 and is registered as a limited partnership in England and Wales under the Limited Partnerships Act 1907. The amended and restated limited partnership deed is dated 21 November 2016.

### **The Group**

For the purposes of these consolidated financial statements, ‘the Group’ consists of the following entities:

2-10 Mortimer Street Limited Partnership (‘The Partnership’)

1 Fitzroy Place Jersey Unit Trust

2 Fitzroy Place Jersey Unit Trust

1 Fitzroy Place Limited Partnership

2 Fitzroy Place Limited Partnership

Fitzroy Place Residential Limited

### **Principal activity of the Partnership**

The principal activity of the Partnership is investment in its subsidiary vehicles to achieve capital growth.

### **Review of the Partnership’s business**

Both 1 Fitzroy Place and 2 Fitzroy Place were fully let during the years ended 31 December 2018 and 31 December 2017.

The final apartment (penthouse) held by Fitzroy Residential Limited was disposed on 28 March 2018.

### **Future outlook**

The partners expect the level of activity to be maintained in the foreseeable future. 1 Fitzroy Place and 2 Fitzroy Place are expected to continue to be fully let out.

### **Principal risks and uncertainties**

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



## **2-10 Mortimer Street Limited Partnership**

### **Strategic Report for the year ended 31 December 2018 (continued)**

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

Aviva Investors Global Services Limited (the "Fund Manager") operates within the overall Aviva Group governance structure and priority framework. It also has its own established governance framework, with clear terms of reference for the Board and the Aviva Executive Committee and a clear organisation structure, with documented delegated authorities and responsibilities (largely through role profiles). The management of the Group's risk falls within the mandate of the Fund Manager.

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

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

##### **Market risk**

The Group's exposure to market risk takes the form of property valuations, which have a direct impact on the value of investments. Market risk is managed by ongoing proactive asset management. The management of this risk falls within the mandate of the Fund Manager which makes and manages investments on behalf of the Group.

##### **Credit risk**

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

The Group manages this risk of tenant default by ensuring that a dedicated credit control team is engaged in collecting the advance quarterly rent from tenants as soon as it falls due. Even though the biggest tenant represents 64% of the Group's rental income for the year to 31 December 2018 (31 December 2017: 63%), they represent 0% of the tenant receivables balance at 31 December 2018 (31 December 2017: 0%).

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

Cash at bank is held with financial institutions with good credit ratings.

##### **Operational risk**

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

## 2-10 Mortimer Street Limited Partnership

### Strategic Report for the year ended 31 December 2018 (continued)

#### Liquidity risk

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

The maturity analysis of the Group's financial assets and liabilities as at 31 December 2018 was as follows:

Group	1-12 months £	1 to 5 years £	Total £
<b>Financial assets</b>			
Trade and other debtors (see notes 14 and 15)	3,110,295	1,610,127	4,720,422
Cash at bank and in hand	13,511,626	-	13,511,626
	<b>16,621,921</b>	<b>1,610,127</b>	<b>18,232,048</b>

#### Financial liabilities

Trade and other creditors (see notes 17 and 18)	8,184,607	1,610,127	9,794,734
	<b>8,184,607</b>	<b>1,610,127</b>	<b>9,794,734</b>

The maturity analysis of the Partnership's financial assets and liabilities as at 31 December 2018 was as follows:

Partnership	1-12 months £	1 to 5 years £	Total £
<b>Financial assets</b>			
Investments (see note 13)	-	31,811,883	31,811,883
Trade and other debtors (see notes 14 and 15)	187,791,039	-	187,791,039
Cash at bank and in hand	156,759	-	156,759
	<b>187,947,798</b>	<b>31,811,883</b>	<b>219,759,681</b>
<b>Financial liabilities</b>			
Trade and other creditors (see note 17)	30,779,173	-	30,779,173
	<b>30,779,173</b>	<b>-</b>	<b>30,779,173</b>

# 2-10 Mortimer Street Limited Partnership

## Strategic Report for the year ended 31 December 2018 (continued)

### Brexit

In relation to the assessment and monitoring of economic, political and regulatory risks, the Company is continuing to evaluate the impact of the outcome of the June 2016 referendum in relation to the UK's membership of the EU on the Company's business strategy and business risks in the short, medium and long term. In the short term there is no significant impact expected on the Company's business activities, there will be no immediate change in the business strategy and it does not affect the going concern position of the Company. The Company will continue to closely monitor developments and will consider making appropriate changes to the business strategy once the impact of the referendum result on the UK and European real estate industry is more certain.

### Environmental

Aviva Investors Real Assets (AIRA) recognises its duty to act as responsible stewards of its clients' assets. Consistent with its fiduciary and stewardship obligations, AIRA maintains a deep conviction that Responsible Investment including environmental, social and governance (ESG) factors can have an impact on investment returns and client outcomes.

AIRA's fiduciary duty is to protect and maintain the value of assets, it aims to do this by integrating Responsible Investment, including ESG considerations, into its investment and asset management decisions. Responsible Investment factors are implemented from origination or acquisition to divestment or termination.

AIRA supports industry initiatives to develop a common platform to evaluate the Responsible Investment impact and credentials of Real Asset investments, and to setup standardised reporting frameworks and benchmarks.

AIRA is a founding member of GRESB infrastructure and an advisory member of GRESB Real Estate and has partnered with a number of organisations to participate on ESG initiatives including the Better Buildings Partnership.

### Employees

The Partnership had no employees during the year (2017: none).

For and on behalf of the Partnership:



N J Gardiner

Director of 2-10 Mortimer Street GP Limited

21 June 2019

# **2-10 Mortimer Street Limited Partnership**

## **General Partner's Report for the year ended 31 December 2018**

The Directors of the General Partner (the "directors") present their report and the financial statements of 2-10 Mortimer Street Limited Partnership (the "Partnership") and Group for the year ended 31 December 2018.

### **Results and Distributions**

The profit for the Group, for 2018 was £11,440,839 (2017: £8,854,457). Income distributions to the Partners of £15,159,119 (2017: £12,318,568) and priority distributions to the General Partner of £3,000 (2017: £14,323) were recognised within finance costs in the Statement of Total Comprehensive Income

### **Directors**

The current Directors of 2-10 Mortimer Street GP Limited and those in office throughout the year, except as noted, are as follows:

P A Ferrari  
C-E Lawrence  
T A Smithers  
L Baker  
N J Gardiner  
D A Diemer

### **Going concern**

The General Partner has reviewed the current and projected financial position of the Partnership, making reasonable assumptions about future trading performance. After making enquiries, the directors of the General Partner have a reasonable expectation that the Partnership has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

### **Post balance sheet events**

There were no significant events after the reporting period.

### **Independent auditor**

Pursuant to Section 487 of the Companies Act 2006, as applied in accordance with the provisions of the Partnership (Accounts) Regulations 2008, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

### **Disclosure of information to the independent auditor**

Each person who was a director of the General Partner 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 auditor in connection with preparing their report, of which the Partnership's auditor is 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 Partnership's auditor is 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, as applied in accordance with the provisions of the Partnership (Accounts) Regulations 2008.

## 2-10 Mortimer Street Limited Partnership

### General Partner's Report for the year ended 31 December 2018 (continued)

#### Partners' accounts

Partners' accounts consist of capital contributions and non interest bearing loans. The Partnership has classified the Partners' accounts as a financial liability in accordance with FRS 102 based on the contractual arrangements within the Limited Partnership Agreement which require repayment of the net assets/liabilities upon wind up of the Partnership.

The Partners accounts include capital contributions and Partners advance as follows:

<b>As at 31 December 2018</b>	<b>Capital Contributions</b>	<b>Capital Advance</b>
	<b>£</b>	<b>£</b>
Aviva Life & Pensions UK Limited	49,995	43,853,475
Tower View Limited	49,995	43,853,475
2-10 Mortimer Street GP Limited	10	-
<b>Total</b>	<b>100,000</b>	<b>87,706,950</b>

<b>As at 31 December 2017</b>	<b>Capital Contributions</b>	<b>Capital Advance</b>
	<b>£</b>	<b>£</b>
Aviva Life & Pensions UK Limited	49,995	48,973,512
Tower View Limited	49,995	48,973,512
2-10 Mortimer Street GP Limited	10	-
<b>Total</b>	<b>100,000</b>	<b>97,947,024</b>

## 2-10 Mortimer Street Limited Partnership

### General Partner's Report for the year ended 31 December 2018 (continued)

#### Statement of General Partner's responsibilities

The General Partner is responsible for preparing the Strategic Report, the General Partner's Report and the Group and Partnership financial statements in accordance with applicable law and regulations.

The Partnerships (Accounts) Regulations 2008 require the General Partner to prepare Group and Partnership financial statements for each financial year in accordance with Part 15 and Chapter 1 of Part 16 of the Companies Act 2006. Under that law the General Partner has elected to prepare both the Group and Partnership financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

Under company law the General Partner must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Partnership and of the profit or loss of the Group and Partnership for that period. In preparing each of the Group and Partnership financial statements, the General Partner is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The General Partner is 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, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and Partnership and to prevent and detect fraud and other irregularities

For and on behalf of the Partnership:



N J Gardiner

Director of 2-10 Mortimer Street GP Limited

21 June 2019

# 2-10 Mortimer Street Limited Partnership

## Independent Auditor's Report to the Partners of 2-10 Mortimer Street Limited Partnership

### Opinion

We have audited the financial statements of 2-10 Mortimer Street Partnership ("the qualifying partnership and its subsidiaries" (together, "the Group")) for the year ended 31 December 2018 which comprise the Consolidated and Partnership Statement of Total Comprehensive Income, the Consolidated and Partnership Statement of Financial Position, the Consolidated and Partnership Statement of Changes in Net Assets Attributable to Partners, the Consolidated and Partnership Cash Flow Statements and related notes, including the accounting policies in note 3.

In our opinion the financial statements:

- give a true and fair view of the state of the Group and Partnership's affairs as at 31 December 2018 and of the Group and Partnership profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006 as applied to qualifying partnerships by The Partnerships (Accounts) Regulations 2008.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the qualifying partnership in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

### The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the General Partner, such as property valuation and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Group's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the Group's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

### Going concern

The General Partner has prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or to cease its operations, and as they have concluded that the Group's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the General Partner's conclusions, we considered the inherent risks to the Group's business model, including the impact of Brexit, and analysed how those risks might affect the Group's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Group will continue in operation.

## 2-10 Mortimer Street Limited Partnership

### Independent Auditor's Report to the Partners of 2-10 Mortimer Street Limited Partnership (continued)

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

The General Partner is responsible for the strategic report and the General Partner's report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the strategic report and the General Partner's report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in those reports;
- in our opinion the information given in the strategic report and the General Partner's report for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

#### Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

#### General Partner's Responsibilities

As explained more fully in the their statement set out on page 8, the General Partner is responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view, 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; assessing the qualifying partnership's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the qualifying partnership or to cease operations, or have no realistic alternative but to do so.

#### Auditor's Responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).



## **2-10 Mortimer Street Limited Partnership**

### **Independent Auditor's Report to the Partners of 2-10 Mortimer Street Limited Partnership (continued)**

#### **The purpose of our audit work and to whom we owe our responsibilities**

This report is made solely to the qualifying partnership's partners, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006, as required by regulation 4 of the Partnerships (Accounts) Regulations 2008. Our audit work has been undertaken so that we might state to the qualifying partnership's partners those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the qualifying partnership and its partners, as a body, for our audit work, for this report, or for the opinions we have formed.



**Henry Todd (Senior Statutory Auditor)**

**for and on behalf of KPMG LLP, Statutory Auditor**

*Chartered Accountants*

**15 Canada Square**

**London, E14 5GL**

**28 June 2019**

## 2-10 Mortimer Street Limited Partnership

### Consolidated and Partnership Statement of Comprehensive Income For the year ended 31 December 2018

		Group 2018 £	Group 2017 £	Partnership 2018 £	Partnership 2017 £
	Notes				
Turnover	5	29,306,519	19,060,197	-	-
Distribution from subsidiaries		-	-	17,992,948	13,472,531
Cost of sales	6	(10,799,545)	(4,229,932)	-	-
<b>Gross profit</b>		<b>18,506,974</b>	<b>14,830,265</b>	<b>17,992,948</b>	<b>13,472,531</b>
Administrative expenses	7	(1,574,061)	(1,921,916)	(12,280)	9,794
Impairment of inventory	12	-	(338,557)	-	-
Change in fair value of investment properties	11	9,741,188	8,585,191	-	-
<b>Operating profit</b>		<b>26,674,101</b>	<b>21,154,983</b>	<b>17,980,668</b>	<b>13,482,325</b>
Finance income	8	3,538	352	-	-
Finance cost (distributions)	9	(15,162,119)	(12,332,891)	(15,155,670)	(12,320,204)
<b>Profit on ordinary activities before taxation</b>		<b>11,515,520</b>	<b>8,822,444</b>	<b>2,824,998</b>	<b>1,162,121</b>
Tax on profit on ordinary activities	10	(74,681)	32,013	-	-
<b>Profit for the financial year</b>		<b>11,440,839</b>	<b>8,854,457</b>	<b>2,824,998</b>	<b>1,162,121</b>
<b>Total comprehensive income attributable to Partners</b>		<b>11,440,839</b>	<b>8,854,457</b>	<b>2,824,998</b>	<b>1,162,121</b>

#### Continuing operations

All amounts reported in the Consolidated and Partnership Statement of Comprehensive Income for the years ended 31 December 2018 and 31 December 2017 relate to continuing operations

The notes on pages 16 to 35 form an integral part of these financial statements.

## 2-10 Mortimer Street Limited Partnership

### Consolidated and Partnership Statements of Financial Position As at 31 December 2018

	Notes	Group 2018 £	Group 2017 £	Partnership 2018 £	Partnership 2017 £
<b>Fixed assets</b>					
Investment properties	11	418,559,369	408,818,181	-	-
Investment in subsidiaries	13	-	-	31,811,883	31,811,883
		<u>418,559,369</u>	<u>408,818,181</u>	<u>31,811,883</u>	<u>31,811,883</u>
<b>Debtors: amounts falling due after one year</b>	15	33,288,898	30,812,316	-	-
<b>Current assets</b>					
Inventory	12	-	10,584,000	-	-
Debtors due in less than one year	14	4,582,927	11,862,575	188,060,267	194,007,586
Cash at bank and in hand	16	13,511,626	12,762,996	156,759	1,071,165
		<u>18,094,553</u>	<u>35,209,571</u>	<u>188,217,026</u>	<u>195,078,751</u>
<b>Creditors: amounts falling due within one year</b>	17	(13,769,347)	(19,874,894)	(30,806,677)	(30,253,326)
<b>Net current assets</b>		4,325,206	15,334,677	157,410,349	164,825,425
<b>Total assets less current liabilities</b>		456,173,473	454,965,174	189,222,232	196,637,308
<b>Creditors: amounts falling due after more than one year</b>	18	(2,851,941)	(2,844,407)	-	-
<b>Net assets attributable to Partners</b>		<u>453,321,532</u>	<u>452,120,767</u>	<u>189,222,232</u>	<u>196,637,308</u>
<b>Partner's Capital</b>	21	<u>453,321,532</u>	<u>452,120,767</u>	<u>189,222,232</u>	<u>196,637,308</u>

These financial statements were approved and authorised for issue by the Board of Directors of 2-10 Mortimer Street GP Limited, the General Partner on 21 June 2019 and were signed on its behalf by



N J Gardiner

Director of 2-10 Mortimer Street GP Limited

The notes on pages 16 to 35 form an integral part of these financial statements.

## 2-10 Mortimer Street Limited Partnership

### Consolidated and Partnership Statements of Changes in Net Assets Attributable to Partners For the year ended 31 December 2018

	Notes	Group 2018 £	Group 2017 £	Partnership 2018 £	Partnership 2017 £
<b>Balance at 1 January</b>		<b>452,120,767</b>	<b>445,066,310</b>	<b>196,637,308</b>	<b>197,275,187</b>
Total comprehensive income for the financial year	21	11,440,839	8,854,457	2,824,998	1,162,121
Advance capital repaid during the year	21	(10,240,074)	(1,800,000)	(10,240,074)	(1,800,000)
<b>Net assets attributable to Partners at 31 December</b>		<b><u>453,321,532</u></b>	<b><u>452,120,767</u></b>	<b><u>189,222,232</u></b>	<b><u>196,637,308</u></b>

The notes on pages 16 to 35 form an integral part of these financial statements.

## 2-10 Mortimer Street Limited Partnership

### Consolidated and Partnership Cash Flow Statements For the year ended 31 December 2018

		Group 2018	Group 2017	Partnership 2018	Partnership 2017
		£	£	£	£
<b>Cash flows from operating activities</b>	<b>Notes</b>				
Profit for the year		11,440,839	8,854,457	2,824,998	1,162,121
<i>Adjustments for:</i>					
Change in value of investment property	11	(9,741,188)	(8,585,191)	-	-
Tax charge/(credit) for current year	10	74,681	(32,013)	-	-
Interest receivable and similar income	8	(3,538)	(352)	-	-
Interest payable and similar charges	9	15,162,119	12,332,891	15,155,670	12,320,204
		<b>16,932,913</b>	<b>12,569,792</b>	<b>17,980,668</b>	<b>13,482,325</b>
Decrease / (increase) in trade and other debtors	14/15	4,803,064	725,962	5,947,319	(642,586)
Decrease in inventory	12	10,584,000	2,131,500	-	-
(Decrease) / increase in trade and other creditors	17/18	(6,272,147)	6,445,444	457,481	(1,874,091)
Decrease in provisions	19	-	(710,214)	-	-
Tax paid		-	(6,206,928)	-	-
<b>Net cash from operating activities</b>		<b>26,047,830</b>	<b>14,955,556</b>	<b>24,385,468</b>	<b>10,965,648</b>
<b>Cash flows from investing activities</b>					
Capital expenditure	11	-	(37,716)	-	-
<b>Net cash used in investing activities</b>		<b>-</b>	<b>(37,716)</b>	<b>-</b>	<b>-</b>
<b>Cash flows from financing activities</b>					
Repayment of advance capital	21	(10,240,074)	(1,800,000)	(10,240,074)	(1,800,000)
Interest received		3,538	352	-	-
Distributions paid		(15,062,664)	(8,267,482)	(15,059,800)	(8,265,855)
<b>Net cash used in financing activities</b>		<b>(25,299,200)</b>	<b>(10,067,130)</b>	<b>(25,299,874)</b>	<b>(10,065,855)</b>
Net increase/(decrease) in cash and cash equivalents		748,630	4,850,710	(914,406)	899,793
Cash and cash equivalents at 1 January		12,762,996	7,912,286	1,071,165	171,372
<b>Cash and cash equivalents at 31 December</b>		<b>13,511,626</b>	<b>12,762,996</b>	<b>156,759</b>	<b>1,071,165</b>

The notes on pages 16 to 35 form an integral part of these financial statements.

# 2-10 Mortimer Street Limited Partnership

## Notes to the Consolidated Financial Statements For the year ended 31 December 2018

### 1. General information

The Partnership was established on 6 December 2010 and is registered as a limited partnership in England and Wales under the Limited Partnerships Act 1907. The amended and restated limited partnership deed is dated 21 November 2016.

### 2. Statement of compliance

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

### 3. Accounting policies

#### Basis of accounting

The Group and Partnership financial statements have been prepared under the historical cost convention, as modified by the revaluation of property investments and certain financial assets and liabilities measured at fair value through the Profit and Loss and in accordance with Financial Reporting Standard 102 ("FRS 102") the Financial Reporting Standard applicable in the UK and Republic of Ireland.

The functional currency of 2-10 Mortimer Street Limited Partnership is considered to be pounds sterling because that is the currency of the primary economic environment in which the Partnership operates. The consolidated financial statements are also presented in pounds sterling.

#### Basis of consolidation

The consolidated financial statements comprise the financial statements of the Partnership and its Group undertaking, as at 31 December 2018. The financial statements of the Group undertakings are prepared for the same reporting period as the Partnership, using consistent accounting policies. The results of subsidiaries acquired are consolidated for the period from or to the date on which control passed. Business combinations are accounted for under the purchase method. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies into line with those used by the Group. All intra-group balances, transactions, income and expenses with subsidiaries are eliminated on consolidation.

Investments in Group undertakings have been included in the Partnership financial statements at the original equity contribution value less any subsequent repayments of capital and any impairment charges.

#### Going concern

The consolidated financial statements comprise the financial statements of the Partnership and its Group undertakings as at 31 December 2018. The financial position of the Group and Partnership and their liquidity position are set out in these financial statements.

The General Partner has reviewed the current and projected financial position of the Partnership, making reasonable assumptions about future trading performance. After making enquiries, the directors of the General Partner have a reasonable expectation that the Partnership has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

#### 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 profit and loss

# 2-10 Mortimer Street Limited Partnership

## Notes to the Consolidated Financial Statements (continued) For the year ended 31 December 2018

### 3. Accounting policies (continued)

#### Investment in subsidiaries

Investment in subsidiaries is shown in the Statement of Financial Position of the Partnership at cost less any provision for impairment.

#### Inventories

Inventories are stated at the lower of cost and estimated selling price less costs to sell. Cost includes material, direct labour and where appropriate, an element of site overheads.

At the end of each reporting period, inventories are assessed for impairment. If an item of inventory is impaired, the identified inventory is reduced to its selling price less costs to complete and sell and an impairment charge is recognised in the statement of comprehensive income. Where a reversal of the impairment is required the impairment charge is reversed, up to the original impairment loss, and is recognised as a credit in the statement of comprehensive income.

#### Debtors and other current assets

Receivables are recognised and carried at the lower of their originally invoiced value and recoverable amount. Where the time value of money is material the receivables are carried at amortised cost. Provisions are made where there is objective evidence that the amount will not be recovered in full.

#### Current liabilities

Other payables are initially recognised and carried at transaction price plus attributable transaction costs. Where the time value of money is material, the payables are carried at amortised cost.

#### Financial instruments

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

##### (i) Financial assets

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

Basic financial assets, including trade and other receivables, 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.

##### (ii) Financial liabilities

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

Basic financial liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs).

## **2-10 Mortimer Street Limited Partnership**

### **Notes to the Consolidated Financial Statements (continued) For the year ended 31 December 2018**

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

##### **Loans and borrowings**

Loans and borrowings are recognised initially at their issue proceeds less transaction costs incurred. Subsequently, borrowings are stated at amortised cost. Interest expense associated with loans and borrowings is accounted for on an accruals basis.

##### **Leases**

Leases, where the lessor retains substantially all of the risks and rewards of ownership, are classified as operating leases. If the impact of straight-lining is material the income is amortised over the lease term. The same applies for receipts as lessors under operating leases (net of any incentives given to the lessee) which are credited to the statement of comprehensive income on a straight-line basis over the period of the lease if there is a material impact.

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

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is more probable than not. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as a finance cost.

Contingent liabilities are not recognised. Contingent liabilities arise as a result of past events when (i) it is not probable that there will be an outflow of resources or that the amount cannot be reliably measured at the reporting date or (ii) when the existence will be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the Group's control. Contingent liabilities are disclosed if the future obligation is probable and the amount cannot be reasonably estimated.

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

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

##### **Cash flow**

The Group reports cash flows from operating activities using the indirect method. Interest received and paid is presented within Cash flows from financing activities. Capitalised development expenditure is disclosed as cash flows from investing activities because this most appropriately reflects the Group's business activities.



# 2-10 Mortimer Street Limited Partnership

## Notes to the Consolidated Financial Statements (continued) For the year ended 31 December 2018

### 3. Accounting policies (continued)

#### **Fund manager fees**

Under the terms of the Amended and Restated Asset Management Agreement dated 21 November 2016 between the Partnership and Aviva Investors Global Services Limited (the "Fund Manager"), is entitled to a fixed fee of £590,000 for fund management services along with a fixed fee of £10,000 for administration services, which applied prior to practical completion. Both fees are calculated on a quarterly basis and payable quarterly in arrears. On 20 April 2016, the Group reached practical completion and from this date, the fee for the fund management services altered to being based upon 0.3% of the market value of the properties less £10,000. The administration fee remained unchanged, with both fees being calculated on a quarterly basis and payable quarterly in arrears.

#### **Turnover**

Turnover represents rental income comprising of rent receivable, ground rent from residential flats on completion and surrender premiums on investment properties leased out under operating lease agreements, arising in the United Kingdom net of VAT. Additionally, turnover also includes the proceeds on the sale of inventory, being residential flats, which is recognised on completion of contracts.

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

Turnover of the Partnership represents distributions received from its subsidiaries.

#### **Cost of sales**

Cost of sales includes amounts invoiced in respect of facilities management services provided, and other expenses incurred on an accruals basis. Cost of sales also includes the cost of disposals of the residential flats. The cost of disposals is calculated on a proportionate amount based on the sales valuation of the whole residential development.

#### **Administrative expenses**

Administrative expenses include all costs not directly incurred in the operation of the Groups's property portfolio. This includes administration, finance and management expenses.

#### **Interest receivable and similar income**

Interest income and similar income is recognised on an accruals basis.

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

Interest payable and similar charges are recognised on an amortised cost basis and include loan facility interest.

#### **Income allocation and distributions**

In accordance with the Limited Partnership Agreement net results are to be allocated to Partners at their respective proportions. The Fund Manager, with approval of General Partner, shall distribute net proceeds received after making provision for fees and expenses of the Partnership.

# 2-10 Mortimer Street Limited Partnership

## Notes to the Consolidated Financial Statements (continued) For the year ended 31 December 2018

### 3. Accounting policies (continued)

#### Taxation

The Partnership itself is transparent for tax purposes, with each partner exclusively liable for any tax liabilities arising out of their interest in the Partnership.

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

#### Related party transactions

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

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

The preparation of the Partnership's Consolidated Financial Statements requires the General Partner to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the reporting date. The estimates and associated assumptions are based on historical experience, expectations of future events and other factors that are considered to be relevant.

However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the assets or liabilities affected.

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.

In the process of applying the Partnership's accounting policies, the General Partner has made the following judgements which have the most significant effect on the amounts recognised in the Consolidated Financial Statements:

## 2-10 Mortimer Street Limited Partnership

### Notes to the Consolidated Financial Statements (continued) For the year ended 31 December 2018

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

##### (a) Valuation of investment properties

The fair value of the Group's investment properties represents an estimate by independent professional valuers of the open market value of each property as at the balance sheet date. The determination of the fair value of investment properties requires the use of estimates such as future cash flows from assets (such as lettings, tenants' profiles, future revenue streams, capital values of fixtures and fittings, plant and machinery, any environmental matters and the overall repair and condition of the property) and discount rates applicable to those assets. The valuers also make reference to market evidence of transaction prices for similar properties. Fair value disclosures in relation to investment property are given in Note 11.

Under section 2A.1 of FRS 102, fair value is classified as one of the following:

- (a) The best evidence of fair value is a quoted price for an identical asset in an active market. Quoted in an active market in this context means quoted prices are readily and regularly available and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted price is usually the current bid price.
- (b) When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the entity can demonstrate that the last transaction price is not a good estimate of fair value (eg because it reflects the amount that an entity would receive or pay in a forced transaction, involuntary liquidation or distress sale), that price is adjusted.
- (c) If the market for the asset is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, an entity estimates the fair value by using a valuation technique. The objective of using a valuation technique is to estimate what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal business considerations.

For the valuation of investment property, the General Partner considers this a Section 2A.1(c) valuation.

##### (b) Impairment of non-financial assets

Property and other non-financial assets are reviewed for impairment at each balance sheet date. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of an asset's net selling price and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

#### 5. Turnover

Turnover is attributable to one continuing activity in the UK, the selling, letting and management of property.

	Group	Group	Partnership	
	2018	2017	2018	2017
	£	£	£	£
Gross rental income	18,109,350	16,665,292	-	-
Proceeds on sale of inventory	11,000,000	2,214,641	-	-
Ground rental income	196,801	179,515	-	-
Late penalty interest	368	749	-	-
	<b>29,306,519</b>	<b>19,060,197</b>	-	-

## 2-10 Mortimer Street Limited Partnership

### Notes to the Consolidated Financial Statements (continued) For the year ended 31 December 2018

#### 6. Cost of sales

	Group	Group	Partnership	
	2018	2017	2018	2017
	£	£	£	£
Property related expenses	(155,370)	858,345	-	-
Cost of the sale of inventory	10,954,915	3,371,587	-	-
	<u>10,799,545</u>	<u>4,229,932</u>	<u>-</u>	<u>-</u>

#### 7. Administrative expenses

	Group	Group	Partnership	
	2018	2017	2018	2017
	£	£	£	£
Asset management fees	1,329,014	1,315,513	-	-
Legal and professional fees	98,756	447,481	-	-
Audit fees	41,000	29,125	18,333	12,458
Operator fees	10,000	10,000	-	-
Trustee fees	25,776	32,782	-	-
Bank charges	1,900	1,768	512	363
Taxation fees	27,631	11,650	17,061	1,375
Valuation fees	60,295	59,172	-	-
Sundry (income)/expenses	(20,311)	14,425	(23,626)	(23,990)
	<u>1,574,061</u>	<u>1,921,916</u>	<u>12,280</u>	<u>(9,794)</u>

The Group and Partnership had no employees in the current or prior year. In the current year the Directors received no emoluments for services to the Partnership for the financial year (2017: £nil).

#### 8. Finance income

	Group	Group	Partnership	
	2018	2017	2018	2017
	£	£	£	£
Bank interest receivable	3,538	352	-	-
	<u>3,538</u>	<u>352</u>	<u>-</u>	<u>-</u>

## 2-10 Mortimer Street Limited Partnership

### Notes to the Consolidated Financial Statements (continued) For the year ended 31 December 2018

#### 9. Finance cost and distributions

	Group	Group	Partnership	
	2018	2017	2018	2017
	£	£	£	£
Income distributions to Limited Partner	(15,156,120)	(12,316,286)	(15,153,155)	(12,313,950)
Income distributions to General Partner	(2,999)	(2,282)	(1,515)	(1,111)
Priority distributions to General Partner	(3,000)	(14,323)	(1,000)	(5,143)
	<u>(15,162,119)</u>	<u>(12,332,891)</u>	<u>(15,155,670)</u>	<u>(12,320,204)</u>

#### 10. Tax on profit on ordinary activities

The total tax charge / (credit) comprises:

	Group 2018 £	Group 2017 £
<b>Current tax:</b>		
For this year	83,853	-
Prior year adjustments	<u>(11,994)</u>	<u>(220,798)</u>
<b>Total current tax</b>	<u>71,859</u>	<u>(220,798)</u>
<b>Deferred tax:</b>		
Origination and reversal of temporary differences	2,822	188,785
Changes in tax rates or tax laws	<u>-</u>	<u>-</u>
<b>Total deferred tax</b>	<u>2,822</u>	<u>188,785</u>
<b>Tax charge/(credit) on profit on ordinary activities</b>	<u>74,681</u>	<u>(32,013)</u>

## 2-10 Mortimer Street Limited Partnership

### Notes to the Consolidated Financial Statements (continued) For the year ended 31 December 2018

#### 10. Tax on profit on ordinary activities (continued)

##### (a) Tax reconciliation

The tax on the Partnership's profit before tax differs from the theoretical amount that would arise using the tax rate in the United Kingdom as follows:

	Group 2018 £	Group 2017 £
Profit on ordinary activities before tax	11,515,520	8,822,444
Less: Change in fair value of investment properties	(9,741,188)	(8,585,191)
Add: Distributions	15,162,119	12,332,891
Profit before distributions and taxation	16,936,451	12,570,144
Tax calculated at standard UK corporation tax rate 19% (2017 19.25%)	3,217,926	2,419,752
Adjustment to tax charge in respect of prior years	(11,994)	(12,897)
Partnership profits not taxable	(3,131,299)	(2,439,965)
Disallowable expenses	380	9,869
Tax losses utilised	-	(8,772)
Changes in tax rates or tax laws	(332)	-
Total tax charge/(credit) on ordinary activities for the year	<u>74,681</u>	<u>(32,013)</u>

##### (b) Deferred tax

(i) The balance at the year end comprises:

	Group 2018 £	Group 2017 £
Unrealised gains on investments	(1,241,814)	(1,238,992)
Net deferred tax liability	<u>(1,241,814)</u>	<u>(1,238,992)</u>

(ii) The movement in net deferred tax liability was as follows:

	Group 2018 £	Group 2017 £
Net deferred tax liability at 1 January	(1,238,992)	(1,050,207)
Amounts charged to Statement of Comprehensive income	(2,822)	(188,785)
	<u>(1,241,814)</u>	<u>(1,238,992)</u>

A reduction in the UK Corporation tax rate from 19% to 18% (effective from 1 April 2020) was substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the Group's future current tax charge accordingly.

## 2-10 Mortimer Street Limited Partnership

### Notes to the Consolidated Financial Statements (continued) For the year ended 31 December 2018

#### 11. Investment properties

	Group 2018 £	Group 2017 £
<b>Cost</b>		
Opening balance	213,156,785	213,119,069
Capital expenditure	-	37,716
<b>Cost at 31 December</b>	<b>213,156,785</b>	<b>213,156,785</b>
<b>Fair value adjustment</b>		
Opening balance	195,661,396	187,076,205
Net gain on revaluation of investment property	9,741,188	8,585,191
<b>Fair value adjustment 31 December</b>	<b>205,402,584</b>	<b>195,661,396</b>
<b>Carrying amount at 31 December</b>	<b>418,559,369</b>	<b>408,818,181</b>
<b>Lease incentives</b>		
<b>Current</b>		
Unamortised rent free incentives	971,909	1,784,965
Unamortised capital contributions	92,951	92,953
<b>Non-Current</b>		
Unamortised rent free incentives	30,550,355	27,985,536
Unamortised capital contributions	1,128,416	1,221,365
<b>Gross asset value at 31 December</b>	<b>451,303,000</b>	<b>439,903,000</b>

## 2-10 Mortimer Street Limited Partnership

### Notes to the Consolidated Financial Statements (continued) For the year ended 31 December 2018

#### 11. Investment properties (continued)

The investment property tenure is freehold.

For the valuation of investment properties, the General Partner considers this a Section 2A.1(c) valuation.

The investment properties were valued to fair value in accordance with the Appraisal and Valuation Manual of The Royal Institution of Chartered Surveyors, as at 31 December 2018 by CBRE, independent professionally qualified chartered surveyors. The valuer has significant experience in the location and class of the investment properties being valued.

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 capitalisation 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 Partnership's financial and property management systems and is subject to the Partnership's overall control environment.

#### 12. Inventories

	Group	Group	Partnership	
	2018	2017	2018	2017
	£	£	£	£
At 1 January	10,584,000	12,715,500	-	-
Capitalised residential property costs	-	1,412,332	-	-
Cost on disposal of flats	(10,584,000)	(3,205,275)	-	-
Impairment of inventory	-	(338,557)	-	-
<b>At 31 December</b>	<b>-</b>	<b>10,584,000</b>	<b>-</b>	<b>-</b>

Inventories as at 31 December 2017 are represented by one private apartment held for sale, a penthouse.

In March 2018, the Group disposed of the final property for a gross value of £11m. Expense of £370,915 was recognised within cost of sale mainly representing legal fees related to the sale.



## 2-10 Mortimer Street Limited Partnership

### Notes to the Consolidated Financial Statements (continued) For the year ended 31 December 2018

#### 13. Investment in subsidiaries

	Group 2018 £	Group 2017 £	Partnership 2018 £	Partnership 2017 £
Cost at 1 January	-	-	31,811,883	31,811,883
<b>Historic cost of investment at 31 December</b>	<b>-</b>	<b>-</b>	<b>31,811,883</b>	<b>31,811,883</b>

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

At the year end the Group had the following material interests:

Name of subsidiary	Shareholding	Held through	Nature of business	Address
Fitzroy Place Residential Limited	100.00%	Ordinary shares	Trade of residential property development	St Helen's 1 Undershaft London EC3P 3DQ 3rd Floor Liberation House
1 Fitzroy Place Jersey Unit Trust	99.98%	Units	The Trust invests in 1 Fitzroy Place Limited Partnership	Castle Street St Helier Jersey Channel Islands JE1 1BL 3rd Floor Liberation House
2 Fitzroy Place Jersey Unit Trust	99.98%	Units	The Trust invests in 2 Fitzroy Place Limited Partnership	Castle Street St Helier Jersey Channel Islands JE1 1BL
1 Fitzroy Place Limited Partnership	99.99%	Ordinary shares	Trade of investment property development	St Helen's 1 Undershaft London EC3P 3DQ
2 Fitzroy Place Limited Partnership	99.99%	Ordinary shares	Trade of investment property development	St Helen's 1 Undershaft London EC3P 3DQ

## 2-10 Mortimer Street Limited Partnership

### Notes to the Consolidated Financial Statements (continued) For the year ended 31 December 2018

#### 14. Debtors – amounts due falling within one year

	Group	Group	Partnership	
	2018	2017	2018	2017
	£	£	£	£
Other amounts due from intercompany loans:				
1 Fitzroy Place Limited Partnership	-	-	116,079,775	116,304,811
2 Fitzroy Place Limited Partnership	-	-	66,326,679	65,962,356
Fitzroy Place Residential Ltd	-	-	107,070	-
Other debtors:				
Trade debtors	923,311	338,322	-	-
VAT receivable	407,772	265,791	269,228	59,967
Corporation tax receivable	-	965,918	-	-
Prepayments	-	29,821	-	-
Lease incentives	1,064,860	1,877,918	-	-
Other debtors	66,285	162,251	18,000	18,305
Accrued income	-	5,380	-	-
Fitzroy Place Management Company Limited	247,628	220,865	809,617	782,854
2-10 Mortimer Street GP Limited	386,166	7,326,759	385,166	7,325,759
2-10 Mortimer Street GP (No 1) Limited	5,642	4,643	4,643	3,643
Fitzroy Place GP 2 Limited	5,642	4,643	4,643	3,643
1 Fitzroy Place Jersey Unit Trust	-	-	2,656,814	2,649,490
2 Fitzroy Place Jersey Unit Trust	-	-	1,398,632	896,758
Cash held by managing agent	1,475,621	660,264	-	-
<b>Total debtors amounts falling due within one year</b>	<b>4,582,927</b>	<b>11,862,575</b>	<b>188,060,267</b>	<b>194,007,586</b>

Loans and other receivables from related parties are interest free and repayable on demand.

Fair value is considered carrying value, with time value of money considered immaterial.

## 2-10 Mortimer Street Limited Partnership

### Notes to the Consolidated Financial Statements (continued) For the year ended 31 December 2018

#### 15. Debtors – amounts falling due after one year

	Group	Group	Partnership	
	2018	2017	2018	2017
	£	£	£	£
Other debtors:				
Lease incentives	31,678,771	29,206,901	-	-
Tenant rent deposits	1,610,127	1,605,415	-	-
<b>Total debtors amounts falling due after one year</b>	<b>33,288,898</b>	<b>30,812,316</b>	<b>-</b>	<b>-</b>

Fair value is considered carrying value, with time value of money considered immaterial.

#### 16. Cash at bank and in hand

Group cash at bank and in hand is £13,511,626 (2017: £12,762,996).

## 2-10 Mortimer Street Limited Partnership

### Notes to the Consolidated Financial Statements (continued) For the year ended 31 December 2018

#### 17. Creditors - amounts falling due within one year

	Group	Group	Partnership	
	2018	2017	2018	2017
	£	£	£	£
Trade and other payables	1,379,958	1,191,625	206,385	232,592
Accruals and deferred income	4,400,938	4,203,012	27,504	22,333
Taxation payable	83,533	-	-	-
Construction cost and agent fee provision (note 19)	2,639,786	2,639,786	-	-
Agent output VAT	1,099,949	835,063	-	-
Intercompany with 2-10 GP Ltd	-	6,940,000	-	-
Amounts due to Fitzroy Place Residential Limited	-	-	26,422,569	25,944,052
Distribution payable to 2-10 Mortimer Street GP Ltd	415	5,541	415	5,541
Distribution payable to 2-10 Mortimer Street GP (No1) Limited	7,411	5,411	-	-
Distribution payable to Fitzroy Place GP 2 Limited	6,423	4,940	-	-
Distribution due to Aviva Life & Pensions UK Limited	2,075,307	2,024,758	2,074,902	2,024,404
Distribution payable to Tower View Limited	2,075,307	2,024,758	2,074,902	2,024,404
<b>Total creditors amounts falling due within one year</b>	<b>13,769,347</b>	<b>19,874,894</b>	<b>30,806,677</b>	<b>30,253,326</b>

Amounts payable to related parties are interest free and repayable on demand.

Fair value is considered carrying value, with time value of money considered immaterial.

## 2-10 Mortimer Street Limited Partnership

### Notes to the Consolidated Financial Statements (continued) For the year ended 31 December 2018

#### 18. Creditors – amounts falling due after more than one year

	Group	Group	Partnership	
	2018	2017	2018	2017
	£	£	£	£
Tenant rent deposits	1,610,127	1,605,415	-	-
Deferred tax liability	1,241,814	1,238,992	-	-
<b>Total creditors amounts falling due after one year</b>	<b>2,851,941</b>	<b>2,844,407</b>	<b>-</b>	<b>-</b>

Fair value is considered carrying value, with time value of money considered immaterial.

#### 19. Provisions for liabilities

	Group	Group	Partnership	Partnership
	2018	2017	2018	2017
	£	£	£	£
Balance at 1 January	(2,639,786)	(3,350,000)	-	-
Movement recognised in inventories	-	710,214	-	-
<b>Balance at 31 December</b>	<b>(2,639,786)</b>	<b>(2,639,786)</b>	<b>-</b>	<b>-</b>

The provisions relate to retention fees in Fitzroy Place Residential Limited. In January 2019, an amount of £1,209,531 was paid out in relation to the retention fees in Fitzroy Place Residential Limited and the provision for liabilities was reduced accordingly.

#### 20. Contingent liabilities and commitments

There were no commitments or contingent liabilities at the balance sheet date (2017: £nil).

## 2-10 Mortimer Street Limited Partnership

### Notes to the Consolidated Financial Statements (continued) For the year ended 31 December 2018

#### 21. Movement in Partners' Funds – Consolidated

	Aviva Life & Pensions UK Limited Capital A215 33.33% £	Aviva Life & Pensions UK Limited Capital A214 16.665% £	Tower View Limited 49.995% £	2-10 Mortimer Street GP Limited 0.01% £	Total 100% £
<b>Capital account</b>					
At 1 January and 31 December 2018	33,330	16,665	49,995	10	100,000
<b>Other capital account</b>					
At 1 January and 31 December 2018	66,733	33,367	100,100	-	200,200
<b>Partnership premium account</b>					
At 1 January and 31 December 2018	10,445,091	5,224,112	15,669,202	-	31,338,405
<b>Advance capital account</b>					
Opening balances	32,645,683	16,327,829	48,973,512	-	97,947,024
Advance capital repayment during the year	(3,413,358)	(1,706,679)	(5,120,037)	-	(10,240,074)
At 31 December 2018	29,232,325	14,621,150	43,853,475	-	87,706,950
<b>Revenue account</b>					
Opening balances	107,543,297	53,724,274	161,267,567	-	322,535,138
Profit for the year	3,813,613	1,906,807	5,720,419	-	11,440,839
At 31 December 2018	111,356,910	55,631,081	166,987,986	-	333,975,977
<b>Net assets at 31 December 2018</b>	151,134,389	75,526,375	226,660,758	10	453,321,532
<b>Net assets at 31 December 2017</b>	150,734,134	75,326,247	226,060,376	10	452,120,767

## 2-10 Mortimer Street Limited Partnership

### Notes to the Consolidated Financial Statements (continued) For the year ended 31 December 2018

#### 21. Movement in Partners' Funds - Partnership

	Aviva Life & Pensions UK Limited Capital A215 33.33% £	Aviva Life & Pensions UK Limited Capital A214 16.665% £	Tower View Limited 49.995% £	2-10 Mortimer Street GP Limited 0.01% £	Total 100% £
<b>Capital account</b>					
At 1 January and 31 December 2018	33,330	16,665	49,995	10	100,000
<b>Partnership premium account</b>					
At 1 January and 31 December 2018	10,445,091	5,224,112	15,669,202	-	31,338,405
<b>Advance capital account</b>					
Opening balances	32,645,683	16,327,829	48,973,512	-	97,947,024
Advance capital repayment during the year	(3,413,358)	(1,706,679)	(5,120,037)	-	(10,240,074)
At 31 December 2018	29,232,325	14,621,150	43,853,475	-	87,706,950
<b>Revenue account</b>					
Opening balances	22,414,636	11,211,304	33,625,939	-	67,251,879
Profit for the year	941,666	470,831	1,412,501	-	2,824,998
At 31 December 2018	23,356,302	11,682,135	35,038,440	-	70,076,877
<b>Net assets at 31 December 2018</b>	<b>63,067,048</b>	<b>31,544,062</b>	<b>94,611,112</b>	<b>10</b>	<b>189,222,232</b>
<b>Net assets at 31 December 2017</b>	<b>65,538,740</b>	<b>32,779,910</b>	<b>98,318,648</b>	<b>10</b>	<b>196,637,308</b>

#### Aviva Life and Pensions UK Limited advance capital

Aviva advance capital is non-interest bearing.

#### Tower View Limited advance capital

Tower View Limited advance capital is non-interest bearing.

# 2-10 Mortimer Street Limited Partnership

## Notes to the Consolidated Financial Statements (continued) For the year ended 31 December 2018

### 22. Related party transactions

	Expense in year		Payable at year end	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
AIGSL asset management fees	1,329	1,316	333	334
AIGSL administration fees	10	10	3	2
	<b>1,339</b>	<b>1,326</b>	<b>336</b>	<b>336</b>

Aviva Investors Global Services Limited (AIGSL) provides asset management and administration services to the Partnership. The ultimate holding company of AIGSL is Aviva plc. The agreed fees for the asset management services are £1,329,014 (2017: £1,315,513) per annum and £10,000 (2017: £10,000) per annum for the administration services

The related party payables are not secured and no guarantees were received in respect thereof. The payables will be settled in accordance with normal credit terms.

The directors received no emoluments for services to the Partnership for the financial year (31 December 2017: £nil).

#### Amounts due from related parties

Amounts of £247,628 (2017: £220,865) are included in the Group's financial statements in respect of receivables from Fitzroy Place Management Company Limited. Transactions are in respect of service charge funding and project expenditure incurred.

### 23. Parent and ultimate controlling undertaking

The 2-10 Mortimer Street Limited Partnership does not have an ultimate controlling party. The Partnership is owned 49.995% by Aviva Life & Pensions UK Limited, 49.995% by Tower View Limited and 0.010% by 2-10 Mortimer Street GP Limited.

The Partnership is managed by the General Partner, 2-10 Mortimer Street GP Limited (the General Partner). The General Partner is owned 50% by Norwich Union (Shareholder GP) Limited, a wholly owned entity of Aviva Plc and 50% by Tower View (GP) Limited, which is controlled by New Riverview Limited.



## 2-10 Mortimer Street Limited Partnership

### Notes to the Consolidated Financial Statements (continued) For the year ended 31 December 2018

#### 24. Financial instruments

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

	Group		Partnership	
	2018 £	2017 £	2018 £	2017 £
<b>Financial assets</b>				
Measured at undiscounted amount receivable:				
Investments (see note 13)	-	-	31,811,883	31,811,883
Trade and other debtors - amounts falling due after one year (see note 15)	1,610,127	1,605,415	-	18,415
Trade and other debtors - amounts falling due in less than one year (see note 14)	3,110,295	8,717,747	187,791,039	193,929,204
Cash at bank and in hand	13,511,626	12,762,996	156,759	1,071,165
	<u>18,232,048</u>	<u>23,086,158</u>	<u>219,759,681</u>	<u>226,830,667</u>

	Group		Partnership	
	2018 £	2017 £	2018 £	2017 £
<b>Financial liabilities</b>				
Measured at undiscounted amount payable:				
Trade and other creditors - amounts falling due after one year (see note 18)	1,610,127	1,605,415	-	-
Trade and other creditors - amounts falling due in less than one year (see note 17)	8,184,607	14,836,816	30,779,173	30,230,994
	<u>9,794,734</u>	<u>16,442,231</u>	<u>30,779,173</u>	<u>30,230,994</u>

#### 25. Post balance sheet events

There were no significant events after the reporting period.