Company registration number 07604385 (England and Wales)

AVIVA INVESTORS GROUND RENT HOLDCO LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

AVIVA INVESTORS GROUND RENT HOLDCO LIMITED

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AVIVA INVESTORS GROUND RENT HOLDCO LIMITED

COMPANY INFORMATION

Director	B J Stallwood B Littman
Secretary	Aviva Company Secretarial Services Limited
Company number	07604385
Registered office	80 Fenchurch Street London EC3M 4AE
Independent Auditors	PricewaterhouseCoopers LLP 7 More London Riverside London SE1 2RT
Banker	Royal Bank of Scotland 8th Floor, 1 Hardman Boulevard Manchester M3 3AQ
Fund Manager	Aviva Investors UK Fund Services Limited 80 Fenchurch Street London EC3M 4AE

AVIVA INVESTORS GROUND RENT HOLDCO LIMITED

DIRECTOR'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

The director presents his annual report and financial statements for the year ended 31 December 2022.

Principal activities and review of business

The Group consists of the Company and all its subsidiary undertakings as set out in note 12. The principal activity of the Company is that of a holding company. The principal activity of the Group is that of investment in ground rent properties.

Director

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

R Dawson (Resigned 27 June 2022)
B J Stallwood
B Littman (Appointed 6 March 2023)

Qualifying third party indemnity provisions

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

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

Principal risks and uncertainties

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

AVIVA INVESTORS GROUND RENT HOLDCO LIMITED

DIRECTOR'S REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

Risk management policies

Approach to risk and capital management

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

Management of financial and non-financial risks

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

(i) Liquidity risk

Liquidity risk arises as a result of the property assets of the Company's subsidiaries being inherently illiquid. Liquidity risk is managed by ensuring that there is always sufficient headroom available to meet the working capital requirements of the business. Liquidity risk table set out below.

Liquidity Risk

The maturity analysis of Aviva Investors Ground Rent Holdco Limited assets and liabilities as at 31 December 2022 was as follows:

	On demand	1-3 months	4-12 months	More than 12 months	Total
	£	£	£	£	£
Assets					
Amounts owed by group undertakings	297,240	-	-	-	297,240
Other debtors	506,641	-	-	-	506,641
Cash at bank and in hand	2,881,788	-	-	-	2,881,788
	3,685,669	-	-	-	**3,685,669**
Liabilities					
Accruals and defered income	28,678	-	-	-	28,678
Other creditors	25,089	-	-	-	25,089
Intercompany Borrowings	71,344,752	-	-	-	71,344,752
Amounts owed to group undertakings	7,413,292	-	-	-	7,413,292
	78,811,811	-	-	-	**78,811,811**

Liquidity Risk

The maturity analysis of Aviva Investors Ground Rent Holdco Limited assets and liabilities as at 31 December 2021 was as follows:

	On demand	1-3 months	4-12 months	More than 12 months	Total
	£	£	£	£	£
Assets					
Amounts owed by group undertakings	3,174,383	-	-	-	3,174,383
Other debtors	217,788	-	-	-	217,788
Cash at bank and in hand	2,564,904	-	-	-	2,564,904
	5,957,075	-	-	-	**5,957,075**
Liabilities					
Accruals and defered income	39,367	-	-	-	39,367
Intercompany Borrowings	73,882,566	-	-	-	73,882,566
Amounts owed to group undertakings	5,061,745	-	-	-	5,061,745
Amounts owed to parent undertaking	4,296,565	-	-	-	4,296,565
	83,280,243	-	-	-	**83,280,243**

AVIVA INVESTORS GROUND RENT HOLDCO LIMITED

DIRECTOR'S REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

(ii) Interest rate risk

Interest rate risk arises as a result of the Company borrowing from Aviva Investors REaLM Ground Rent Unit Trust and lending to its subsidiaries. Interest rate risk is managed by the Company borrowing and lending at fixed rates of interest.

At 31 December 2022

SPVs	Loan Start Year	Repayable Year	Interest Rate	2022 Intercompany Loan Receivable	Provision for Impairment of Intercompany loan receivable	Net balance of Intercompany loan receivable	Less than 1 year	1-5 years	More than 5 Years	Total
			%	£	£	£	£	£	£	£
SPV1	2011	2026	6%	5,182,195		5,182,195			5,182,195	5,182,195
SPV2	2011	2026	6%							
SPV3	2011	2026	6%	2,988,778		2,988,778			2,988,778	2,988,778
SPV4	2011	2026	6%	5,165,564		5,165,564			5,165,564	5,165,564
SPV5	2011	2026	6%	6,465,106		6,465,106			6,465,106	6,465,106
SPV6	2012	2027	6%	3,792,033		3,792,033			3,792,033	3,792,033
SPV7	2012	2027	6%	2,577,491		2,577,491			2,577,491	2,577,491
SPV8	2012	2027	6%	7,154,129		7,154,129			7,154,129	7,154,129
SPV9	2013	2028	6%	2,232,184		2,232,184			2,232,184	2,232,184
SPV10	2013	2028	6%	2,055,096	492,605	1,562,491			1,562,491	1,562,491
SPV11	2013	2028	6%	1,797,702		1,797,702			1,797,702	1,797,702
SPV12	2013	2028	6%	2,429,282		2,429,282			2,429,282	2,429,282
SPV13	2014	2029	6%	4,351,053		4,351,053			4,351,053	4,351,053
SPV14	2014	2029	6%	3,908,853		3,908,853			3,908,853	3,908,853
SPV15	2015	2030	6%	4,293,612	556,551	3,737,061			3,737,061	3,737,061
SPV16	2016	2031	5%	4,830,272	437,373	4,392,899			4,392,899	4,392,899
SPV17	2017	2032	4.50%	5,922,774	879,776	5,042,998			5,042,998	5,042,998
				65,146,124	**-2,366,305**	**62,779,819**	**-**	**-**	**62,779,819**	**62,779,819**

At 31 December 2021

SPVs	Loan Start Year	Repayable Year	Interest Rate	2021 Intercompany Loan Receivable	Provision for impairment of intercompany loan receivable	Net balance of intercompany loan receivable	Less than 1 year	1-5 years	More than 5 Years	Total
			%	£	£	£	£	£	£	£
SPV1	2011	2026	6%	5,182,195	-	5,182,195	-	-	5,182,195	5,182,195
SPV2	2011	2026	6%	132,192	-	132,192	-	-	132,192	132,192
SPV3	2011	2026	6%	2,988,778	-	2,988,778	-	-	2,988,778	2,988,778
SPV4	2011	2026	6%	5,165,564	-	5,165,564	-	-	5,165,564	5,165,564
SPV5	2011	2026	6%	6,465,106	-	6,465,106	-	-	6,465,106	6,465,106
SPV6	2012	2027	6%	3,792,033	-	3,792,033	-	-	3,792,033	3,792,033
SPV7	2012	2027	6%	2,577,491	-	2,577,491	-	-	2,577,491	2,577,491
SPV8	2012	2027	6%	7,553,637	-	7,553,637	-	-	7,553,637	7,553,637
SPV9	2013	2028	6%	2,232,184	-	2,232,184	-	-	2,232,184	2,232,184
SPV10	2013	2028	6%	2,055,096	-	2,055,096	-	-	2,055,096	2,055,096
SPV11	2013	2028	6%	1,797,702	-	1,797,702	-	-	1,797,702	1,797,702
SPV12	2013	2028	6%	2,429,281	-	2,429,281	-	-	2,429,281	2,429,281
SPV13	2014	2029	6%	6,209,766	-	6,209,766	-	-	6,209,766	6,209,766
SPV14	2014	2029	6%	4,056,253	-	4,056,253	-	-	4,056,253	4,056,253
SPV15	2015	2030	6%	4,293,612	-	4,293,612	-	-	4,293,612	4,293,612
SPV16	2016	2031	5%	4,830,273	-	4,830,273	-	-	4,830,273	4,830,273
SPV17	2017	2032	4.50%	5,922,774	-	5,922,774	-	-	5,922,774	5,922,774
				67,683,937	-	**67,683,937**	-	-	**67,683,937**	**67,683,937**

(iii) Operational risk

Operational risk arises as a result of inadequate or failed internal processes, people or systems; or from external events. The Operational risk for the Company is managed by Aviva Investors UK Fund Services Limited (a subsidiary of Aviva plc.). Details of the Aviva Group approach to operational risk are set out in the financial statements of Aviva Investors UK Fund Services Limited.

(iv) Market risk

The Company's exposure to market risk is reflected in property valuations of the Company's subsidiaries, which in turn has a direct impact on the value of investments. Market risk is managed by ongoing proactive portfolio and asset management. The property valuations reflect the external valuer's assessment at the valuation date.

Government policy reforms and associated legislation impacting the ground rent sector continue to evolve through the year. The Building Safety Act 2022 and its secondary legislation continues to be laid and come into legal force post the end of the financial year.

In February 2022 Parliament enacted the Leasehold Reform (Ground Rent) Act 2022, which introduced a number of key amendments to existing leasehold legislation. Towards the end of the year, the Department of Levelling Up, Housing and Communities provided further updates on its intention to push forward with new legislation within the current Parliament and post year end published a open consultation seeking views on its proposal to cap ground rents for existing residential leaseholds in England and Wales. Government's stated intention is to introduce a cap on ground rents in existing leases through the Leasehold and Freehold Reform Bill.

This continued uncertainty has resulted in a number of sector investors adopting a "wait and see" approach until such time as this matter has been clarified. Ground rent sector valuers have also introduced a risk adjusted valuation to freehold investment values where passing ground rents are in excess of the proposed guidelines outlined.

(v) Credit risk

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

(vi) Covid-19, Ukraine/Russia conflict and inflationary pressures

Whilst the Covid-19 pandemic continued to impact on certain parts of the global economy during 2022, restrictions are now lifted in all major economies. There was no material Covid-19 related impact on the company during 2022 or 2023.

The ongoing conflict between Ukraine and Russia, which commenced in February 2022, together with the economic sanctions placed on Russia has had a material impact to many economies with elevated level of inflation leading to central banks swiftly increasing interest rates. Whilst this is expected to moderate in 2024, there is some uncertainty around this, due to the continued high levels of core inflation within western economies. The directors continue to closely monitor the associated geo-political risks in relation to inflation, rising interest rates, volatile markets and any potential adverse impact on the company and its investment. However, as at the date of approval of these financial statements, based on its assessment of the current situation and information available, the directors do not envisage that this will have a material impact on the company.

Employees

The Company has no employees (2021: none).

Future developments
Regulatory Updates

Building Safety Act secondary legislation and regulations continue to be laid in 2023. The Company continues to assess the impact on its portfolio of ground rent investments held by the Company's subsidiaries and implement these as they are laid and passed into law.

Building Safety Act 2022

The Building Safety Act 2022 and its secondary legislation that continues to be laid and come into legal force post the end of the financial year ("the Act") imposes new legal obligations on building owners, including the company's subsidiaries to protect leaseholders from paying for all, or some of, the costs of remediating relevant historical building safety defects.

The company's subsidiaries now have an obligation to pay the costs associated with the remediation of building safety defects, under a range of circumstances, where remediation funding is not available from building developers or related parties, where government funding is not available, or where leaseholders that don't qualify for remediation costs protection. On 25 March 2022, as a consequence of these legal obligations, the independent third party appointed to provide valuation advice in respect of the assets owned by the company's subsidiaries, declared a material valuation uncertainty over certain residential ground rent buildings in the company's subsidiaries portfolio impacted or potentially impacted by building safety issues that require remediation, whilst the company's subsidiaries liabilities for remediation costs under the Act are quantified.

The valuation of these buildings is reported as being subject to 'Material Valuation Uncertainty', as set out in VPS 3 and VPGA 10 of the RICS Valuation – Global Standards. Consequently, less certainty – and a higher degree of caution is attached to the valuation of these buildings than would normally be the case. This material valuation uncertainty status will remain in force until such time as any remediation liabilities that fall on the company's subsidiaries to pay across these buildings with safety defects are quantified. In order to protect the interests of the Company and all its investors, the Company's ultimate parent implemented a suspension of redemptions in Q2 2022 and remains suspended to current date.

Determining and quantifying the company's subsidiaries remediation liabilities under the Building Safety Act remains complex with incomplete information on the final scope and cost of required remediation work for most impacted buildings at the period end. The company's subsidiaries are progressing PAS 9980 assessments (appraisal of external wall construction and cladding in existing multi-occupied residential buildings) and remediation works requirements alongside developers of the buildings identified as having safety issues that they directly control.

Once the scope of any remediation work for impacted buildings has been confirmed by fire engineers, the company's subsidiaries will need to assess and agree the extent of available remediation funding from a range of different stakeholders including building developers (under Government's developer remediation contract), Government Building Safety funding schemes, building insurance schemes and leaseholders (that don't qualify for remediation costs protections under the Building Safety Act). Funding from these sources needs agreeing for the company's subsidiaries to determine and calculate any residual liability for remediation that will fall on it to pay.

There are various uncertainties as a result of the Building Safety Act 2022 and its secondary legislation which may have an impact on the balance sheets of the Company's subsidiaries, and therefore the investments in subsidiaries as well as the recoverability of the amounts owed by group undertakings. As such these balances may be subject to significant estimation uncertainty.

AVIVA INVESTORS GROUND RENT HOLDCO LIMITED

DIRECTOR'S REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

Leasehold Reform (Ground Rent) Act 2022

In February 2022 Parliament enacted the Leasehold Reform (Ground Rent) Act 2022, which introduced a number of key amendments to existing leasehold legislation. The leading amendments included the abolition of new leasehold houses (other than for exceptional circumstances) alongside all remaining new leases having ground rents set at a peppercorn.

Governments next stage of reform is to focus on the enfranchisement process alongside the introduction of a revised Commonhold structure, providing a new ownership solution to multi-unit developments which share common services and facilities. However, despite a proactive start to the year, progress on this next stage slowed, in part as both the Ukraine conflict and Building Safety took more of the Department for Levelling Up, Housing and Communities ("DLUHC") time and resource.

Towards the end of the year, DLUHC provided further updates on its intention to push forward with new legislation within the current Parliament, however, no detail was provided on its proposals for calculating enfranchisement premiums. Importantly, whilst they intend to create an "on line" calculator to provide leaseholders with instant quotes, they have provided no further information as to how the capitalisation rate will be derived. This continued uncertainty has resulted in a number of sector investors adopting a "wait and see" approach until such time as this matter has been clarified. Ground rent sector valuers have also introduced a risk adjusted valuation to freehold investment values where passing ground rents are in excess of the proposed guidelines outlined.

Investment Property Valuation

The Building Safety Act 2022 and its secondary legislation that continues to be laid and come into legal force post the end of the financial year ("the Act") imposes new legal obligations on building owners, including the company's subsidiaries to protect leaseholders from paying for all, or some of, the costs of remediating relevant historical building safety defects.

The company's subsidiaries now has an obligation to pay the costs associated with the remediation of building safety defects, under a range of circumstances, where remediation funding is not available from building developers and associated parties, Government funding or leaseholders that don't qualify for remediation costs protection. On 25 March 2022, as a consequence of these legal obligations, the independent third party appointed to provide valuation advice in respect of the assets owned by the company's subsidiaries, declared material valuation uncertainty over certain residential ground rent buildings in the company's subsidiaries portfolio impacted or potentially impacted by building safety issues that require remediation whilst the company's subsidiaries liabilities for remediation costs under the Act are quantified.

The valuation of these buildings is reported as being subject to 'Material Valuation Uncertainty', as set out in VPS 3 and VPGA 10 of the RICS Valuation – Global Standards. Consequently, less certainty – and a higher degree of caution is attached to the valuation of these buildings than would normally be the case. This material valuation uncertainty status will remain in force until such time as any remediation liabilities that fall on the company's subsidiaries to pay across these buildings with safety defects are quantified. In order to protect the interests of the Company and all its investors, the Company's ultimate parent implemented a suspension of redemptions in Q2 2022 and remains suspended to current date.

Post balance sheet events

Government leasehold reform consultation – "modern leasehold: restricting ground rent for existing leases"

On 9 November 2023, the Department for Levelling Up, Housing & Communities ("DLUHC") published a public consultation seeking views on its proposal to cap ground rents for existing residential leaseholds in England and Wales. The Government's stated intention is, subject to this consultation, to introduce a cap on ground rents in existing leases through the Leasehold and Freehold Reform Bill that was announced in the King's Speech on 7 November 2023. The Company submitted its response to the consultation in advance of the 17 January 2024 deadline and awaits the Government's response. The Company has commenced work to assess the impact of these options.

Implications of consultation on residential ground rent asset valuations

Following guidance from the Royal Institution of Chartered Surveyors (RICS), the independent valuer of the company's subsidiaries portfolio has confirmed it intends to apply a Material Valuation Uncertainty clause to the company's subsidiaries residential ground rent assets at the time of its next valuation as at 31 December 2023. As a result the the carrying value of the investment in subsidiaries may be subject to significant estimation uncertainty (see note 11).

Events after the reporting period have been evaluated up to the date the audited financial statements wereapproved and authorised for issue by the Directors and there are no events to be disclosed or adjusted for in these audited financial statements, except those noted above.

Going concern

The company has net current liabilities of £75,126,142 (2021: £77,323,168). Included within this is an unsecured loan of £71,344,752 (2021: £73,882,566) from Aviva Investors REaLM Ground Rent Unit Trust (the "Unit Trust"), accrued interest of £7,413,292 (2021: £9,358,310) and other creditor balances. The Unit Trust has confirmed that it will not seek repayment of part or all of the amount loaned to this company for at least 12 months from the date of the approval of these financial statements, where to do so would place this company in an insolvent position.

Due to the net current liabilities being greater than the unsecured loan, the company is supported by Aviva Investors REaLM Ground Rent Limited Partnership. The directors have received confirmation that the Partnership has sufficient resources and intends to support the company to enable it to meet its obligations as they fall due. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Independent Auditors

PricewaterhouseCoopers LLP ("PwC") have indicated their willingness to continue in office and a resolution to consider their appointment will be proposed at the board meeting of the General Partner.

Disclosure of information to auditors

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

(a). so far as the director is aware, there is no relevant audit information, being information needed by the auditors in connection with preparing their report, of this the auditors unaware; and
(b). each director has taken all the steps that he/she ought to have taken as a director in order to make himself/ herself aware of any relevant audit information and to establish that the auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

AVIVA INVESTORS GROUND RENT HOLDCO LIMITED

DIRECTOR'S REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

Statement of director's responsibilities in respect of the financial statements

The director is responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the director to prepare financial statements for each financial year. Under that law the director has prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law).

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

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The director is also responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

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

- So far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and

- They have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

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

On behalf of the board

DocuSigned by:

Ben Stallwood

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Mr B J Stallwood

Director

Date: 10 April 2024 | 16:58:28 BST

Independent auditors' report to the members of Aviva Investors Ground Rent Holdco Limited

Report on the audit of the financial statements

Disclaimer of opinion

Because of the significance of the matter described in the Basis for disclaimer of opinion paragraph below, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly we do not express an opinion on Aviva Investors Ground Rent Holdco Limited's financial statements (the "financial statements").

We were engaged to audit the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Statement of Financial Position as at 31 December 2022; the Statement of Comprehensive Income and the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies. The financial reporting framework that has been applied in their preparation is United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law).

Basis for disclaimer of opinion

During the course of our audit, we identified a pervasive limitation of scope. The company has an investment in subsidiaries as at 31 December 2022 of £21,603,489, and a loan receivable balance as at 31 December 2022 of £62,779,819 due from its underlying subsidiaries. There is a pervasive limitation of scope in relation to the valuation of investment properties owned by the underlying subsidiaries. This is because a material proportion of the subsidiaries' investment property portfolio (£28,886,984) is subject to a material valuation uncertainty clause from the valuer who has independently valued the property portfolio. The valuer has applied fire safety discounts of £8,049,234 to this proportion of the subsidiaries' residential portfolio. We have been unable to obtain sufficient appropriate audit evidence to support these discounts. The valuer has relied upon a risk matrix prepared by the managing agents in forming their judgement of the discount required for each property. In addition, given the commencement of the secondary legislation associated with the Building Safety Act 2022 ("BSA") into law and the new requirement to obtain fire safety assessments in line with Publicly Available Specification ("PAS") 9980 guidelines in the current year, management has been unable to quantify the building safety remediation liabilities associated with these properties and have not been able to conclude which party will be responsible to bear any associated liabilities. These are the two key assumptions within the risk matrix provided to the valuer that has been used when applying fire safety discounts to the subsidiaries' portfolio. We were therefore unable to obtain sufficient appropriate audit evidence over the carrying value of the investment in subsidiaries and recoverability of the Amounts owed by group undertakings within the financial statements, given the underlying subsidiaries' ability to repay these balances is dependent upon the potential remediation costs. Consequently, we were unable to determine whether any adjustments were necessary to the Company's financial statements. Further information regarding these matters is included in Note 11.

Independence

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

Conclusions relating to going concern

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

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

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

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

Reporting on the Director's Report

Notwithstanding our disclaimer of an opinion on the financial statements, based on the work undertaken in the course of the audit, the information given in the Director's Report for the year ended 31 December 2022 is consistent with the financial statements.

Because of the significance of the matter described in the Basis for disclaimer of opinion paragraph above we have been unable to form an opinion whether, based on the work undertaken in the course of the audit, the information given in the Director's Report for the year has been prepared in accordance with applicable legal requirements.

Notwithstanding our disclaimer of an opinion on the financial statements, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit and performed subject to the pervasive limitation described above, we did not identify any material misstatements in the Director's Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

Our responsibility is to conduct an audit of the financial statements in accordance with ISAs (UK) and to issue an auditors' report. However, because of the matters described in the Basis for disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Capability of the audit in detecting irregularities, including fraud

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

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to the Companies Act 2006, and we considered the extent to which non-compliance might have a material effect on the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to manipulation of financial data to present more favourable financial results. Audit procedures performed by the engagement team included:

- Discussions with management, including consideration of known or suspected instances of non compliance with laws and regulation and fraud;
- Reviewing relevant Board meeting minutes;
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations, entries posted containing unusual account descriptions, large entries, and entries posted with unusual amounts; and
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

Arising from the limitation of our work referred to in the Basis for disclaimer of opinion paragraph above:

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and
- we were unable to determine whether adequate accounting records have been kept by the company.

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

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

We have no exceptions to report arising from this responsibility.

Entitlement to exemptions

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

S. L. Cosgrove

Sally Cosgrove (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
11 April 2024

AVIVA INVESTORS GROUND RENT HOLDCO LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022 £	2021 £
Administrative expenses		(1,765)	(26,429)
Interest receivable and similar income	5	3,794,588	3,924,805
Interest payable and similar expenses	6	(4,133,611)	(4,252,214)
Impairment of investments in subsidiaries	7	(2,617,728)	(1,031,933)
Impairment of loans receivable	12	(2,366,305)	-
Operating loss	8	(5,324,821)	(1,385,771)
Loss before taxation		(5,324,821)	(1,385,771)
Tax on loss	9	-	-
Loss for the financial year		(5,324,821)	(1,385,771)
Other comprehensive income		-	-
Total comprehensive expense for the year		(5,324,821)	(1,385,771)

Continuing Operations
All amounts reported in the Statement of Comprehensive Income for the year ended 31 December 2022 and 31 December 2021 relate to continuing operations.

The notes on pages 17 to 29 form part of these financial statements

AVIVA INVESTORS GROUND RENT HOLDCO LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

	Note	£	2022 £	£	2021 £
Fixed assets					
Investments	11		21,603,489		24,221,217
Loans to group undertakings	12		62,779,819		67,683,938
			84,383,308		91,905,155
Current assets					
Debtors	13	803,881		3,392,171	
Cash at bank and in hand		2,881,788		2,564,904	
		3,685,669		5,957,075	
Current liabilities					
Amounts owed to group undertakings	14	(71,344,752)		(73,882,566)	
Creditors: amounts falling due within one year	15	(7,467,059)		(9,397,677)	
		(78,811,811)		(83,280,243)	
Net current liabilities			(75,126,142)		(77,323,168)
Total assets less current liabilities			9,257,166		14,581,987
Capital and reserves					
Called up share capital	16		25,124,600		25,124,600
Accumulated losses			(15,867,434)		(10,542,613)
Total shareholders' funds			9,257,166		14,581,987

The financial statements on pages 14 to 29 were approved by the Board of Directors on 10 April 2024 | 16:58:28 BST and are signed on its behalf by:

DocuSigned by:
Ben Stallwood
EE6791 2EC1674C9...

Mr B J Stallwood
Director

Company Registration No. 07604385

The notes on pages 17 to 29 form part of these financial statements

AVIVA INVESTORS GROUND RENT HOLDCO LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022

	Called up share capital	Accumulated losses	Total shareholders' funds
	£	£	£
Balance as at 1 January 2021	25,124,600	(9,156,842)	15,967,758
Total loss and comprehensive expense for the financial year	-	(1,385,771)	(1,385,771)
Balance as at 31 December 2021	25,124,600	(10,542,613)	14,581,987
Balance as at 1 January 2022	25,124,600	(10,542,613)	14,581,987
Total loss and comprehensive expense for the financial year	-	(5,324,821)	(5,324,821)
Balance as at 31 December 2022	25,124,600	(15,867,434)	9,257,166

The notes on pages 17 to 29 form part of these financial statements

1 Company information

Aviva Investors Ground Rent Holdco Limited ("The Company") is a holding company. The Group consists of the Company and all its subsidiary undertakings as set out in note 12. The principal activity of the Group is that of investment in ground rent properties.

The company is a private company limited by shares and is incorporated and domiciled in the United Kingdom. The address of its registered office is St Helen's, 1 Undershaft, London, EC3P 3DQ.

2 Statement of compliance

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

3 Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

3.1 Basis of preparation

The financial statements have been prepared under the historical cost convention in compliance with UK accounting standards including Financial Reporting Standard 102 ("FRS 102"), the Financial Reporting Standards applicable in the United Kingdom and Republic of Ireland, and the Companies Act 2006.

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

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement of complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed within these accounting policies.

3.2 Basis of consolidation

The Company has taken advantage of 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 Aviva Investors REaLM Ground Rent Limited Partnership..

3.3 Going concern basis

The company has net current liabilities of £75,126,142 (2021: £77,323,168). Included within this is an unsecured loan of £71,344,752 (2021: £73,882,566) from Aviva Investors REaLM Ground Rent Unit Trust (the "Unit Trust"), accrued interest of £7,413,292 (2021: £9,358,310) and other creditor balances. The Unit Trust has confirmed that it will not seek repayment of part or all of the amount loaned to this company for at least 12 months from the date of the approval of these financial statements, where to do so would place this company in an insolvent position.

Due to the net current liabilities being greater than the unsecured loan, the company is supported by Aviva Investors REaLM Ground Rent Limited Partnership. The directors have received confirmation that the Partnership intends to support the company to enable it to meet its obligations as they fall due. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

AVIVA INVESTORS GROUND RENT HOLDCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

3 Accounting policies **(Continued)**

3.4 Investments in subsidiary company

Investments in subsidiary companies are held at cost less accumulated impairment losses.

At each balance sheet date, non-financial assets not carried at fair value are assessed to determine whether there is an indication that the asset may be impaired. If there is such an indication the recoverable amount of the asset is compared to the carrying amount of the asset (note 4.1).

The recoverable amount of the asset is the higher of the fair value less costs to sell and value in use. Value in use is defined as the undiscounted future cash flows before interest and tax obtainable as a result of the asset's continued use. These cash flows are discounted using a discount rate that represents the risk inherent in the asset.

If the recoverable amount of the asset is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in the Statement of Comprehensive Income.

If an impairment loss is subsequently reversed, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised in the Statement of Comprehensive Income.

The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in the Statement of Comprehensive Income.

3.5 Loans and borrowings

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

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

3.6 Cash at bank and in hand

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

3 Accounting policies **(Continued)**

3.7 Financial instruments

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

i. Financial assets

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

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

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

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

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

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

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

ii. Financial liabilities

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

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

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

Other debt instruments not meeting these conditions are measured at amortised cost, using the effective interest rate method.
Financial liabilities are derecognised only when the obligation specified in the contract is discharged, is cancelled or expires.

iii. Offsetting

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

3 Accounting policies **(Continued)**

3.7 Financial instruments (continued)

Financial instruments disclosure exemption

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

3.8 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds. Shares are extinguished at par by means of the solvency statement procedure in accordance with section 642 of the Companies Act 2006.

3.9 Taxation

Current tax

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

Deferred tax

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

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

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

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

3.10 Related party transactions

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

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

3.11 Cash flow statement

The Company has taken advantage of the exemption, under FRS 102 1.12(b), from preparing a statement of cash flows, on the basis that it is a qualifying entity and the Company's cash flows are included within the consolidated statement of cash flows of its parent entity, Aviva Investors REaLM Ground Rent Limited Partnership.

3 Accounting policies **(Continued)**

3.12 Strategic report and Directors' report

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

3.13 Administrative expenses

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

3.14 Finance income and cost

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

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

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.

4.1 Critical accounting estimates and assumptions

In the process of applying the Company's accounting policies, the directors have made the following estimates and assumptions which have the most significant effect on the amounts recognised in the Financial Statements:

Impairment of non-financial assets

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.

Impairment of the loan receivable

Loan receivables from group undertakings 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 adjusted net asset of the group undertaking. Where the adjusted net asset of the group undertaking is nil, the carrying amount of the loan receivable is impaired.

Building safety remediation liabilities

The Company's subsidiaries now has an obligation to pay the costs associated with the remediation of building safety defects, under a range of circumstances under the Building Safety Act legislation. Determining and quantifying these remediation liabilities is complex with incomplete information on the final scope, cost and funding sources for required remediation work at impacted buildings at the period end. Once the scope of any safety remediation work has been confirmed by fire engineers, the Company's subsidiaries will need to assess and agree the extent of available remediation funding from the range of different stakeholders obligated to contribute under the Building Safety Act and Government funding system. These funding sources include building developers (under Government's developer remediation contract), Government Building Safety funding schemes, building insurance schemes and leaseholders (that don't qualify for remediation costs protections under the Building Safety Act). Funding from each of these sources needs agreeing for the Company's subsidiaries to determine and calculate the liability that will fall on it to pay and it is not possible to reliably estimate liabilities at the period end.

There are various uncertainties as a result of the Building Safety Act 2022 and its secondary legislation which may have an impact on the balance sheets of the Company's subsidiaries and therefore the investments in subsidiaries, and as a result this has an impact on the recoverability of the amounts owed by group undertakings. As such these balances may be subject to significant estimation uncertainty.

The recoverability of the amounts owed by group undertakings

The recoverability of the amounts owed by group undertakings may be impacted by their obligation to pay the costs associated with the remediation of building safety defects in buildings in the residential portfolio, under the Building Safety Act and its secondary legislation.

However, whilst this legal liability exists, it is not yet possible to calculate an estimate of its financial effect, the amount or timing of any financial outflows or the possibility of alternative sources of remediation cost recovery that may be available to the subsidiaries. Work to assess, mitigate and quantify potential liabilities continues however, to date, the subsidiaries have not paid for any building safety remediation costs.

5 Interest receivable and similar income

	2022	2021
	£	£
Other interest receivable	4,774	863
Loan interest receivable from subsidiary undertakings	3,789,814	3,923,942
	3,794,588	3,924,805

6 Interest payable and similar expenses

	2022	2021
	£	£
Loan interest payable	4,133,611	4,252,214

7 Impairment of assets

	2022	2021
	£	£
Impairment provision	(2,617,728)	(1,031,933)

8 Operating loss

	2022	2021
Operating loss for the year is stated after charging:	£	£
Auditors' remuneration	12,404	21,698

During the year no non-audit fees were paid to statutory auditors (2021: £Nil).

The Company did not have any employees during the current year or previous year.
The directors received no emoluments for services to the Company for the year (2021: £Nil).

AVIVA INVESTORS GROUND RENT HOLDCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

9 Tax on loss

	2022	2021
	£	£
UK corporation tax on loss for the current year	-	-
Total UK current tax	-	-

Reconciliation of total tax credit included in loss

The tax assessed for the year is higher (2021: higher) than the standard rate of corporation tax in the UK. The difference is explained below:

	2022	2021
	£	£
Loss before taxation	(5,324,821)	(1,385,771)
Expected tax credit based on the standard rate of corporation tax in the UK of 19.00% (2021: 19.00%)	(1,011,716)	(263,296)
Tax effect of expenses that are not deductible in determining taxable profit	1,006,614	258,275
Group relief	5,102	5,021
Taxation charge for the year	-	-

No deferred tax liability/assets.

10 Deferred taxation

During 2021 the UK Government enacted an increase in the UK corporation tax rate to 25%, from 1 April 2023.

As the Company has no deferred tax assets or liabilities at the year end, there is no impact on the Company's net assets as a consequence of the amendments in the tax rates.

The company has unrecognised temporary differences of £2,936,399 (2021: £2,597,376) to carry forward indefinitely against future taxable income.

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

AVIVA INVESTORS GROUND RENT HOLDCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

11 Investments

	2022	2021
	£	£
Investments in subsidiaries	21,603,489	24,221,217

Movements in fixed asset investments

	Shares in group undertakings 2022	Shares in group undertakings 2021
	£	£
Cost or valuation		
At 1 January	31,605,318	31,605,318
At 31 December	31,605,318	31,605,318
Accumulated Impairment		
At 1 January	7,384,101	6,352,168
Impairment losses during the year	2,617,728	1,031,933
At 31 December	10,001,829	7,384,101
Carrying amount		
At 31 December	21,603,489	24,221,217

The company holds directly 100% of ordinary share capital of the following subsidiaries, all incorporated in the United Kingdom whose registered office is Queensway House, 11 Queensway, New Milton, Hampshire, BH25 5NR and whose principal activity is that of investment in ground rent properties.

Subsidiary	**2022**	**2021**
	£	£
Aviva Investors GR SPV1 Limited	1,727,398	1,727,398
Aviva Investors GR SPV2 Limited	-	31,673
Aviva Investors GR SPV3 Limited	996,259	996,259
Aviva Investors GR SPV4 Limited	4,415,488	4,415,488
Aviva Investors GR SPV5 Limited	3,828,345	3,828,345
Aviva Investors GR SPV6 Limited	1,264,011	1,264,011
Aviva Investors GR SPV7 Limited	962,940	962,940
Aviva Investors GR SPV8 Limited	2,962,322	2,962,322
Aviva Investors GR SPV9 Limited	744,062	744,062
Aviva Investors GR SPV10 Limited	-	692,925
Aviva Investors GR SPV11 Limited	728,972	728,972
Aviva Investors GR SPV12 Limited	809,760	809,760
Aviva Investors GR SPV13 Limited	2,069,922	2,069,922
Aviva Investors GR SPV14 Limited	1,094,010	2,452,348
Aviva Investors GR SPV15 Limited	-	-
Aviva Investors GR SPV16 Limited	-	518,966
Aviva Investors GR SPV17 Limited	-	15,826
	21,603,489	24,221,217

11 Investments **(Continued)**

The Directors believe that the carrying values of the investments are supported by their underlying net assets. Management has evaluated the sensitivity of the carrying value of its investments in the underlying investment subsidiaries. For the year ended 31 December 2022, a 50bps movement in the underlying assets would result a total impairment of £2,221,433 to investments in subsidiaries. Refer to note 3.4 for impairment policy.

There are various uncertainties as a result of the Building Safety Act 2022 and its secondary legislation which may have an impact on the balance sheets of the Company's subsidiaries and therefore the valuation of the investment in the subsidiary, as well as the recoverability of the amounts owed by group undertakings. As such these balances may be subject to significant estimation uncertainty.

Determining and quantifying the impairment is complex with incomplete information on the final scope, cost and funding sources for required remediation work at impacted buildings at the period end. Once the scope of any safety remediation work has been confirmed by fire engineers, the Company's subsidiaries will need to assess and agree the extent of available remediation funding from the range of different stakeholders obligated to contribute under the Building Safety Act and Government funding system. These funding sources include building developers (under Government's developer remediation contract), Government Building Safety funding schemes, building insurance schemes and leaseholders (that don't qualify for remediation costs protections under the Building Safety Act). Funding from each of these sources needs agreeing for the Company to determine and calculate the liability that will fall on it to pay and it is not possible to reliably estimate liabilities at the period end. The carrying value of investments is therefore subject to significant estimation uncertainty.

12 Loans to group undertakings

	2022 £	2021 £
Loans to group undertakings	62,779,819	67,683,938

The loans to group undertakings bear interest at 4.5%, 5% and 6% per annum and are repayable on the fifteenth anniversary of each loan. A breakdown of the loan can be seen within the interest rate risk table on page 4.

During the year loans were impaired by £2,366,305 (2021: £ NIL).

At the end of each reporting period loans to group undertakings are assessed for objective evidence of impairment. If the adjusted net assets of the group undertaking are less than the loan receivable, the loan is deemed impaired, particularly in cases where the equity investment is valued at nil (see note 4.1).

There are various uncertainties as a result of the Building Safety Act 2022 and its secondary legislation which may have an impact on the balance sheets of the Company's subsidiaries and therefore the valuation of the investment in the subsidiary, as well as the recoverability of the amounts owed by group undertakings. As such these balances may be subject to significant estimation uncertainty.

AVIVA INVESTORS GROUND RENT HOLDCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

13 Debtors

Amounts falling due within one year:	**2022** **£**	**2021** **£**
Amounts owed by group undertakings	297,240	3,174,383
Other debtors	506,641	217,788
	803,881	3,392,171

14 *Amounts owed to group undertakings*

	2022 **£**	**2021** **£**
Loan from parent undertaking	71,344,752	73,882,566

The loan from parent undertaking bears interest at 5.94% per annum and is repayable on demand.

15 Amounts falling due within one year

	2022 **£**	**2021** **£**
Amounts owed to parent undertaking	7,413,292	9,358,310
Other creditors	25,089	-
Accruals and deferred income	28,678	39,367
	7,467,059	9,397,677

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

16 Called up share capital

	2022 **£**	**2021** **£**
Authorised ordinary share capital		
Issued and fully paid		
25,124,600 (2021: 25,124,600) Ordinary Shares of £1 each	25,124,600	25,124,600
	25,124,600	25,124,600

All of the shares of the Company are held by Aviva Investors REaLM Ground Rent GP Limited, as General Partner of Aviva Investors REaLM Ground Rent Limited Partnership.

AVIVA INVESTORS GROUND RENT HOLDCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

17 Contingent liabilities and capital commitments

There were no contingent liabilities or capital commitments at the balance sheet date (2021: £nil).

18 Events after the reporting financial year

Government leasehold reform consultation – "modern leasehold: restricting ground rent for existing leases"

On 9 November 2023, the Department for Levelling Up, Housing & Communities ("DLUHC") published a public consultation seeking views on its proposal to cap ground rents for existing residential leaseholds in England and Wales. The Government's stated intention is, subject to this consultation, to introduce a cap on ground rents in existing leases through the Leasehold and Freehold Reform Bill that was announced in the King's Speech on 7 November 2023. The Company submitted its response to the consultation in advance of the 17 January 2024 deadline and awaits the Government's response. The Company has commenced work to assess the impact of these options.

Implications of consultation on residential ground rent asset valuations

Following guidance from the Royal Institution of Chartered Surveyors (RICS), the independent valuer of the Company's subsidiaries portfolio has confirmed it intends to apply a Material Valuation Uncertainty clause to the Company's subsidiaries residential ground rent assets at the time of its next valuation as at 31 December 2023.

As a result the the carrying value of the investment in subsidiaries may be subject to significant estimation uncertainty (see note 11).

Events after the reporting period have been evaluated up to the date the audited financial statements were approved and authorised for issue by the Directors and there are no events to be disclosed or adjusted for in these audited financial statements, except those noted above.

19 Related party transactions

Transactions with related parties

During the year the company entered into the following transactions with related parties:

	31-Dec 2022 Expenses paid in the year	31-Dec 2022 Payable at year end	31-Dec 2021 Expenses paid in the year	31-Dec 2021 Payable at year end
	£	£	£	£
Aviva Investors REaLM Ground Rent Unit Trust - loan	-	(71,344,752)	-	(73,882,566)
Aviva Investors REaLM Ground Rent Unit Trust - loan interest	(4,133,611)	(1,034,294)	(4,252,214)	(1,071,791)
	(4,133,611)	(72,379,046)	(4,252,214)	(74,954,357)

20 Ultimate parent company

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

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

The Aviva Investors REaLM Ground Rent Limited Partnership, which indirectly has 100% interest of the Company, is both the largest and the smallest of the group undertakings to consolidate these financial statements at 31 December 2022. The consolidated financial statements of Aviva Investors REaLM Ground Rent Limited Partnership are available on application to:

Aviva Company Secretarial Services Limited
80 Fenchurch Street
London
EC3M 4AE

AVIVA INVESTORS GROUND RENT HOLDCO LIMITED

DETAILED TRADING AND PROFIT AND LOSS ACCOUNT (UNAUDITED)

FOR THE YEAR ENDED 31 DECEMBER 2022

		2022		2021
	£	£	£	£
Administrative expenses				
Legal and professional fees	1,140		5,526	
Auditors' remuneration	12,404		21,698	
Bank charges	378		387	
Irrecoverable VAT	(624)		4,340	
Tax advice	(11,533)		(5,522)	
Impairment of loans receivable	(2,366,305)		-	
		(2,368,070)		(26,429)
Other income				
Other interest receivable	4,774		863	
Loan interest receivable from subsidiary undertaking	3,789,814		3,923,942	
		3,794,588		3,924,805
Finance costs				
Loan interest payable		(4,133,611)		(4,252,214)
Other gains and losses				
Amounts written off fixed asset investments		(2,617,728)		(1,031,933)
Net loss before tax		(5,324,821)		(1,385,771)

This page does not form part of the statutory financial statements