

Registered in England and Wales: No. 07680828

AVIVA INVESTORS COMMERCIAL ASSETS GP  
LIMITED  
ANNUAL REPORT AND FINANCIAL  
STATEMENTS  
31 DECEMBER 2016



# **AVIVA INVESTORS COMMERCIAL ASSETS GP LIMITED**

Registered in England and Wales: No. 07680828

## **CONTENTS**

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	Page(s)
<b>Directors, Officers and other information</b>	<b>1</b>
<b>Directors' Report</b>	<b>2 - 5</b>
<b>Independent Auditors' Report</b>	<b>6 - 7</b>
<b>Statement of Comprehensive Income</b>	<b>8</b>
<b>Statement of Financial Position</b>	<b>9</b>
<b>Statement of Changes in Equity</b>	<b>10</b>
<b>Notes to the financial statements</b>	<b>11 - 19</b>

# AVIVA INVESTORS COMMERCIAL ASSETS GP LIMITED

Registered in England and Wales: No. 07680828

## DIRECTORS, OFFICERS AND OTHER INFORMATION

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<b>Directors</b>	A C Appleyard B S Hill D S Skinner
<b>Company Secretary</b>	Aviva Company Secretarial Services Limited St Helen's 1 Undershaft London EC3P 3DQ United Kingdom
<b>Registered office</b>	St Helen's 1 Undershaft London EC3P 3DQ United Kingdom
<b>Company Number</b>	Registered in England and Wales: No. 07680828
<b>Independent Auditors</b>	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditor 7 More London Riverside London SE1 2RT United Kingdom
<b>Trademark</b>	REaLM® is a registered trademark of Aviva Investors Global Services Limited.
<b>Other Information</b>	The company is a member of the Aviva plc group of companies (the 'group')

# **AVIVA INVESTORS COMMERCIAL ASSETS GP LIMITED**

Registered in England and Wales: No. 07680828

## **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2016**

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The Directors present their annual report and audited financial statements for the year ended 31 December 2016.

### **Directors**

The current Directors of the Company who served throughout the year were:

A C Appleyard  
B S Hill  
D S Skinner

### **Principal activities**

The principal activity of the Company is to act as the General Partner of Aviva Investors REaLM Commercial Assets Limited Partnership (the "Partnership") which is engaged in the business of property investment. The Company does not hold any capital investment in the Partnership but is entitled to a priority distribution of 0.01% of the Net Income available for distribution from the Partnership.

The Directors have reviewed the activities of the Company for the year and the position as at 31 December 2016 and consider them to be satisfactory.

### **Results**

The loss for the financial year amounted to £9,557 (2015: £5,527).

### **Future developments**

The Directors expect the level of activity to be maintained in the foreseeable future.

### **Dividend**

During the year no dividends were paid (2015: £nil).

The Directors do not recommend the payment of a dividend for the financial year ended 31 December 2016 (2015: £nil).

### **Going concern**

The Company is reliant on the support of the Partnership to be able to meet its liabilities as they fall due. The Partnership has confirmed that it will provide such financial support as might be necessary to ensure that the Company is a going concern for at least twelve months from the date signing of these financial statements.

After making enquiries, 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 date**

On the 27 April 2017 the entire share capital of the company was acquired by Aviva Investors Real Estate Limited.

### **Employees**

The Company has no employees (2015: nil).

# **AVIVA INVESTORS COMMERCIAL ASSETS GP LIMITED**

Registered in England and Wales: No. 07680828

## **DIRECTORS' REPORT (continued) FOR THE YEAR ENDED 31 DECEMBER 2016**

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### **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:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- each Director has taken all the steps that ought to have been taken as a Director to be aware of any relevant audit information and to establish that the Company's 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.

### **Independent Auditors**

It is the intention of the Directors to reappoint the auditors, PricewaterhouseCoopers LLP, under the deemed appointment rules of Section 487 of the Companies Act 2006.

### **Qualifying 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, the Company's ultimate parent, 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 1 October 2007). This 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.

# **AVIVA INVESTORS COMMERCIAL ASSETS GP LIMITED**

Registered in England and Wales: No. 07680828

## **DIRECTORS' REPORT (continued) FOR THE YEAR ENDED 31 DECEMBER 2016**

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### **Risk and capital management policies**

#### **(a) Approach to risk and capital management**

The Company operates within the governance structure and priority framework of the Aviva Group. The Aviva Group operates within its own 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). Aviva has an Audit Committee, which includes shareholder representatives.

#### **(b) 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 principal exposure to market risk takes the form of property values, which have a direct impact on the value of the Company's investments. The management of this risk falls within the mandate of Aviva Investors Global Services Limited, which manages the investments on behalf of the Partnership.

##### *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's approach to operational risk are set out in the Aviva Group's Risk Management Framework ('RMF') the RMF and 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. The ongoing costs of the Company are settled by the Partnership.

# AVIVA INVESTORS COMMERCIAL ASSETS GP LIMITED

Registered in England and Wales: No. 07680828

## **DIRECTORS' REPORT (continued) FOR THE YEAR ENDED 31 DECEMBER 2016**

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### **Statement of Directors' responsibilities in respect of the financial statements**

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

UK Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

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

In preparing their report, the Directors' have taken advantage of the exemption for small companies in accordance with section 415(A) of the Companies Act 2006.

By order of the Board:



**A C Appleyard**  
Directors

# **AVIVA INVESTORS COMMERCIAL ASSETS GP LIMITED**

Registered in England and Wales: No. 07680828

## ***Independent auditors' report to the members of Aviva Investors Commercial Assets GP Limited Report on the financial statements***

In our opinion, Aviva Investors Commercial Assets GP Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

The financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), comprise:

- the Statement of Financial Position as at 31 December 2016;
- the Statement of Comprehensive Income for the year then ended;
- the Statement of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' Report has been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Directors' Report. We have nothing to report in this respect.

### **Other 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:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.



# AVIVA INVESTORS COMMERCIAL ASSETS GP LIMITED

Registered in England and Wales: No. 07680828

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 from preparing a strategic report. We have no exceptions to report arising from this responsibility.

## Responsibilities for the financial statements and the audit

*As explained more fully in the Statement of Directors' Responsibilities 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.*

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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.

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Directors' Report, we consider whether this report includes the disclosures required by applicable legal requirements.



Sandra Dowling (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
29<sup>th</sup> June 2017

# AVIVA INVESTORS COMMERCIAL ASSETS GP LIMITED

Registered in England and Wales: No. 07680828

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2016

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	Note	2016 £	2015 £
Turnover		562	461
Expenses			
Administrative expenses	5	(10,119)	(5,988)
Loss on ordinary activities before taxation		(9,557)	(5,527)
Tax on loss on ordinary activities	6	-	-
Total comprehensive loss for the financial year		(9,557)	(5,527)

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All amounts reported in the Statement of Comprehensive Income for the years ended 31 December 2016 and 31 December 2015 relate to continuing operations.

The notes on pages 11 to 19 form an integral part of these financial statements.

# AVIVA INVESTORS COMMERCIAL ASSETS GP LIMITED

Registered in England and Wales: No. 07680828

## STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2016

	Note	2016 £	2015 £
<b>Current assets</b>			
Debtors: amounts falling due within one year	7	1,711	1,148
<b>Creditors: amounts falling due within one year</b>	8	<u>(38,276)</u>	<u>(28,156)</u>
<b>Net liabilities</b>		<u><b>(36,565)</b></u>	<u><b>(27,008)</b></u>
<b>Capital and reserves</b>			
Called up share capital	9	1	1
Profit and loss account		<u>(36,566)</u>	<u>(27,009)</u>
<b>Total Shareholders' deficit</b>		<u><b>(36,565)</b></u>	<u><b>(27,008)</b></u>

The Company's financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime.

These financial statements were approved and authorised for issue by the Board and were signed on its behalf on 29/6/17



A C Appleyard

Directors

The notes on pages 11 to 19 form part of these financial statements.

## AVIVA INVESTORS COMMERCIAL ASSETS GP LIMITED

Registered in England and Wales: No. 07680828

### STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2016

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	Called up share capital	Profit and loss account	Total Shareholders' deficit
	£	£	£
Balance as at 1 January 2015	1	(21,482)	(21,481)
Total comprehensive loss for the financial year	-	(5,527)	(5,527)
Balance as at 31 December 2015 and 1 January 2016	1	(27,009)	(27,008)
Total comprehensive loss for the financial year	-	(9,557)	(9,557)
Balance as at 31 December 2016	1	(36,566)	(36,565)

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The notes on pages 11 to 19 form part of these financial statements.

# AVIVA INVESTORS COMMERCIAL ASSETS GP LIMITED

Registered in England and Wales: No. 07680828

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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### 1. General information

Aviva Investors Commercial Assets GP Limited (the "Company") acts as the General Partner of Aviva Investors REaLM Commercial Assets Limited Partnership (the "Partnership") which is engaged in the business of property investment.

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 the Company 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

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The Company has adopted FRS 102 in these financial statements.

#### 3.1 Basis of accounting

The financial statements have been prepared 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 areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

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.

#### 3.2 Going concern

The Company is reliant on the support of the Partnership to be able to meet its liabilities as they fall due. The Partnership has confirmed that it will provide such financial support as might be necessary to ensure that the Company is a going concern for at least twelve months from the date of signing of these financial statements.

Therefore, 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 for this reason they have continued to adopt the going concern basis in preparing the financial statements.

#### 3.3 Consolidation exemption

The Company acts as the general partner to the Partnership. The Company therefore exercises a dominant influence over the Partnership. The economic interest of the Company in the Partnership is small and restricted and is principally derived in the form of the General Partner share provided for under the terms of the Limited Partnership Agreement. As the Company's influence is fiduciary in nature, the Partnership is not treated as a subsidiary undertaking.

# AVIVA INVESTORS COMMERCIAL ASSETS GP LIMITED

Registered in England and Wales: No. 07680828

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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### 3. Accounting policies (continued)

#### 3.4 Strategic report

A strategic report has not been included in these audited financial statements as the Company qualifies as a small company under section 382 of the Companies Act 2006.

#### 3.5 Use of estimates

The preparation of financial statements requires the Company to make estimates and assumptions that affect items reported in the statement of financial position and statement of comprehensive income and the disclosure of contingent assets and liabilities at the date of the financial statements. Although these estimates are based on management's best knowledge of current facts, circumstances and, to some extent, future events and actions, actual results ultimately may differ from those estimates, possibly significantly.

#### 3.6 Turnover

Turnover, which excludes value added tax, represents income receivable from the Partnership, recognised on an accruals basis.

#### 3.7 Cash

The Company has no bank accounts and its expenses are settled on its behalf by the Partnership, therefore no statement of cash flows has been presented in the financial statements.

#### 3.8 Taxation

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.

Provision is made for deferred tax liabilities, or credit taken for deferred tax asset, using the liability method, on all material temporary 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 tax 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 temporary 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.

Deferred tax is not provided on revaluations of investments in subsidiaries as under current tax legislation no tax will arise on their disposal.

#### 3.9 Provisions and contingent liabilities

There were no contingent liabilities or commitments at the statement of financial position date (2015: £nil).

# AVIVA INVESTORS COMMERCIAL ASSETS GP LIMITED

Registered in England and Wales: No. 07680828

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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### 3. Accounting policies (continued)

#### 3.10 Financial instruments

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

##### *(i) Financial assets*

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

Basic financial assets, including trade and other receivables, cash at bank and in hand 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.

Such assets are subsequently carried at amortised costs using the effective interest method.

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.

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), except for those financial assets classified as at fair value through the Statement of Comprehensive Income, which are initially measured at fair value (which is normally the transaction price excluding transaction costs).

Commitments to make which meet the conditions above are measured at cost (which may be nil) less impairment.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

# AVIVA INVESTORS COMMERCIAL ASSETS GP LIMITED

Registered in England and Wales: No. 07680828

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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### 3. Accounting policies (continued)

#### 3.10 Financial instruments (continued)

##### *(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.

### 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. Administrative expenses

	2016 £	2015 £
Fees payable to the auditors for the audit for the Company's financial statements	3,769	3,288
Administrative fees	6,350	2,700
	<u>10,119</u>	<u>5,988</u>

The Directors received no emoluments from the Company for services to the Company for the financial year (2015: £nil).

The Company had no employees during the financial year (2015: nil).



# AVIVA INVESTORS COMMERCIAL ASSETS GP LIMITED

Registered in England and Wales: No. 07680828

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

### 6. Tax on loss on ordinary activities

	2016 £	2015 £
<b>Analysis of tax charge in the year</b>		
UK corporation tax charge on loss for the year	-	-
<b>Tax on loss on ordinary activities</b>	<u>-</u>	<u>-</u>

#### (a) Tax reconciliation

The tax on the Company's loss on ordinary activities before taxation differs (2015: differs) from the theoretical amount that would arise using the tax rate in the United Kingdom as follows:

	2016 £	2015 £
Loss on ordinary activities before taxation	<u>(9,557)</u>	<u>(5,527)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (31 December 2015: 20.25%)	(1,911)	(1,119)
Non-taxable distribution from Limited Partnership	(112)	(93)
Taxable allocation from Limited Partnership	127	118
Deferred tax assets not recognised	<u>1,896</u>	<u>1,094</u>
<b>Total tax charge for the year on ordinary activities</b>	<u>-</u>	<u>-</u>

#### (b) Deferred tax

At 31 December the company has the following unrecognised deferred tax assets to carry forward indefinitely against future taxable income:

	2016 £	2015 £
Tax loss for the year	9,484	5,404
Deferred tax rate	17%	18%
<b>Deferred tax asset not recognised</b>	<u>1,612</u>	<u>973</u>

# AVIVA INVESTORS COMMERCIAL ASSETS GP LIMITED

Registered in England and Wales: No. 07680828

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

### 6. Tax on loss on ordinary activities (continued)

#### (b) Deferred tax (continued)

The total outstanding amount of unrecognised deferred tax asset was as follows:

	2016 £	2015 £
Opening balance of unrecognised deferred tax assets	4,838	4,294
Deferred tax losses for the year	1,612	973
Reduction in tax rate	(269)	(429)
<b>Closing balance of unrecognised deferred tax assets</b>	<b>6,181</b>	<b>4,838</b>

The above deferred tax asset has not been provided for as there is insufficient evidence under FRS 102, Section 29 as to the availability of suitable taxable profits in the foreseeable future.

#### (c) Factors affecting current tax charge for the year

Finance (No.2) Act 2015 introduced legislation reducing the rate of corporation tax from 20% at 1 April 2016 to 19% from 1 April 2017 and to 18% 1 April 2020. Finance Act 2016, which received Royal Assent on 15 September 2016, will further reduce the corporation tax rate to 17% from 1 April 2020. There is no impact on the Company's net assets from the reductions in the rates as the Company does not have any recognised deferred tax balances.

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

	2016 £	2015 £
Amounts owed by group undertakings (see note 11)	1	1
Amounts owed by Partnership (see note 11)	1,710	1,147
	<b>1,711</b>	<b>1,148</b>

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

# AVIVA INVESTORS COMMERCIAL ASSETS GP LIMITED

Registered in England and Wales: No. 07680828

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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

	2016 £	2015 £
Amounts owed to Partnership (see note 11)	29,639	24,868
Accruals and deferred income	8,637	3,288
	<u>38,276</u>	<u>28,156</u>

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

### 9. Called up Share capital

	2016 £	2015 £
Allotted, called up and unpaid share capital of the Company at 31 December		
1 (2015: 1) Ordinary share of £1	<u>1</u>	<u>1</u>

### 10. Contingent liabilities and capital commitments

There were no contingent liabilities or commitments at the statement of financial position date (2015: £nil).

# AVIVA INVESTORS COMMERCIAL ASSETS GP LIMITED

Registered in England and Wales: No. 07680828

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

### 11. Related party transactions

	2016 Income earned / (expenses incurred) in the year £	2016 (Payable) / receivable at year end £	2015 Income earned / (expenses incurred) in the year £	2015 (Payable) / receivable at year end £
Aviva Investors REaLM Commercial Assets Limited Partnership - priority distribution	561	1,710	461	1,147
Norwich Union (Shareholder GP) Limited - share capital	-	1	-	1
Aviva Investors REaLM Commercial Assets Limited Partnership - payment on behalf of the Company	(10,119)	(29,639)	(5,988)	(24,868)
	<u>(9,558)</u>	<u>(27,928)</u>	<u>(5,527)</u>	<u>(23,720)</u>

The Company is entitled to a priority distribution of 0.01% (2015: 0.01%) of the Net Income available for distribution from the Partnership.

During the year administration fees of £6,350 (2015: £2,700) and audit fees of £3,769 (2015: £3,288) were paid by the Partnership on behalf of the Company. At the statement of financial position date the Company owed £29,639 (2015: £24,868) to the Partnership.

### 12. Financial instruments

The carrying value of the Company's financial assets and liabilities are summarised by category below:

#### Financial assets measured at undiscounted amount:

Debtors: amounts falling due within one year (see note 7)	<u>1,711</u>	<u>1,148</u>
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#### Financial liabilities measured at undiscounted amount:

Creditors: amounts falling due within one year (see note 8)	<u>38,276</u>	<u>28,156</u>
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# **AVIVA INVESTORS COMMERCIAL ASSETS GP LIMITED**

Registered in England and Wales: No. 07680828

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016**

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### **13. Immediate parent and ultimate controlling party**

The Company is owned by Aviva Investors Real Estate Limited.

Aviva Investors Real Estate Limited is a wholly owned subsidiary of Aviva Investors Holdings Limited, whose ultimate controlling entity is Aviva plc.

The Company was previously owned by Norwich Union (Shareholder GP) Limited which is a wholly owned subsidiary of Aviva Life & Pensions UK Limited, whose ultimate controlling entity is Aviva plc. The transfer was effective as at 27 April 2017.

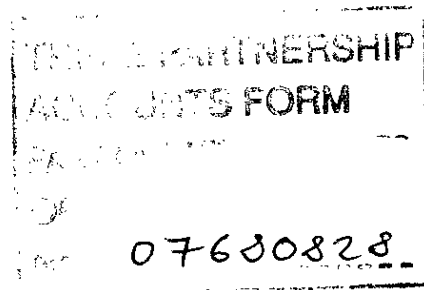
Copies of the financial statements of Aviva plc are publicly available from Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ.

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

On the 27 April 2017 the entire share capital of the company was acquired by Aviva Investors Real Estate Limited.

Events after the end of the reporting year have been evaluated up to the date the financial statements were approved and authorised for issue by the Directors and there were no significant events after the reporting year that have a bearing on the understanding of these financial statements, except as already disclosed or adjusted in these financial statements.

**AVIVA INVESTORS REaLM COMMERCIAL  
ASSETS LIMITED PARTNERSHIP  
ANNUAL REPORT AND FINANCIAL  
STATEMENTS  
31 DECEMBER 2016**



# **AVIVA INVESTORS REALM COMMERCIAL ASSETS LIMITED PARTNERSHIP**

## **CONTENTS**

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	Page(s)
<b>Partners, Advisers and Other Information</b>	1
<b>Strategic Report</b>	2 - 7
<b>General Partner's Report</b>	8 - 10
<b>Independent Auditors' Report</b>	11 - 12
<b>Statement of Comprehensive Income</b>	13
<b>Statement of Financial Position</b>	14
<b>Statement of Changes in Net Assets Attributable to Partners</b>	15
<b>Cash Flow Statement</b>	16
<b>Notes to the Financial Statements</b>	17 - 31
<b>Additional AIFMD disclosures - unaudited</b>	32

# **AVIVA INVESTORS REALM COMMERCIAL ASSETS LIMITED PARTNERSHIP PARTNERS, ADVISORS AND OTHER INFORMATION**

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## **Partners**

### **Limited Partner**

Aviva Investors REaLM Commercial Assets Unit Trust

### **General Partner**

Aviva Investors Commercial Assets GP Limited

St Helen's

1 Undershaft

London

EC3P 3DQ

### **Fund Manager**

Aviva Investors UK Fund Services Limited

St Helen's

1 Undershaft

London

EC3P 3DQ

### **Independent Auditors**

PricewaterhouseCoopers LLP

Chartered Accountant and Statutory Auditor

7 More London Riverside

London

SE1 2RT

### **Bankers**

Royal Bank of Scotland

London City Office

PO Box 412

62/63 Threadneedle Street

London

EC2R 8LA

### **Registered Office**

St Helen's

1 Undershaft

London

EC3P 3DQ

### **Registered Number**

Registered in England and Wales: No. LP014525



# **AVIVA INVESTORS REALM COMMERCIAL ASSETS LIMITED PARTNERSHIP**

## **STRATEGIC REPORT**

### **FOR THE YEAR ENDED 31 DECEMBER 2016**

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The directors of the General Partner (the "Directors") present their strategic report of Aviva Investors REaLM Commercial Assets Limited Partnership (the "Partnership") for the year ended 31 December 2016.

#### **THE PARTNERSHIP**

The Partnership was established on 5 July 2011 and is registered as a limited partnership in England and Wales under the Limited Partnerships Act 1907. The total commitment of the Partners as at 31 December 2016 is £504,175,000 (31 December 2015: £504,175,000) of which £235,384,953 (31 December 2015: £170,107,191) has been drawn down.

#### **PRINCIPAL ACTIVITY OF THE PARTNERSHIP**

The principal activity of the Partnership is to invest, directly or indirectly, in UK based commercial assets. This will continue to be the principal activity of the Partnership for the foreseeable future.

#### **REVIEW OF THE PARTNERSHIP'S BUSINESS**

##### **Objective and strategy**

The objective of the Partnership is to achieve investment returns in excess of 200 basis points per annum (net of costs and expenses) above the rate of return generated by long dated index-linked gilts over the long term by investing in commercial assets based in the UK.

To achieve the Partnership's objective, the Partnership has adopted the following strategy for its portfolio:

- (a) Acquiring or investing in (including by way of loans, debt arrangements or funding) (either directly or indirectly) existing or new commercial assets in the UK either as freehold or let on long leases (intended to generally be 25 years+) that meet the Partnership's specific investment criteria with the purpose of enhancing returns and/or reducing risk; and
- (b) Devising and implementing business plan initiatives that improve projected investment returns and meet defined risk/reward criteria.

The Partnership may acquire commercial assets from any sector of the UK market, including alternative sectors such as healthcare and education as well as mainstream sectors such as offices and retail. Typically investments in which the Partnership has an interest (either directly or indirectly) will have the following characteristics:

- (a) Freehold and long leasehold interests in respect of commercial assets;
- (b) Investments in or originating debt arrangements with third parties on commercial terms whether secured or unsecured on or granted in respect of commercial assets;
- (c) Long term leases or loans, usually with terms of at least 25 years (more typically 35 years+);
- (d) Lessee/borrower will typically be a public sector body or an investment grade corporate occupier;
- (e) Leases will be fully repairing and insuring;
- (f) Investments may include investment into completed investments (assets that are already built or occupied) or, more likely, providing funding or forward funding to acquire developments; and
- (g) Assets expected to deliver a net margin (after fees and expenses) of between 100 and 300bps over long dated index-linked gilts, with an overall target of 200bps.

# AVIVA INVESTORS REALM COMMERCIAL ASSETS LIMITED PARTNERSHIP

## STRATEGIC REPORT (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2016

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#### Objective and strategy (continued)

The Partnership will operate within the following broad constraints:

- (a) Properties will be located in the UK and denominated in Sterling;
- (b) No single commercial asset will exceed £100,000,000 or 20 percent of the gross asset value of the Partnership assets once the gross asset value of the Partnership assets exceeds £500,000,000;
- (c) Until such time as the Partnership has reached a target portfolio of £500,000,000, yielding 5 percent, no single commercial ground lease will account for more than 20 percent of the overall rental income of the Partnership; and
- (d) No more than 10 percent of the gross asset value of the Partnership assets will be held in index-linked gilts, index-linked investment grade corporate bonds, money market instruments and derivatives. Such instruments will be held for efficient portfolio management and liquidity management.

The Partnership will not:

- (a) Undertake speculative developments or speculative funding; or
- (b) Invest in other funds or collective investment schemes managed by an entity which is not an associate of, or connected with, the Fund Manager.

#### PARTNERSHIP PERFORMANCE

The financial position of the Partnership at 31 December 2016 is shown in the Statement of Financial Position on page 14 with the results shown in the Statement of Comprehensive Income on page 13 and the Cash Flow Statement on page 16.

The business review is required to contain financial and where applicable, non-financial key performance indicators ("KPIs"). The General Partner considers that, in line with the activities and objectives of the business, the financial KPIs set out below are those which communicate the performance of the Partnership as a whole. These KPIs comprise of:

	31 December 2016	31 December 2015
Fund return per unit price	7.36%	3.18%
Distribution yield	2.99%	3.15%
Net asset value (NAV)	£239,526,234	£165,541,163
Market value of assets	£227,026,017	£156,751,105
Number of assets	16	15

The Partnership produced a total return of 7.36% against a Benchmark return of 15.82%. The Benchmark is comprised of a composite of three index linked gilts, equally weighted, that most closely match the duration of the Fund. The correlation between the total return and the benchmark is quite low, which is largely due to (a) the Tesco, Cirencester asset which isn't valued with reference to gilts and (b) there being two funding transactions where the values are based on cost/expenses.

# **AVIVA INVESTORS REALM COMMERCIAL ASSETS LIMITED PARTNERSHIP**

## **STRATEGIC REPORT (CONTINUED)**

### **FOR THE YEAR ENDED 31 DECEMBER 2016**

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#### **CAPITAL MANAGEMENT AND OBJECTIVES**

The Partnership operates as an ungeared fund.

£65,277,762 of new equity, in the form of capital contributions and advances, was injected into the Partnership during the year ended 31 December 2016 (31 December 2015: £43,500,000).

#### **PURCHASES AND DISPOSALS**

On 30 June 2016, the Partnership acquired the freehold to the land at Godiva Place for £14,578,983. The Partnership will fund the development of student accommodation for Coventry University. The delivery date for the project is September 2018. A lease will then be granted by the Partnership to Coventry University. The lease term will be 30 years with the option for Coventry University to buy the property for £1 at the end of the lease term.

#### **EVENTS AFTER THE REPORTING PERIOD**

Events after the reporting period have been evaluated up to the date the audited financial statements were approved and authorised for issue by the General Partner.

#### **FUTURE DEVELOPMENTS**

The Directors expect the general level of activity to increase in the forthcoming year. This is as a result of proposed acquisitions.

#### **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.

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

The Aviva Group (the "Group") operates within its own 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). Aviva has an Audit Committee, which includes shareholder representatives.

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

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

##### **Market risk**

The Partnership'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.

##### **Credit risk**

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

The Partnership manages this risk of tenant default by ensuring that a dedicated credit control team is engaged in collecting the quarterly rent from tenants as soon as it falls due. The two biggest tenants represent 52% of the Partnership's income for the year to 31 December 2016 (31 December 2015: 62%) and 6% of the tenant receivables balance at 31 December 2016 (31 December 2015: 35%).

**AVIVA INVESTORS REALM COMMERCIAL ASSETS LIMITED PARTNERSHIP**  
**STRATEGIC REPORT (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

**PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)**

**Credit risk (continued)**

Loan commitments are made under the limited partnership agreement ("LPA") that is signed by all parties so that the member of the Partnership is aware of their commitment. The General Partner communicates regularly with the member 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 in hand and at bank are 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 the Group approach to operational risk are set out in the financial statements of Aviva Investors UK Fund Services Limited, which manages and administers the Partnership's investments.

**Liquidity risk**

The Partnership 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 Partnership's obligations as and when they fall due.

The maturity analysis of the Partnership's financial assets and liabilities as at 31 December 2016 was as follows:

<b>As at 31 December 2016</b>	<b>On demand £</b>	<b>1-3 months £</b>	<b>4-12 months £</b>	<b>More than 12 months £</b>	<b>Total £</b>
<b>Financial assets</b>					
Investment properties		-	-	52,250,000	52,250,000
Property under development	-	-	-	76,935,000	76,935,000
Net investment in finance leases	958,596	-	3,703,934	93,178,487	97,841,017
Trade debtors	483,208	-	-	-	483,208
Amounts owed by third party	29,638	-	-	-	29,638
Amounts owed by General Partner	45,740	-	-	-	45,740
VAT recoverable	2,788,958	-	-	-	2,788,958
Other trade receivables	608,105	-	-	-	608,105
Cash in hand and at bank	14,377,270	-	-	-	14,377,270
	<u>19,291,515</u>	<u>-</u>	<u>3,703,934</u>	<u>222,363,487</u>	<u>245,358,936</u>
<b>Financial liabilities</b>					
Finance costs: distributions payable to Limited Partner	1,269,645	-	-	-	1,269,645
Finance costs: distributions payable to General Partner	1,708	-	-	-	1,708
Accrued capital expenditure	2,552,995	-	-	-	2,552,995
Accruals and deferred income	2,008,354	-	-	-	2,008,354
	<u>5,832,702</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,832,702</u>

**AVIVA INVESTORS REALM COMMERCIAL ASSETS LIMITED PARTNERSHIP**  
**STRATEGIC REPORT (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

**PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)**

**Liquidity risk (continued)**

**As at 31 December 2015**

	On demand £	1-3 months £	4-12 months £	More than 12 months £	Total £
<b>Financial assets</b>					
Investment properties	-	-	-	56,425,000	56,425,000
Property under development	-	-	-	23,887,000	23,887,000
Net investment in finance leases	936,978	-	2,677,571	72,824,556	76,439,105
Trade debtors	923,238	-	-	-	923,238
Amounts owed by third party	36,147	-	-	-	36,147
Amounts owed by General Partner	24,868	-	-	-	24,868
Amounts owed by related parties	5,210	-	-	-	5,210
VAT recoverable	654,137	-	-	-	654,137
Other trade receivables	62,272	-	-	-	62,272
Cash in hand and at bank	12,380,108	-	-	-	12,380,108
	<u>15,022,958</u>	<u>-</u>	<u>2,677,571</u>	<u>153,136,556</u>	<u>170,837,085</u>
<b>Financial liabilities</b>					
Finance costs: distributions payable to Limited Partner	1,811,196	-	-	-	1,811,196
Finance costs: distributions payable to General Partner	1,146	-	-	-	1,146
Accrued capital expenditure	1,774,775	-	-	-	1,774,775
Accruals and deferred income	1,708,805	-	-	-	1,708,805
	<u>5,295,922</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,295,922</u>

**EMPLOYEES**

The Partnership has no employees (31 December 2015: Nil). The key management personnel have been identified as the Directors of Aviva Investors Commercial Assets GP Limited. The Directors received no remuneration (2015: £Nil).

**ENVIRONMENTAL**

The Partnership is managed by Aviva Investors for whom a key component of being a responsible business is ensuring environmental, social and corporate governance (ESG) issues are considered throughout the investment process. Aviva Investors Real Estate regards the consideration of ESG issues and their impact on real estate investment as an essential part of the Partnership's fiduciary duty to our clients. This philosophy is firmly embedded within the Partnership's decision-making processes, from initial acquisition through to disposal.

**AVIVA INVESTORS REALM COMMERCIAL ASSETS LIMITED PARTNERSHIP**  
**STRATEGIC REPORT (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

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**ENVIRONMENTAL (CONTINUED)**

Further information on the Partnership's approach to Responsible Property Investment (RPI) is set out in Aviva Investors Responsible Property Investment Policy. This policy applies to all Aviva Investors Real Estate's global activities and funds under management.

The Partnership benefits from Aviva Investors Real Estate's membership of the Better Buildings Partnership (BBP). Aviva Investors is also a founding signatory of the Principles for Responsible Investment (PRI).

For and on behalf of the Partnership:



**A C Appleyard**  
Director of Aviva Investors Commercial Assets GP Limited

**Date:** 17/4/17

# AVIVA INVESTORS REALM COMMERCIAL ASSETS LIMITED PARTNERSHIP

## GENERAL PARTNER'S REPORT

### FOR THE YEAR ENDED 31 DECEMBER 2016

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The Directors of the General Partner present their annual report and the audited financial statements of the Partnership for the year ended 31 December 2016.

#### RESULTS AND DISTRIBUTIONS

The total comprehensive income for 2016 was £8,707,309 (31 December 2015: loss of £5,982,613). Distributions to the Partners were £5,621,888 (31 December 2015: £4,608,895).

#### DIRECTORS

The current Directors of Aviva Investors Commercial Assets GP Limited and those in office throughout the year, except as noted, are as follows:

A C Appleyard  
B S Hill  
D S Skinner

#### FUTURE DEVELOPMENTS

The future development of the Partnership is set out in the Strategic Report.

#### EVENTS AFTER THE REPORTING PERIOD

Events after the reporting period are set out in the Strategic Report.

#### PARTNERS' ACCOUNTS

Partners' accounts consist of capital contributions and non interest bearing advances. The Partnership has classified the Partners' accounts as a financial liability based on the contractual arrangements within the LPA 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:

#### As at 31 December 2016

	Capital Contributions £	Capital Advance £
Aviva Investors REaLM Commercial Assets Unit Trust	10	235,384,943
Aviva Investors Commercial Assets GP Limited	-	-
Total	<u>10</u>	<u>235,384,943</u>

#### As at 31 December 2015

	Capital Contributions £	Capital Advance £
Aviva Investors REaLM Commercial Assets Unit Trust	10	170,107,181
Aviva Investors Commercial Assets GP Limited	-	-
Total	<u>10</u>	<u>170,107,181</u>

**AVIVA INVESTORS REALM COMMERCIAL ASSETS LIMITED PARTNERSHIP**  
**GENERAL PARTNER'S REPORT (continued)**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

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**AMOUNTS ATTRIBUTABLE TO THE GENERAL PARTNER**

The General Partner is entitled to a priority profit share in accordance with the LPA for its services as General Partner.

The General Partner's allocations are expensed through the Statement of Comprehensive Income.

The General Partner's priority profit share entitlement for the year was £562 (2015: £461).

**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.

**FINANCIAL INSTRUMENTS**

The business of the Partnership includes use of financial instruments. Details of the Partnership's risk management objectives and policies, and exposures to price risk, credit risk, liquidity risk and cash flow risk relating to financial instruments are set out in pages 4 to 6 and 29 of 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 of the person who was a Director of the General Partner on the date that this report was approved confirms that:

- 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 which the Partnership's auditors are unaware, and
- each Director has taken all the steps that ought to have been taken as a Director in order to make himself aware of any relevant audit information and to establish that the Partnership's 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 REALM COMMERCIAL ASSETS LIMITED PARTNERSHIP

## GENERAL PARTNER'S REPORT (continued) FOR THE YEAR ENDED 31 DECEMBER 2016

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### STATEMENT OF GENERAL PARTNER'S RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

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

Company law, as applied to qualifying partnerships by the Partnerships (Accounts) Regulations 2008 (the "Regulations"), requires the General Partner to prepare financial statements for each financial year. Under that law the general partner have prepared the qualifying partnership financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). Under company law, as applied to qualifying partnerships, 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 qualifying partnership and of the profit or loss of the qualifying partnership for that period. In preparing the financial statements, the General Partner is required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, 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 qualifying partnership will continue in business.

The General Partner is responsible for keeping adequate accounting records that are sufficient to show and explain the qualifying partnership's transactions and disclose with reasonable accuracy at any time the financial position of the qualifying partnership and enable them to ensure that the financial statements comply with the Companies Act 2006 as applied to qualifying partnerships by the Regulations.

The General Partner is also responsible for safeguarding the assets of the qualifying partnership and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

This report was approved by the board and signed on its behalf.



**A C Appleyard**  
Director of Aviva Investors Commercial Assets GP Limited

Date: 19/4/17

# ***Independent auditors' report to the members of Aviva Investors REaLM Commercial Assets Limited Partnership***

## **Report on the financial statements**

### **Our opinion**

In our opinion, Aviva Investors REaLM Commercial Assets Limited Partnership's financial statements (the "financial statements"):

- give a true and fair view of the state of the qualifying partnership's affairs as at 31 December 2016 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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.

### **What we have audited**

The financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), comprise:

- the Statement of Financial Position as at 31 December 2016;
- the Statement of Comprehensive Income for the year then ended;
- the Cash Flow Statement for the year then ended;
- the Statement of Changes in Net Assets Attributable to Partners for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the general partner has made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, it has made assumptions and considered future events.

## **Other matters on which we are required to report by exception**

### **Information 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:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of general partner's remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

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

As explained more fully in the the Statement of General Partner's Responsibilities set out on page 10, the general partner is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

# ***Independent auditors' report to the members of Aviva Investors REaLM Commercial Assets Limited Partnership (continued)***

Our responsibilities and those of the general partner (continued)

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinion, has been prepared for and only for the members of the qualifying partnership as a body in accordance with the Companies Act 2006 as applied to qualifying partnerships by the Partnerships (Accounts) Regulations 2008 and for no other purpose. We do not, in giving this opinion, 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.

What we are required to do as auditors in respect of:

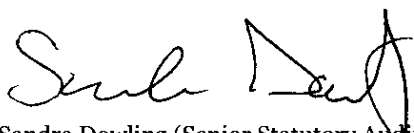
We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the qualifying partnership's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the general partner; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the general partner's judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



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

19 April 2017

**AVIVA INVESTORS REALM COMMERCIAL ASSETS LIMITED PARTNERSHIP**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

	Note	1 Jan 2016 to 31 Dec 2016 £	1 Jan 2015 to 31 Dec 2015 £
Turnover	5	<u>7,774,275</u>	<u>6,885,875</u>
<b>Gross profit</b>		<b>7,774,275</b>	<b>6,885,875</b>
Administrative expenses	6	<u>(1,165,631)</u>	<u>(738,402)</u>
Change in fair value of investment properties		<u>7,705,763</u>	<u>(7,532,197)</u>
<b>Operating profit/(loss)</b>		<b>14,314,407</b>	<b>(1,384,724)</b>
Finance income		14,790	11,006
Finance costs - distribution to partners		<u>(5,621,888)</u>	<u>(4,608,895)</u>
<b>Total comprehensive income/(loss) for the year</b>		<b><u>8,707,309</u></b>	<b><u>(5,982,613)</u></b>

**Continuing operations**

All amounts reported in the Statement of Comprehensive Income for the years ended 31 December 2016 and 31 December 2015 relate to continuing operations.

The notes on pages 17 to 31 form an integral part of these financial statements.

**AVIVA INVESTORS REALM COMMERCIAL ASSETS LIMITED PARTNERSHIP**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2016**

	Note	31 Dec 2016 £	31 Dec 2015 £
<b>Fixed assets</b>			
Investment properties	9	52,250,000	56,425,000
Properties under development	10	76,935,000	23,887,000
Net investment in finance leases	11	93,178,487	72,824,556
		<u>222,363,487</u>	<u>153,136,556</u>
<b>Current assets</b>			
Debtors	12	3,955,649	1,705,872
Net investment in finance leases	11	4,662,530	3,614,549
Cash at bank and in hand	13	14,377,270	12,380,108
		<u>22,995,449</u>	<u>17,700,529</u>
<b>Creditors: Amounts falling due within one year</b>	14	<u>(5,832,702)</u>	<u>(5,295,922)</u>
<b>Net current assets</b>		<u>17,162,747</u>	<u>12,404,607</u>
<b>Total assets less current liabilities</b>		<u>239,526,234</u>	<u>165,541,163</u>
<b>Net assets attributable to Partners</b>	16	<u>239,526,234</u>	<u>165,541,163</u>

These audited financial statements were approved and authorised for issue by the Board of Directors of Aviva Investors Commercial Assets GP Limited, the General Partner and were signed on its behalf by:

  
**A C Appleyard**  
 Director of Aviva Investors Commercial Assets GP Limited

Date: 19/4/17

The notes on pages 17 to 31 form an integral part of these financial statements.

**AVIVA INVESTORS REALM COMMERCIAL ASSETS LIMITED PARTNERSHIP**  
**STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO PARTNERS**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

	Proceeds from Partners £	Profit and loss account £	Total £
<b>Balance at 1 January 2015</b>	<b>126,607,191</b>	<b>1,416,585</b>	<b>128,023,776</b>
Total comprehensive loss for the year	-	(5,982,613)	(5,982,613)
Partners' loan advances received during the year	43,500,000	-	43,500,000
<b>Balance at 31 December 2015</b>	<b>170,107,191</b>	<b>(4,566,028)</b>	<b>165,541,163</b>
Total comprehensive income for the year	-	8,707,309	8,707,309
Partners' loan advances received during the year	65,277,762	-	65,277,762
<b>Balance at 31 December 2016</b>	<b>235,384,953</b>	<b>4,141,281</b>	<b>239,526,234</b>

The notes on pages 17 to 31 form an integral part of these financial statements.

**AVIVA INVESTORS REALM COMMERCIAL ASSETS LIMITED PARTNERSHIP**  
**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

	1 Jan 2016 to 31 Dec 2016 £	1 Jan 2015 to 31 Dec 2015 £
<b>Cash flows from operating activities</b>		
Profit for the financial year	8,707,309	(5,982,613)
<b>Adjustments for:</b>		
(Increase)/decrease in debtors	(2,249,777)	6,952,579
Increase in creditors	1,077,769	1,497,361
(Increase)/decrease in value of investment properties	(7,705,763)	7,532,197
Finance income	(14,790)	(11,006)
Finance costs - distributions to partners	5,621,888	4,608,895
<b>Net cash generated from operating activities</b>	<b>5,436,636</b>	<b>14,597,413</b>
<b>Cash flows from investing activities</b>		
Capital expenditure on properties under development	(61,222,587)	(8,611,381)
Addition in net investment in finance lease	(1,346,562)	(35,824,011)
Finance income	14,790	11,006
<b>Net cash used in investing activities</b>	<b>(62,554,359)</b>	<b>(44,424,386)</b>
<b>Cash flows from financing activities</b>		
Partners' capital advances	65,277,762	43,500,000
Payment of finance costs - distributions	(6,162,877)	(3,532,633)
<b>Net cash generated from financing activities</b>	<b>59,114,885</b>	<b>39,967,367</b>
<b>Net increase in cash at bank and in hand</b>	<b>1,997,162</b>	<b>10,140,394</b>
Cash at bank and in hand at beginning of year	12,380,108	2,239,714
<b>Cash at bank and in hand the end of year</b>	<b>14,377,270</b>	<b>12,380,108</b>

The notes on pages 17 to 31 form an integral part of these financial statements.

# **AVIVA INVESTORS REALM COMMERCIAL ASSETS LIMITED PARTNERSHIP**

## **NOTES TO THE FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED 31 DECEMBER 2016**

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

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

Aviva Investors REaLM Commercial Assets Limited Partnership (the "Partnership") invests, directly or indirectly, in UK based commercial assets. This will continue to be the principal activity of the Partnership for the foreseeable future.

The Partnership is registered as a limited partnership in England and Wales under the Limited Partnerships Act 1907 and its registered address is St Helen's, 1 Undershaft, London, EC3P 3DQ.

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

The Partnership financial statements 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**

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

These Partnership financial statements are prepared on a going concern basis, under the historical cost convention, as modified by the revaluation of investment properties and certain financial assets and liabilities measured at fair value through profit or loss.

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

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 Partnership accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

##### **3.2 Going concern basis**

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 General Partner has a reasonable expectation that the Partnership have adequate resources to continue in operational existence for the foreseeable future. Accordingly, the General Partner continues to adopt the going concern basis in preparing these financial statements.

##### **3.3 Investment properties**

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



**AVIVA INVESTORS REALM COMMERCIAL ASSETS LIMITED PARTNERSHIP**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

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**3. Accounting policies (continued)**

**3.4 Properties under development**

*Forward funded development*

The Partnership enters into real estate development projects with developers where the full development costs are paid in advance. Payment is made by the Partnership into an escrow account held in the name of the developer for which the Partnership does not have direct access. The payment includes all development costs and an agreed margin or profit to be earned by the developer. The Partnership is not required to make any additional payments to the developer. The developer bears all risk if any shortfall or excess between the amount funded and the actual development costs exists. At funding the Partnership recognises an asset as a property under development for the full amount funded. The asset is held as at amortised cost as a net investment in finance lease. During the course of construction the developer pays a quarterly compensation payment to the Partnership for the right to develop the project. The compensation payment is typically equal to the amount of rent to be paid by a tenant on completion of the project. The compensation payments are recognised as income received from the finance lease.

*Properties held in the course of construction*

The Partnership enters into real estate development projects with developers where the development costs are paid on an incremental basis as and when the contractor payment is due. The asset is measured at fair value on a quarterly basis by CB Richard Ellis Limited ("CBRE"). Any movements in fair value are recognised in the Statement of Comprehensive Income in line with FRS 102. Depreciation is not charged during the course of development.

**3.5 NAV valuation**

The NAV per unit which investors acquire units at is based on the CBRE valuation. The NAV stated in these financial statements, however, does not use the CBRE valuation for the income strip assets (Hinckley, Marstons, Borough High Street and Entrust/Stafford portfolio). The valuations included in the financial statements for the income strip assets are in accordance with a finance lease methodology.

The finance lease methodology states how an income strip investment should be accounted for in terms of it fully amortising over its lease term. This methodology will only change if there is a significant change to inflation rates, which contributes to the discount rate and therefore the rate the investment is amortised. Unlike the CBRE valuation, this methodology does not therefore take account of the market value of that investment. The Partnership therefore has two NAVs per quarter: one which is valuing the income strip assets at the CBRE valuation and one which is valuing them as a finance lease.

**AVIVA INVESTORS REALM COMMERCIAL ASSETS LIMITED PARTNERSHIP**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

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**3. Accounting policies (continued)**

**3.6 Financial instruments**

The Partnership 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 debtors, cash at bank and in hand, are 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.

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 Partnership 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).

Commitments to make payments which meet the conditions above are measured at cost (which may be nil) less impairment.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

**AVIVA INVESTORS REALM COMMERCIAL ASSETS LIMITED PARTNERSHIP**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

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**3. Accounting policies (continued)**

**3.6 Financial instruments (continued)**

**(iii) Net investments in finance leases**

Investments in finance leases are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, investments in finance leases are accounted for at amortised cost.

**3.7 Leases**

Leases, where the lessor retains substantially all of the risks and rewards of ownership, are classified as operating leases. Payments made as lessees under operating leases (net of any incentives received from the lessor) are charged to the Statement of Comprehensive Income. 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 straightline basis over the period of the lease if there is a material impact.

Assets held under finance leases, which transfer to the Partnership as lessee, substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease, with a corresponding liability being recognised for the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The capitalised lease debtor is amortised over the shorter of estimated useful life or life of the lease using the interest rate implicit in the lease. The rental payments earned on the lease are split between amortisation of the lease debtor and lease income in the Statement of Comprehensive Income.

The rental payments received on the lease are distributed to investors every quarter. The distribution is split between a return of capital and income in accordance with the lease model.

At the beginning of the lease term, the rental payments received are lower than the capital and income returns from the lease model (the finance lease income on the face of the Statement of Comprehensive Income) and therefore the distribution paid is all income. As such, the lease debtor increases over the first half of the lease term.

As the term of the lease progresses, the lease income will eventually exceed the income return on the finance lease and so the distribution to investors will be split between both capital and income. Over the second half of the lease term, the lease debtor will be amortised and eventually reduced to zero.

**AVIVA INVESTORS REALM COMMERCIAL ASSETS LIMITED PARTNERSHIP**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

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**3. Accounting policies (continued)**

**3.8 Partners' accounts**

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

**3.9 Cash at bank and in hand**

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

**3.10 Cash flow**

The Partnership reports cash flows from operating activities using the indirect method. Interest paid is presented within cash flows from financing activities. The acquisitions of investment are disclosed as cash flows from investing activities because this most appropriately reflects the Partnership's business activities.

**3.11 Turnover**

Turnover comprises rental income and finance lease income.

Rent income is recognised on an accruals basis in the Statement of Comprehensive Income, over the period to which the income relates.

Finance lease income is recognised on an accruals basis.

**3.12 Administrative expenses**

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

**3.13 Fund Manager fees**

Under the terms of the Fund Manager's Agreement dated 5 July 2011 between the Partnership and Aviva Investors UK Fund Services Limited (the "Fund Manager"), the Fund Manager is entitled to an annual fee equivalent to 0.35% of the Open Market Value of the investment properties plus 0.35% of the value of the cash held by the Partnership plus 0.35% of the value of the Partnership assets other than cash or the properties, calculated on a quarterly basis and payable quarterly in arrears.

**3.14 Finance income**

Interest receivable on cash at bank is recognised on an accruals basis.

**AVIVA INVESTORS REALM COMMERCIAL ASSETS LIMITED PARTNERSHIP**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

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**3. Accounting policies (continued)**

**3.15 Distributions**

Income produced by the Partnership's investment property and other sources is distributed to the Partners to the extent that the Partnership's income exceeds expenses, on a quarterly basis in accordance with the LPA. Where the distribution has been determined for the period, the amount is accounted for as a finance cost.

The General Partner is required to ensure that no distribution is made that would render the Partnership insolvent or unable to pay its expenses for the six month period following a distribution, having regard to the expected receipts of the Partnership.

**3.16 Related party transactions**

The Partnership discloses transactions with related parties which are not wholly owned within the same Partnership. 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 Partnership financial statements.

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

The preparation of the Partnership's 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 financial statements:

**Valuation of investment properties**

The fair value of the Partnership's investment properties represents an estimate by independent professional valuers of the open market value of those investments as at the reporting 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 investment properties. Fair value disclosures in relation to investment properties are given in Note 9 and 10.

# AVIVA INVESTORS REALM COMMERCIAL ASSETS LIMITED PARTNERSHIP

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

### 5. Turnover

	1 Jan 2016 to 31 Dec 2016 £	1 Jan 2015 to 31 Dec 2015 £
Rental income	2,912,515	2,875,614
Finance lease income	4,861,760	3,912,590
Other income	-	97,671
	<u>7,774,275</u>	<u>6,885,875</u>

The future aggregate minimum rentals receivable under non-cancellable operating leases are as follows:

	31 Dec 2016 £	31 Dec 2015 £
Not later than 1 year	2,927,747	2,889,283
Later than 1 year and not later than 5 years	11,710,988	11,557,132
Later than 5 years	42,295,856	47,590,053
	<u>56,934,591</u>	<u>62,036,468</u>

### 6. Administrative expenses

	1 Jan 2016 to 31 Dec 2016 £	1 Jan 2015 to 31 Dec 2015 £
Auditors' fees	23,735	22,521
Fund Manager fees	742,030	566,251
Depositary fees	34,708	36,531
Other Operating Expenses	252,421	6,319
Irrecoverable VAT	-	1,192
Bank charges	501	626
Professional fees	81,910	59,987
Other administrative expenses	30,326	44,975
	<u>1,165,631</u>	<u>738,402</u>

The Partnership had no employees in the current or prior year. The Directors of the General Partner received no emoluments for services to the Partnership for the financial year (31 December 2015: £Nil).

**AVIVA INVESTORS REALM COMMERCIAL ASSETS LIMITED PARTNERSHIP**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

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**7. Finance costs - distributions to Partners**

	1 Jan 2016 to 31 Dec 2016 £	1 Jan 2015 to 31 Dec 2015 £
Finance costs - distributions declared and paid	4,351,681	2,796,553
Proposed distributions at 31 December	1,270,207	1,812,342
<b>Total amounts available for distribution as per Statement of Comprehensive Income</b>	<b>5,621,888</b>	<b>4,608,895</b>

In accordance with the LPA, distributions of net income have been allocated to the Partners in proportion to their ownership percentage for the year to which the distribution relates. At the year end the percentage holdings were:

Aviva Investors REaLM Commercial Assets Unit Trust	99.99%
Aviva Investors Commercial Assets GP Limited	0.01%

**8. Taxation**

The Partnership is not subject to taxation and no provision for taxation on Partnership profits has been made in the financial statements. Any tax on income or capital is the responsibility of each individual partner.

# AVIVA INVESTORS REALM COMMERCIAL ASSETS LIMITED PARTNERSHIP

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

### 9. Investment properties

	Freehold £	Total £
<b>Fair market value at 1 January 2015</b>	<b>60,800,000</b>	60,800,000
Change in fair value of investment properties	(4,375,000)	(4,375,000)
<b>Fair market value at 31 December 2015</b>	<b>56,425,000</b>	56,425,000
Change in fair value of investment properties	(4,175,000)	(4,175,000)
<b>Fair market value at 31 December 2016</b>	<b>52,250,000</b>	52,250,000

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 2016 by CBRE, professionally qualified independent external appraisers. The valuer has significant experience in the location and class of the investment property 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. The primary method of valuation for the REaLM Commercial Asset Fund uses a discounted cashflow approach (DCF). The valuer applies an appropriate internal rate of return (IRR) to the cashflow having regard to the credit strength of the tenant, the underlying real estate, and how the passing rent sits in relation to estimated rental value (ERV). The valuer uses their professional judgement, analysis of market observations and traded comparable property investments in arriving at an appropriate IRR. The valuer also has regard to IRRs achieved on comparable traded debt (GILTS and Corporate Bonds) with an apportioned property illiquidity premium to reflect the risks of trading property.

If investment property were stated on the historical cost basis, the amounts would be as follows:

	31 Dec 2016 £	31 Dec 2015 £
Freehold	60,928,942	60,928,942



# AVIVA INVESTORS REALM COMMERCIAL ASSETS LIMITED PARTNERSHIP

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

### 10. Properties under development

	31 Dec 2016 £	31 Dec 2015 £
Fair value at 1 January	23,887,000	18,432,816
Property acquisitions	61,222,587	15,845,626
Change in fair value of investment properties	11,880,763	(3,157,197)
Transfers to net investment in finance lease	(20,055,350)	(7,234,245)
<b>Fair value at 31 December</b>	<b>76,935,000</b>	<b>23,887,000</b>

On 30 June 2016, the Partnership acquired the freehold for Godiva Place, a student accommodation building in Coventry for £14,578,983. The Partnership is funding the development of the site. Other additions in the year relate to the capital expenditures on the development of St. Nicholas House, Marischal Square, Aberdeen and a site in Derby University.

The properties under development were valued to fair value, in accordance with the Appraisal and Valuation Manual of The Royal Institution of Chartered Surveyors, as at 31 December 2016 by CBRE, professionally qualified independent external appraisers. The valuer has significant experience in the location and class of the investment property being valued.

### 11. Net investment in finance leases

	31 Dec 2016 £	31 Dec 2015 £
Total amounts receivable	276,470,368	235,645,259
Less: interest allocated to future periods	(178,629,351)	(159,206,154)
<b>Net investment in finance leases</b>	<b>97,841,017</b>	<b>76,439,105</b>
Not later than 1 year	(1,082,848)	(981,889)
Later than 1 year and not later than 5 years	(3,601,538)	(3,530,147)
Later than 5 years	102,525,403	80,951,141
<b>Net investment in finance leases</b>	<b>97,841,017</b>	<b>76,439,105</b>

# AVIVA INVESTORS REALM COMMERCIAL ASSETS LIMITED PARTNERSHIP

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

### 12. Debtors

	31 Dec 2016 £	31 Dec 2015 £
Trade debtors	483,208	923,238
VAT recoverable	2,788,958	654,137
Other trade receivables	608,105	62,272
Amounts owed by third party	45,740	36,147
Amounts owed by General Partner (see note 17)	29,638	24,868
Amounts owed by related parties (see note 17)	-	5,210
	<u>3,955,649</u>	<u>1,705,872</u>

### 13. Cash at bank and in hand

	2016 £	2015 £
Cash at bank and in hand	<u>14,377,270</u>	<u>12,380,108</u>

### 14. Creditors: Amounts falling due within one year

	31 Dec 2016 £	31 Dec 2015 £
Deferred finance lease	1,026,122	806,629
Finance costs - distributions payable to Limited Partner (see note 17)	1,269,645	1,811,196
Finance costs - distributions payable to General Partner (see note 17)	1,708	1,146
Accrued capital expenditure	2,552,995	1,774,775
Accruals and deferred income	982,232	867,542
Accounts payable	-	34,634
	<u>5,832,702</u>	<u>5,295,922</u>

### 15. Contingent liabilities and commitments

There were no contingent liabilities or commitments at the reporting date (31 December 2015: £Nil).

# AVIVA INVESTORS REALM COMMERCIAL ASSETS LIMITED PARTNERSHIP

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

### 16. Net assets attributable to Partners

	Limited Partner 100% £	Total 100% £
<b>Proceeds from Partners</b>		
At 1 January 2016	170,107,191	170,107,191
Proceeds received	65,277,762	65,277,762
At 31 December 2016	<u>235,384,953</u>	<u>235,384,953</u>
<b>Profit and loss account</b>		
At 1 January 2016	(4,566,028)	(4,566,028)
Total comprehensive income for the year	14,329,197	14,329,197
Finance costs - distribution to Partners	(5,621,888)	(5,621,888)
At 31 December 2016	<u>4,141,281</u>	<u>4,141,281</u>
<b>Net assets attributable to Partners at 31 December 2016</b>	<u>239,526,234</u>	<u>239,526,234</u>
<b>Net assets attributable to Partners at 31 December 2015</b>	<u>165,541,163</u>	<u>165,541,163</u>

The General Partner is entitled to 0% of the net assets.

# AVIVA INVESTORS REALM COMMERCIAL ASSETS LIMITED PARTNERSHIP

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

### 17. Related party transactions

	2016 (Expense paid) / income earned in year £	2016 (Payable) / receivable at year end £	2015 (Expense paid) / income earned in year £	2015 (Payable) / receivable at year end £
Aviva Investors UK Fund Services Limited - fund management fees	(742,030)	(205,212)	(566,251)	(151,748)
Aviva Investors Commercial Assets GP Limited - priority distribution	(562)	(1,708)	(461)	(1,146)
Aviva Investors Commercial Assets GP Limited	4,770	29,638	5,988	24,868
Aviva Investors REaLM Commercial Assets Unit Trust	5,210	-	-	5,210
Aviva Investors REaLM Commercial Assets Unit Trust - distributions	(5,621,326)	(1,269,645)	(4,608,434)	(1,811,196)
	<u>(6,353,938)</u>	<u>(1,446,927)</u>	<u>(5,169,158)</u>	<u>(1,934,012)</u>

Aviva Investors UK Fund Services Limited receives fees as it acts as the Fund Manager for the Partnership.

The General Partner is entitled to a priority distribution of 0.01% of the net income from the Partnership. Expenses of the General Partner totalling £4,770 have been paid out of the bank accounts of the Partnership and recharged to the General Partner (31 December 2015: £5,988).

During the year the Partnership made payments of £Nil in relation to transaction costs relating to an investment made by Aviva Investors REaLM Commercial Assets Unit Trust (31 December 2015: £Nil). The Partnership received £5,210 from Aviva Investors REaLM Commercial Assets Unit Trust in relation to these payments (31 December 2015: £Nil). As at 31 December 2016, the Partnership has an outstanding receivable from Aviva Investors REaLM Commercial Assets Unit Trust amounting to £Nil (31 December 2015: £5,210).

The Directors of Aviva Investors Commercial Assets GP Limited received no emoluments for services to the Partnership for the financial year (31 December 2015: £Nil).

# AVIVA INVESTORS REALM COMMERCIAL ASSETS LIMITED PARTNERSHIP

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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### 18. Financial Instruments

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

#### Financial assets measured at amortised costs:

	31 Dec 2016 £	31 Dec 2015 £
Net investment in finance leases (see note 11)	<u>97,841,018</u>	<u>76,439,105</u>

#### Financial assets measured at undiscounted amount receivable:

	31 Dec 2016 £	31 Dec 2015 £
Debtors (see note 12)	3,955,649	1,705,872
Cash at bank and in hand (see note 13)	14,377,270	12,380,108
	<u>18,332,919</u>	<u>14,085,980</u>

#### Financial liabilities measured at undiscounted amount payable:

	31 Dec 2016 £	31 Dec 2015 £
Creditors (see note 14)	<u>(5,832,702)</u>	<u>(5,295,922)</u>

The Partnership's income, expense, gains and losses in respect of financial instruments are summarised below:

	31 Dec 2016 £	31 Dec 2015 £
<b>Finance income</b>		
Total interest income for financial assets at undiscounted amount	<u>14,790</u>	<u>11,006</u>

**AVIVA INVESTORS REALM COMMERCIAL ASSETS LIMITED PARTNERSHIP**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

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**19. Parent and ultimate controlling undertaking**

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

The Partnership's ultimate parent undertaking is Aviva Investors Commercial Assets Unit Trust, which is registered in Jersey.

The financial statements of Aviva Investors Commercial Assets Limited Partnership are available on application to:

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

**20. Events after the reporting period**

Events after the reporting period have been evaluated up to the date the audited financial statements were approved and authorised for issue by the General Partner.

# AVIVA INVESTORS REALM COMMERCIAL ASSETS LIMITED PARTNERSHIP

## ADDITIONAL AIFMD DISCLOSURES - UNAUDITED

### FOR THE YEAR ENDED 31 DECEMBER 2016

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#### Remuneration

In line with the requirements of the Alternative Investment Fund Managers Directive ("AIFMD"), Aviva Investors UK Fund Services Limited ("AIUKFSL") is subject to a remuneration policy which is consistent with the principles outlined in the European Securities and Markets Authority guidelines on sound remuneration policies under AIFMD.

The remuneration policies are designed to ensure that any relevant conflicts of interest can be managed appropriately at all times and that the remuneration of its senior staff is in line with the risk policies and objectives of the Alternative Investment Funds ("AIF's") it manages, and takes into account, the promotion of sound and effective risk management and the achievement of fair outcomes for all customers.

For the year to 31 December 2016, remuneration paid by Aviva Plc, the ultimate parent of AIUKFSL, to its senior management team, and staff whose actions have a material impact on the risk profile of AIUKFSL ("Code staff"), is as follows:

	Senior Management	Other Code Staff
Total Remuneration:	£0.6m	£0.4m
Of which, Fixed Remuneration:	27%	59%
Variable Remuneration:	66%	28%
Pension/Benefits:	7%	13%
Number of Code staff:	7	9

#### Leverage

Leverage as required to be calculated by the AIFM Directive.

Pursuant to its regulatory obligations, the General Partner is required to express the level which the Partnership's leverage will not exceed. For the purposes of this disclosure, leverage is any method by which the Partnership's exposure is increased beyond its holding of securities and cash. A partnership's exposure may be increased by using derivatives, by reinvesting cash borrowings, through securities lending or securities borrowing arrangements, or by such other means as may be permitted to be used pursuant to that Partnership's investment objectives and strategy (such increase referred to herein as the "Incremental Exposure"). The AIFM Directive prescribes two methodologies for calculating overall exposure of a partnership: the "gross methodology" and the commitment methodology". These methodologies are briefly summarised below but are set out in full detail in the AIFM Directive.

The commitment methodology takes account of the hedging and netting arrangements employed by a partnership at any given time (purchased and sold derivative positions will be netted where both relate strictly to the same underlying asset). This calculation of exposure includes all Incremental Exposure as well as the Partnership's own physical holdings and cash. By contrast, the gross methodology does not take account of the netting or hedging arrangements employed by a partnership. This calculation of exposure under the gross methodology includes all Incremental Exposure as well as the Partnership's own physical holdings, excluding cash.

The AIFM Directive requires that each leverage ratio to be expressed as the ratio between a partnership's total exposure (including securities and cash) and its net asset value. Using the methodologies prescribed under the AIFM Directive, the Partnership is generally expected to be leveraged at the ratio of 1:1 using the commitment methodology and 1:1 using the gross methodology. The Partnership may, however, have higher levels of leverage, including in atypical and volatile market conditions. In such circumstances, leverage will not exceed the ratio of 1.5:1 using the commitment methodology and 1.5:1 using the gross methodology.