

Registered number
8041022

Ground Rents Income Fund plc
Annual Report and Financial Statements
for the year ended 30 September 2018

Ground Rents Income Fund plc
Consolidated Financial Statements
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Ground Rents Income Fund plc Company Information

Directors

Robert Malcolm Naish - Chairman
Paul Anthony Craig
Simon Paul Wombwell

Company Secretary

William Martin Robinson

Alternative Investment Fund Manager

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Ground Rents Income Fund plc

Chairman's Statement

Overview

I am pleased to present the annual audited results of Ground Rents Income Fund plc ('GRIF' or the 'Group') for the year ended 30 September 2018.

Against a backdrop of continued Brexit uncertainty and legislative scrutiny of the ground rent sector, the portfolio's resilient income profile has allowed the Group to maintain the dividend at 3.96 pence per share per annum.

During the financial year, Brooks Macdonald Funds Limited, the Investment Manager, has remained focused on sourcing assets which can deliver sustainable income streams to support this dividend. Companies within the Group completed ground rent asset purchases for a total cost of £2.4 million. These mainly resulted from the exercise of options to acquire freehold and/or long-leasehold interests following the completion of developments and were agreed historically at attractive levels of pricing.

The Group funded the current year acquisitions by utilising funds drawn from its £19.5 million loan facility with Santander UK plc and still has sufficient cash resources available to complete agreed acquisitions during the new financial year.

To supplement the stable, asset-backed income of the portfolio, the Investment Manager continues to add value through active asset management. During the year, the Group pursued the forfeiture of a head lease interest of a property located in Hull. In August 2018, the Group completed the sale of this interest, in addition to benefitting from an uplift in the overall annual ground rent receivable from the property.

Finally, from a capital perspective, the Group raised a further £0.3 million in September 2018 through the issuance of new Ordinary Shares, converted from Warrants held by existing Warrant holders.

Portfolio valuation

Continued uncertainty in the ground rent market prevails due to the current government consultation being led by the Ministry for Housing, Communities and Local Government (the 'MHCLG'). This, in turn, has led to reduced market activity and some downward pressure on prices.

This has been reflected in the independent valuation of the Group's property portfolio undertaken by Savills Advisory Services Limited ('Savills') in accordance with the Royal Institution of Chartered Surveyors ('RICS') Valuation - Global Standards 2017 incorporating the IVSC International Valuation Standards (the 'RICS Red Book').

As at 30 September 2018, in the opinion of Savills the portfolio had a fair value of £127.5 million, compared with £139.1 million as at 30 September 2017 (excluding purchase costs), a decrease of £11.6 million or 8.3%. While the Board considers a more cautious stance towards property valuation to be justified, it is important to note that income from the portfolio remains robust, with the overall ground rent yield of 3.7% for the year.

Financial results

The financial results reflect our defensive investment policy during this period of continued uncertain political and economic conditions, for both the UK generally and the ground rents sector in particular.

Under International Financial Reporting Standards ('IFRS') our operating loss for the year to 30 September 2018 was £9.96 million (30 September 2017: profit of £5.3 million), with total comprehensive expense of £10.7 million (30 September 2017: income of £4.7 million), which reflects the drop in the Group's investment portfolio valuation. Revenue for the year to 30 September 2018 was £5.4 million (30 September 2017: £5.1 million). Basic losses per share ('EPS') for the year were 11.05 pence (30 September 2017: earnings of 4.98 pence).

The net asset value ('NAV') per share as at 30 September 2018 was 116.65 pence (30 September 2017: 131.72 pence).

Ground Rents Income Fund plc

Chairman's Statement (*continued*)

Dividends

The Group was able to maintain the dividend per Ordinary Share and during the financial year, declared and paid four Property Income Distribution ('PID') dividends, totalling 3.96 pence per share.

The Board has also declared the first interim quarterly dividend for 2018/19 of 0.98 pence per Ordinary Share, payable wholly as a PID (net of withholding tax, where appropriate), in respect of the period from 1 October to 31 December 2018.

Please see note 18 Dividends for further details.

Board and governance

The Board continues to promote strong internal governance and control, both within the Investment Manager's operational activities and at Board level. Our annual report describes in detail our approach to corporate governance within the Directors' report, on pages 12 to 15.

Brooks Macdonald Funds Limited, the Investment Manager, is a full-scope Alternative Investment Fund Manager ('AIFM') under the AIFM Directive ('AIFMD') and continues to ensure that the Group complies with the requirements of the directive.

Shareholder engagement

During the year, the Investment Manager continued its strong communication and relations with our investors.

James Agar, the Head of Specialist Funds for the AIFM, met with the majority of institutional shareholders during July 2018 as part of the Investment Manager's annual roadshow. This annual programme is an important part of our corporate governance initiatives, which we hope will encourage and continue a transparent and mutually beneficial communication with our shareholders.

The Board has also adopted an 'e-communication' strategy in partnership with our corporate registrar Link Market Services Limited, which we hope will further improve shareholder engagement.

Leaseholder initiatives

In May 2018, the Investment Manager contacted all residential leaseholders with doubling ground rents and offered them the opportunity to convert their existing review mechanism to the lesser of inflation, as measured by the Retail Prices Index ('RPI'), or doubling, while retaining their existing review cycle. The "lesser of" element of the offer ensures that consumers are protected from excessive rental increases which are ahead of inflation. To date, there has been around an 8% take up for this offer, rising to 15% for the 2% of our leaseholders with 10-year doubling ground rents, and we will continue to interact proactively with consumers in this regard.

Leasehold reform

The Investment Manager continues to engage with the MHCLG on the Group's behalf regarding the ongoing consultation on leasehold reform. The Board is keen to ensure that a transparent, open and productive dialogue is maintained with MHCLG so that the views of institutional investors are fully and appropriately represented in any legislative discussions.

The Board fully supports leasehold sector reform that aims to prevent the abuses and poor practices faced by some consumers and is in favour of many of the Government's policy proposals, including:

- Improving the buying and selling process of residential properties and providing consumers with better information. Contractual information should be in plain English, whilst legal advisers must be fully independent;
- Prospective homebuyers should not be offered a leasehold house when there is no overriding reason the house should not be sold under freehold ownership;
- The elimination of onerous ground rents, which we believe are those that double every 10 and 15 years. (As indicated above, the Investment Manager is doing this for the Group's own portfolio through an asset management programme that provides an unconditional offer to all homeowners with a doubling ground rent); and
- Compulsory regulation of managing agents in order to improve management practices and drive up standards to safeguard homeowners.

Ground Rents Income Fund plc
Chairman's Statement (*continued*)

Leasehold reform (*continued*)

The Board agrees with the proposal in the recent consultation calling for the banning of the sale of new leasehold houses in England, where the sale of the freehold is an option and supports considered reforms that will reduce costs and strengthen the sustainable management of England's residential developments.

The Board again asks the Government to take powers already provided to establish a Code of Conduct - with regulatory backing - for housebuilders, developers, freehold investors and managing agents to protect all stakeholders in the sector, and to make a clear statement that poor practice will be driven out of our industry.

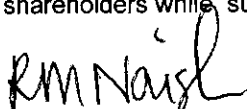
However, the Board believes that the suggested annual £10 ground rent cap is ill-conceived and inconsistent with what would be required to uphold a Code of Conduct. This is because the level of ground rent is simply too low for large-scale professional investors to invest in the sector, as it does not recognise the level of genuine management, oversight and support that a responsible investor - the recent Independent Review of Building Regulations and Fire Safety, led by Dame Judith Hackitt, called for such responsibilities to be carried out by a 'Dutyholder' - will provide to a managing agent, residents' management companies and leaseholders.

Outlook

The Board and the Investment Manager strive to continue to maintain returns for our shareholders, while ensuring we operate in an open and socially-responsible manner.

In the wider economic environment, prospects continue to be dominated by Brexit negotiations and leasehold sector reform. The ultimate outcomes remain unknown, and it is therefore difficult to assess their future impact on the UK economy and the ground rent investment market. Our portfolio is defensively positioned with regard to Brexit, as all investment property is held within the UK. Furthermore, any legislative reform that may impact the future growth of the Group is not forecast to become law before 2020/21.

As a Board we are focused on ensuring that the income of the portfolio remains robust and attractive to shareholders while, subject to market conditions, seeking new acquisitions to generate further revenue.



Malcolm Naish
Chairman

Date 20/12/2018

Ground Rents Income Fund plc

Strategic Report

The Directors present their Strategic Report on the Group for the year ended 30 September 2018.

Our business

Ground Rents Income Fund plc is a closed-ended real estate investment trust ('REIT') incorporated in England and Wales on 23 April 2012 and tax resident in the United Kingdom. Its ordinary shares and warrants were admitted to the Official List of The International Stock Exchange ('TISE') and to trading on the SETSqx platform of the London Stock Exchange in August 2012.

Ground Rents Income Fund plc, together with its subsidiaries, operates a property investment and rental business. The Group invests in a diversified portfolio of ground rents.

A ground rent is the rent paid by the lessee of a property to the freeholder or a head leaseholder of the property. It represents the underlying interest in property, which is subject to a lease for a period of time usually between 99 and 999 years. Individual amounts payable as ground rents are usually modest annual sums. Ground rents produce a secure, stable, low-risk and long-term income.

The Group's portfolio of ground rents includes freeholds and head leaseholds of well-located residential, retail and commercial properties located in the United Kingdom. The Group generates income primarily from the collection of such ground rents. It generates additional income from sources such as commissions on insurance policies.

Investment objective

The Group has been established to provide secure, long-term performance through investment in long-dated UK ground rents, which have historically had little correlation to traditional property asset classes regardless of the underlying state of the economy.

The Group gives investors the opportunity to invest in a portfolio of ground rents. The Group owns a portfolio of assets with the income generated from the collection of ground rents. These investments also have the potential for capital growth, linked to contractual increases in ground rents over the long term.

The Group seeks to generate consistent income returns for Shareholders by investing in a diversified portfolio of ground rents, including freeholds and head leases of residential, retail and commercial properties located in the United Kingdom.

Investment restrictions

The Group intends that no single ground rent property should represent more than 25 per cent of the gross asset value of the Group at the time of investment.

The Group does not expect to engage in any hedging transactions, although, at the sole discretion of the Directors, the Group may utilise hedging, financial and money market instruments in the management of its assets and risk.

The Group may reinvest both realised invested capital and any profits that have not been distributed, subject to distributing 90 per cent of distributable income profits arising from the Group's Qualifying Property Rental Business in each accounting year in order to comply with the Group's REIT obligations.

The Group may make use of structural or long-term debt facilities for investment purposes, and, if a portfolio of assets was available to be acquired in a corporate structure which had some existing borrowings within its corporate vehicles, these may be retained.

In all cases the borrowing anticipated would be limited in scale to no more than 25 per cent of the gross assets of the Group.

Ground Rents Income Fund plc

Strategic Report (*continued*)

Our strategy

The Group has acquired and intends to continue to acquire portfolios of ground rents. These interests have and will have a pre-determined long-term income stream from the lease and, ultimately, when the lease comes to an end, a reversionary value.

The Group may also exploit other investment opportunities which provide the Group with ground rent income, but may not have the right to a reversionary value such as long-dated head leases. Collection of ground rents, as well as income from additional sources such as commissions on insurance premiums, is expected to provide predictable income streams.

The freehold interest in a ground rent is usually valued on a multiple of the ground rent receivable; the lower the multiple, the higher the yield. The multiples paid vary according to a number of factors, including the amount and timing of any contractual future increases in the ground rent, market sentiment, and the unexpired period of any leases.

Ground rents acquired

Since IPO in 2012 the Group has built up a highly-diversified portfolio of freehold and long-leasehold properties to provide secure, inflation-hedged ground rent of £4.7 million. This income profile is scaled up from approximately 19,000 units across 400 addresses and a median per unit ground rent of £250 per annum.

Values of the investment properties reflect the quality of the income and the rent review profile. Ground rents that are flat and, therefore, have no reviews are the least desirable and produce the highest yields. At the other end of the scale are ground rents that are subject to frequent rent reviews that provide regular uplifts in the income stream. The most attractive of those investments are currently those linked to the Retail Prices Index ('RPI'), or those that have imminent rent reviews.

Most ground rents are subject to pre-determined rent reviews, which are documented in each lease granted by the freeholder or head leaseholder. Increases are linked to a variety of measures; they may be indexed to factors such as RPI, they may be subject to a periodic doubling or subject to fixed-sum increases. The review cycles vary between annual and 50 years, although 91% of the Group's ground rents are 20 years or less. The driver of movements in the valuation of a ground rent investment tends to be variations in yields, until the final few years before a review date.

As at 30 September 2018, the total net assets of the Group were £113.2 million (2017: £127.4 million), of which £127.5 million (2017: £139.1 million) was represented by investments in ground rents.

Current year activity

The Group completed three acquisitions in the year ended 30 September 2018, which increased the ground rent roll by £0.1 million at a cost of £2.4 million, giving a gross initial ground rent yield of 4.31%. These transactions were executed despite the prevailing uncertainty due to the transactions being negotiated historically at prices accretive to the NAV and income profile of the portfolio.

Beetham Tower Birmingham

In November 2017, the 999 year residential head lease interest of Beetham Tower Birmingham was purchased by the Group. The 39-floor mixed-use building, designed by SimpsonHaugh, was built in 2006. The 152 apartments generate £25,950 of total ground rent linked to 21-year RPI, although a non-peppercorn rent linked to five-year RPI is payable to the freeholder, which brings net ground rent to £13,288 for the year.

The Group paid £0.2 million for the asset, giving a gross initial ground rent yield of 8.74%, which should provide an excellent income return on capital deployed, partly due to the unusual ground rent review pattern secured against one of Birmingham's most recognisable buildings.

Lewisham Gateway

In December 2017, the Group purchased the 250 year long-leasehold interest for the first residential phase of the Lewisham Gateway scheme, having exchanged contracts in September 2015. The acquisition of phase one consists of a 68-unit Private Rented Sector ('PRS') block operated by Fizzy Living as well as a block of private sale units consisting of 125 apartments. In total, the 193 units generate £64,000 of ground rent linked to 20-year RPI at a cost of £1.5 million, giving a gross initial ground rent yield of 4.30%.

Ground Rents Income Fund plc

Strategic Report (*continued*)

Current year activity (*continued*)

Rathbone Market

Also in December 2017, the third and final phase of the Rathbone Market development, located in Canning Town, London, was acquired for £0.7 million. The 150 year long-leasehold acquisition consists of 75 ground rent-paying private residential apartments, as well as an 87-unit PRS block and 54 affordable units.

Total ground rent of £22,500 is linked to 20-year RPI, which gives a gross initial ground rent yield of 3.33%. The Group has now secured the entire long-leasehold interest in the site, having previously purchased the first two phases. The acquisition should therefore protect the Group's interest in the wider scheme. The high reversionary values of the sites should provide the Group with excellent secure, long-term, inflation-hedged income.

Asset management project

In conjunction with the Investment Manager, the Board of Directors agreed to contact all residential leaseholders with doubling ground rents and offer them the opportunity to convert their existing review mechanism to the lesser of inflation, as measured by RPI, or doubling, while retaining their existing review cycle. The process is ongoing and is expected to conclude in early 2019. This small but important variation ensures that consumers are protected from excessive rental increases which are ahead of inflation.

Asset focus

The five most valuable assets and their respective locations as at 30 September 2018 are as follows:

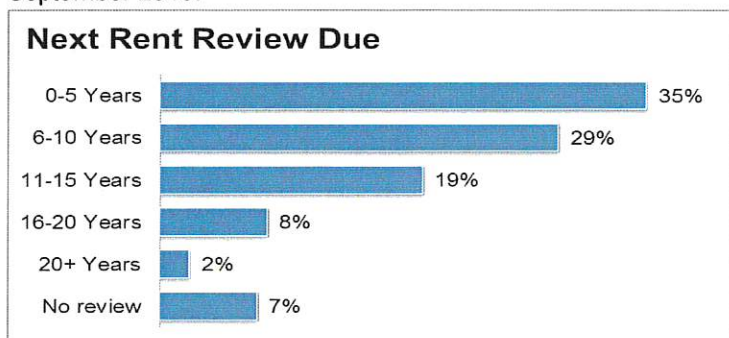
Building name	Location	Value
Vita York	York	£8.2 million
Gateway	Leeds	£3.9 million
One Park West	Liverpool	£3.6 million
Wiltshire Leisure Village	Wiltshire	£3.3 million
Vita First Street	Manchester	£2.9 million

The largest asset represents 6.1% of the total portfolio.

The Group has limited exposure to leasehold houses. Of the total number of units in the portfolio 15% are houses, which generate only 11% of total ground rent income since the median ground rent on the houses is £110 per annum. None are subject to perpetual 10-year doubling review patterns, which have attracted some recent focus in the media. Furthermore, the Group has no exposure to perpetual doubling ground rents and de minimis exposure to 10-year doubling assets, which account for only 4% of total ground rent income. These three assets double a maximum of three times before reverting to having either no further review or an indexed-linked review cycle.

Portfolio characteristics

The chart below shows the period of time before the next review date for the ground rents in the portfolio at 30 September 2018:

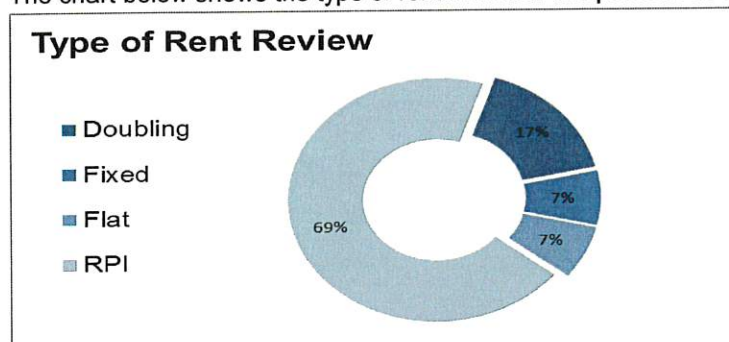


The chart demonstrates that 35% of the portfolio will be subject to a rent review within the next five years. Typically, the impact of a forthcoming rent review is recognised in the valuation over the three years leading up to the review date.

Ground Rents Income Fund plc Strategic Report (continued)

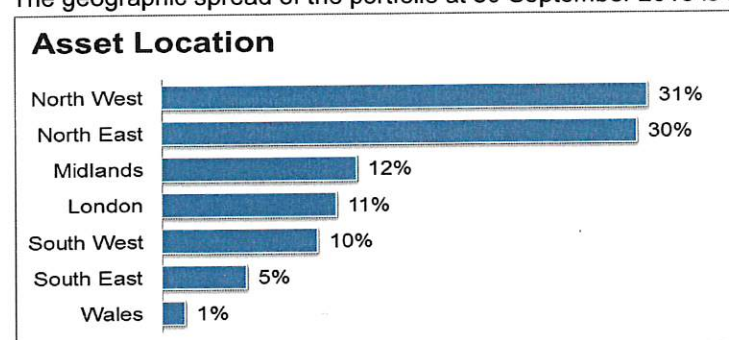
Portfolio characteristics (continued)

The chart below shows the type of rent review in the portfolio at 30 September 2018:



69% of the portfolio's income or gross rent roll is directly linked to inflation-based indices. The doubling and fixed rate increases also provide an inflation hedge for the portfolio but over different review cycles to index-linked assets.

The geographic spread of the portfolio at 30 September 2018 is shown in the chart below:



31% of the Group's portfolio is located in the North West and 30% in the North East, based on ground rents income.

Key Performance Indicators

Many of the Key Performance Indicators ('KPIs') are linked to the appraisal of acquisition opportunities and the amount of cash available for investment.

In order to ensure that the Group has identified investments which are appropriate for the Group and which will allow the Directors to achieve the strategic aims of the Group, the Investment Manager considers the following factors when reviewing acquisition opportunities:

- Acquisition cost as a multiple of ground rent income, from which gross yield is imputed
- Potential for additional income streams
- Type of rent review
- Rent review cycle
- Number of years before next rent review
- Location
- Value relative to total portfolio

These factors are considered on an ad hoc basis at meetings of the AIFM Investment Committee when acquisition opportunities are considered for approval.

In order to monitor the performance of the Group against its stated income and capital growth objectives and its tax status, the Directors consider the following KPIs reported on and considered at the quarterly Directors' meetings.

- Dividend yield

The dividend reflects the Group's ability to deliver a sustainable income stream from its portfolio.

In the year ended 30 September 2018, the dividend yield on the ordinary shares was 3.96% (year ended 30 September 2017: 3.96%) on the weighted average issue price.

Ground Rents Income Fund plc

Strategic Report (*continued*)

Key Performance Indicators (*continued*)

- Ongoing charges

The ongoing charges measure is the ratio of Group administration and operating costs expressed as a percentage of average net asset value throughout the year. It represents a measure of costs associated with managing and operating the Group, which includes the management fees due to the Investment Manager. It provides investors with a clear picture of operational costs involved in running the Group.

For the year ended 30 September 2018, the ratio was 0.72% (30 September 2017: 0.67%).

- NAV

Net asset value (NAV) is the value of an entity's assets minus the value of its liabilities. It reflects the Group's ability to grow the portfolio and add value to it through its assets.

As at 30 September 2018 the NAV was £113.2 million (30 September 2017: £127.4 million).

- Portfolio valuation

The Directors review analysis of the portfolio valuation and composition with reference to geographical location and timing of rent reviews.

The Directors cannot set a target figure for the portfolio valuation as it is influenced by external factors which are not under the control of the Directors. However, the AIFM Investment Committee prepare forecasts and consider the characteristics of each investment opportunity carefully before deciding on an appropriate offer as well as seeking independent confirmation of the value prior to purchase.

- Compliance with REIT rules

The Directors review each of the REIT criteria and monitor compliance on a quarterly basis. If there were any indicators that the Group would cease to comply with the REIT regime, the Directors would ensure that appropriate steps were taken to ensure compliance. There has been no non-compliance noted during these reviews.

Alternative Investment Fund Manager ('AIFM')

Brooks Macdonald Funds Limited (the 'Investment Manager') is authorised and regulated by the Financial Conduct Authority ('FCA') as a full-scope AIFM and provides its services to the Group.

INDOS Financial Limited ('INDOS') act as the depositary to the Group, responsible for cash monitoring, asset verification and oversight on behalf of shareholders.

Under the AIFM Directive, the Group is required to make disclosures in relation to its leverage under the prescribed methodology of the Directive. These are set out in Note 11 of the notes to the Group consolidated financial statements.

During the year the parent company of the AIFM, Brooks Macdonald Group plc, disposed their property management business Braemar Estates (Residential) Limited ('Braemar Estates'). The ownership of Braemar Estates, who the AIFM delegates the majority of the Group's property management services to, passed to Rendall & Rittner Limited on completion of the disposal.

Social, community and employee responsibility

The Group has no direct social, community or employee responsibilities. The Group has no employees other than three Directors and accordingly no requirement to separately report in this area, as the management of the portfolio is the responsibility of the Investment Manager.

The Investment Manager is an equal opportunities employer, who encourages employee involvement in its financial performance, considers that regular employee training is extremely important and recognises the need for employees to have an appropriate work-life balance.

The Group is not within the scope of the Modern Slavery Act 2015 because it has not exceeded the turnover threshold and is therefore not obliged to make a slavery and human trafficking statement. The Directors are satisfied that, to the best of their knowledge, the Group's principal suppliers comply with the provisions of the UK Modern Slavery Act 2015.

Ground Rents Income Fund plc

Strategic Report (*continued*)

Principal risks and uncertainties

The Group has identified the risks arising from its activities and has established policies and procedures as part of a formal structure of managing risk. The key risks and how these are managed are considered below:

- **Investment objective**

The Directors are conscious that new investments must achieve the target return of the portfolio. An investment with a lower return profile would be detrimental to the performance of the portfolio as a whole. The AIFM Investment Committee reviews each transaction to ensure that any ground rents purchased will generate returns which are in line with the desired return level for the portfolio.

- **Compliance with laws and regulations**

The Group must remain compliant with the REIT rules in order to take advantage of the potential efficiencies in its tax affairs, including exemption from UK corporation tax on profits and gains from its UK property rental business. The Group must also remain compliant with the prescribed requirements of the Listing Rules of the International Stock Exchange, Market Abuse Regulations ('MAR'), the Companies Act and other statutory requirements. The AIFM must also comply with the requirements of the AIFM Directive.

The Directors receive a quarterly report on the Group's compliance with the REIT rules and take independent advice on the conduct of its business to ensure that it remains compliant with the REIT regime. The Group Company Secretary monitors compliance and reports to the Directors on a quarterly basis. The Group's Depositary, responsible for cash monitoring, asset verification and oversight of the Group reports to the Directors also on a quarterly basis.

- **Dependence on the investment advice, key individuals and relationships**

The Group's ability to achieve its investment objective is substantively dependent on the performance of the AIFM and its identification of suitable acquisitions and disposals and the management of such investments. Failure by these people to provide appropriate advice and support to the Group could have a materially adverse effect on the Group.

The Directors monitor the AIFM and review the Group performance on a quarterly basis. The Management Engagement Committee reviews the AIFM's performance on an annual basis. The Group engages with reputable advisers following appropriate due diligence undertaken by the AIFM and Directors.

- **Availability of equity and/or debt**

The Group has forward commitments to complete transactions for which it has exchanged contracts and may in future take an option to acquire ground rents on property which has yet to be constructed. If insufficient cash exists, the Group will need to seek additional equity and/or debt within its self-imposed borrowing restrictions.

The Directors monitor liquidity and projected cash flows at each quarterly board meeting. The pipeline of acquisitions identifies capital requirements in good time for the Directors to consider the financing options available to them.

- **Investment market conditions**

A systematic fall in the valuation of ground rent assets could lead to a fall in the Group's NAV. Valuations are linked to multiples of the ground rent payable and ground rents payable are subject to pre-determined, contractual review dates and amounts. The multiples vary according to market sentiment, the nature of the rent review and the time until the next rent review.

The AIFM looks to invest in assets with pre-determined uplifts in ground rent receivable with pre-determined review cycles over the long-term.

- **Leaseholder payment of ground rents**

Ground rent receivables form part of the Group's cash flow receipts and are managed tightly to ensure they do not become large enough to inhibit the Group's ability to manage its cash flows. The AIFM employs agreed collection procedures and timelines and, at the last resort, the right of forfeiture for non-payment of ground rent can be implemented.

Ground Rents Income Fund plc

Strategic Report (*continued*)

Principal risks and uncertainties (*continued*)

- Insurance cover

Insurances and the adequacy of insurance cover is monitored by the AIFM and the Group's insurance broker, using risk and insurance information collated by the AIFM, its managing agents and surveyors. Property reinstatement values are independently assessed every three years, in accordance with the underwriter's requirements. Health & Safety reporting is reviewed by the Directors on a quarterly basis.

If a property were to suffer an uninsured loss, due to a failure to insure the building or if a building was insured for an inadequate reinstatement value, the Group would incur costs to reinstate the property where no coverage is provided under the scope of the Group insurance policy wording or schedule of endorsements.

- Working capital liquidity

Sufficient working capital liquidity is required to service payables including dividend distributions and committed property transactions when they fall due. The AIFM manages and monitors short-term liquidity requirements to ensure the Group maintains a surplus of immediately realisable assets over its liabilities, such that all known and potential cash obligations can be met.

Future developments

The Group will continue to seek suitable ground rent acquisitions and employ its existing cash resources, while intending to maintain the dividend yield for the year ahead. The Directors intend to be highly selective in making any acquisitions. They may also consider the disposal of certain assets should suitable opportunities arise for sale and re-investment which would enhance shareholder value.

While the media and political focus on the ground rent market has dampened transactional volumes, any further movements in valuation will be reflected in the next independent valuation, which will be performed by Savills as at 31 March 2019.

On behalf of the board:



Simon Paul Wombwell
Director

Date 20/12/2018

Ground Rents Income Fund plc

Directors' Report

The Directors present herewith their report in accordance with the requirements of the Companies Act 2006, together with the audited consolidated financial statements for the Group and Company for the year ended 30 September 2018.

Results and dividends

A summary of the Group's performance during the year is set out in the Chairman's Statement on pages 2 to 4.

The stated policy of the Group is to pay quarterly interim dividends and details of the interim dividends paid during the year are set out in Note 18 of the notes to the Group consolidated financial statements.

Total dividends of 3.96p per ordinary share were paid for the year ended 30 September 2018 (2017: 3.96p). These dividends amount to £3,829,799 (2017: £3,702,456). In accordance with the Directors' policy of paying all dividends as interim dividends, the Directors do not recommend payment of a final dividend.

Listing requirements

Throughout the accounting year ended 30 September 2018, the Group complied with the conditions set out in the TISE Rules for Companies. The Directors monitor the compliance at board meetings and take advice from the Group's TISE Listing sponsor where required.

Board of Directors

The following persons served as Directors during the year and up to the date of signing the financial statements:

Robert Malcolm Naish
Paul Anthony Craig
Simon Paul Wombwell

Third party indemnity provisions

The Company has made qualifying third-party indemnity provisions for the benefit of its Directors. These provisions were in force during the year and these remain in force at the date of this report.

Substantial shareholdings

At the quarterly board meetings, the Directors review the report of composition of shareholders to ensure compliance with the REIT rules (not be a close company).

As at 18 December 2018, the Group had been informed of the following notifiable interests in the voting rights of the Group, in accordance with DTR5:

	30 September 2018 % of total voting rights	18 December 2018 % of total voting rights
Schroders plc	18.88	no change
Transact (EO)	11.48	12.79
CG Asset Management	7.98	no change
Brooks Macdonald	7.05	no change
NW Brown	6.19	no change
Ruffer	6.13	no change
Quilter Investors	6.13	no change

Political donations

Neither the Company nor its subsidiaries has made any political donation or incurred political expenditure during the year.

Financial instruments

Details of the Group's use of financial instruments, together with information on policies and exposure to risk, can be found within the Strategic Report on pages 5 to 11 and in note 12 of the notes to the Group consolidated financial statements. This information is incorporated into this Directors' Report by reference and is deemed to form part of this Directors' Report.

Ground Rents Income Fund plc

Directors' Report (*continued*)

Events after the reporting year

There are no events after the reporting year of note.

Going concern

At the year end date, the Group had a debt facility of £19.5 million, expiring on 15 November 2021, which was fully drawn down. The Directors have prepared cash forecasts in excess of two years and have concluded that sufficient cash reserves exist that enable them to continue to prepare the financial statements on a going concern basis.

Future developments

An indication of likely future developments in the Group can be found within the Strategic Report on pages 5 to 11. This information is incorporated into this Directors' Report by reference and is deemed to form part of this Directors' Report.

Statement of Directors' responsibilities in respect of the financial statements

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group and parent company financial statements in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union. 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 Group and the parent company and of the profit or loss of the Group and parent company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union 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 Group and parent company will continue in business.

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

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

The Directors of the ultimate parent company are responsible for the maintenance and integrity of the ultimate parent company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Disclosure of information to auditors

PricewaterhouseCoopers LLP have expressed their willingness to continue in office as auditors and this will be considered at the next Annual General Meeting.

Each person who was a director at the time this report was approved confirms that:

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

Ground Rents Income Fund plc
Directors' Report (*continued*)

Corporate Governance

The Board is committed to the highest standards of corporate governance, which meet the statutory and regulatory requirements for companies listed in Guernsey on the International Stock Exchange.

Leadership and governance

Although the Group does not fully comply with or is required to adhere to the UK Corporate Governance Code, the Directors place a great deal of importance on ensuring that high standards of corporate governance are maintained and, wherever possible, are committed to the principles of corporate governance contained in the UK Corporate Governance Code issued by the Financial Reporting Council ('the Code') in 2016.

Independent non-executive Directors

In reference to smaller companies, the Code recommends that at least two non-executive members of the Board (excluding the Chairman) should be independent in character and judgement and free from relationships or circumstances which are likely to affect, or could appear to affect, their judgement.

The Board continues to be composed of three non-executive Directors. The Board has carefully considered the Directors' independence and has determined that the Directors will discharge their duties in an independent manner.

The independence of each Director is considered on a continuing basis. The Board is satisfied that there is a balance of skills and experience, independence and knowledge of both the Group and the wider investment company sector, to enable it to discharge its respective duties and responsibilities effectively and that no individual or group of individuals is, or has been, in a position to dominate decision-making.

Board committees

The Board has established the Audit Committee and the Management Engagement Committee.

The Audit Committee meets at least once a year and reviews the financial reporting process and system of internal control and management of financial risks. The Audit Committee is responsible for overseeing the Group's relationship with the external auditors, including making recommendations to the Board on the appointment of the external auditors and their remuneration. The Audit Committee considers the nature, scope and results of the auditors' work and reviews. The Audit Committee primarily focuses on compliance with legal requirements, accounting standards and the TISE Listing Rules and ensures that an effective system of internal financial and non-financial controls is maintained. The ultimate responsibility for reviewing and approving the annual report and financial statements remains with the Board.

The Management Engagement Committee comprises Malcolm Naish, who chairs the committee, and Paul Craig. The committee meets a minimum of once a year. The function of the committee is to ensure that the Investment Manager complies with the terms of the Investment Management Agreement and that the provisions of the agreement follow industry practice and remain competitive and in the best interests of shareholders. The Management Engagement Committee will also consider the appointment, remuneration and performance of suppliers of services to the Group.

The Directors have not established remuneration or nomination committees as they do not believe that such committees would be appropriate given the nature of the Group's operations. The Board annually reviews the remuneration of the Directors and agrees the level of non-executive fees. The Board actively considers future succession plans as well as consideration as to whether the Board has the skills required to manage the Group effectively. The assessment of the performance of the Chairman is determined by the other Directors.

Board meetings and attendance

The Board meets at least four times each year. Additional meetings are also arranged as required and regular contact between Directors and the Investment Manager is maintained throughout the year. Representatives of the Investment Manager and Company Secretary attend each Board meeting and other advisers also attend when requested to do so by the Board.

All three Board members have attended all Board meetings throughout the year.

Ground Rents Income Fund plc

Directors' Report (continued)

The Investment Manager

Under the Investment Manager Agreement, the Board has delegated day-to-day responsibility for running the Group to the Investment Manager. To ensure open and regular communication between the Investment Manager and the Board, the Investment Manager is invited to the Board meetings where appropriate, to report on matters such as the Group's portfolio management, financial reporting, and wider corporate and operational activities.

Shareholders

The Board encourages two-way communication with both its institutional and private investors and responds quickly to queries received either orally or in writing. All shareholders will be given at least 21 days' notice of the Annual General Meeting ('AGM'), where all Directors and committee members will be available to answer questions.

At the AGM all votes will be dealt with on a show of hands and the number of proxy votes cast is indicated. Votes on separate issues will be proposed as separate resolutions. The Investment Manager and corporate broker N+1 Singer Capital Markets Limited regularly update the Board with the views of shareholders and analysts.

Internal control

The Investment Manager is responsible for operating the Group's system of internal control and reviewing its effectiveness. Such a system is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and can provide only reasonable but not absolute assurance against material misstatement or loss. The Audit Committee will review annually the Investment Manager's approach to internal control to ensure it is working effectively. There were no internal control breaches during the year.

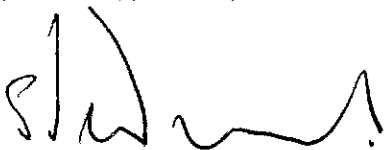
Financial and business information

The Board is responsible for preparing the Annual Report and the financial statements. The Board believes when taken as a whole they are fair, balanced and understandable, and provide the information necessary to assess the Group's performance.

Anti-bribery and corruption

The Board has a zero tolerance policy towards bribery and is committed to carrying out business fairly, honestly and openly. In considering The Bribery Act 2010, at the date of this report, the Board has assessed the perceived risks to the Group arising from bribery and corruption and to identify aspects of business which may be improved to mitigate such risks.

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



Simon Paul Wombwell
Director

Company registered number: 8041022

Date 20/12/2018

Ground Rents Income Fund plc
**Independent auditors' report to the members of
Ground Rents Income Fund plc**

Report on the audit of the financial statements

Opinion

In our opinion, Ground Rents Income Fund plc's Group financial statements and parent company financial statements (the "financial statements"):

- give a true and fair view of the state of the Group's and of the parent company's affairs as at 30 September 2018 and of the Group's loss and the Group's and the parent company's cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company's financial statements, as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the consolidated and company statements of financial position as at 30 September 2018; the consolidated statement of comprehensive income, the consolidated and company statements of cash flows, and the consolidated and company statements of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion


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

Independence

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

Our audit approach

Overview

	<ul style="list-style-type: none">• Overall group materiality: £1,349,716 (2017: £1,488,885), based on 1% of total assets.• Overall parent company materiality: £956,710 (2017: £946,575), based on 1% of total assets.• For income statement line items we applied a lower specific materiality of £173,602 (2017: £165,536) for the Group and £16,965 (2017: £27,470) for the parent company based on 5% of profit before tax (PBT).• We audited the complete financial information of each entity held within the Group.• The key audit matter that we identified in the current year was the valuation of the investment property portfolio.
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The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Ground Rents Income Fund plc
Independent auditors' report to the members of
Ground Rents Income Fund plc (continued)

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
<p>Valuation of investment properties Refer to page 27 (accounting policies) and pages 31 to 32 (notes to the financial statements).</p> <p>The valuation of the investment property portfolio is inherently subjective and is underpinned by a number of assumptions. The valuation of the Group's investment properties is the key component of the net asset value and underpins the Group's result for the year. The result of the revaluation this year was a loss of £14,160k (2017: gain of £1,348k), which is accounted for within 'Net revaluation on investment properties' and is a significant component of the result for the year.</p> <p>The Group's property portfolio has been independently valued by Savills Advisory Services Limited ('Savills' or the 'Valuer') in accordance with the RICS Valuation - Professional Standard ('RICS').</p> <p>In determining a property's valuation the Valuer takes into account property-specific information such as the current rental income, the rent review mechanism and the time to the next rent review. They apply assumptions included in the leasehold valuation model, such as the original lease, market yields and comparable market transactions, to arrive at the final valuation.</p> <p>Our audit paid particular focus to the relevant specific valuations impacted by the Governments' consultation paper "Tackling unfair practices in the leasehold market".</p> <p>The existence of significant estimation uncertainty, coupled with the fact that only a small percentage difference in individual property valuations, when aggregated, could result in a material misstatement on the income statement and balance sheet, warrants specific audit focus in this area.</p>	<p>Experience of the Valuer and relevance of their work</p> <p>We read the Valuer's report and held direct discussion with Savills valuation team. We confirmed that the approaches used were consistent with the RICS guidelines and suitable for use in determining the carrying value for the purpose of the financial statements. We assessed the Valuer's qualifications and expertise and read their terms of engagement with the Group, to determine whether there were any matters that might have affected their objectivity or imposed scope limitations upon them. We found no evidence to suggest that the objectivity of the Valuer in their performance of the valuations was compromised.</p> <p>Data provided to the Valuer</p> <p>We performed testing, on a sample basis, to satisfy ourselves of the accuracy of the property information supplied to the Valuer by management. This data included annual rental income, the rent review mechanism and the rent review cycle to supporting evidence, such as the original lease.</p> <p>Assumptions and estimates used by the Valuer</p> <p>We attended meetings with the Valuer independently of management, at which the valuations and the key assumptions therein were discussed. Our work covered the valuation of every property in the Group.</p> <p>We challenged management's expert on the consistency of the application of the key assumptions used in the valuations, including the YP multiple, and ensured the responses reflected the particular characteristics of each property.</p> <p>Our testing which involved the use of our internal real estate valuation specialists, qualified chartered surveyors with deep market knowledge, indicated that the estimates and assumptions used were appropriate in the context of the Group's property portfolio and reflected the circumstances of the market in the year.</p>

Ground Rents Income Fund plc
Independent auditors' report to the members of
Ground Rents Income Fund plc (continued)

We determined that there were no key audit matters applicable to the parent company to communicate in our report.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the parent company, the accounting processes and controls, and the industry in which they operate.

The Group engagement team audited all entities within the Group and therefore all audit matters relevant to the Group were communicated on a frequent basis.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group and parent company overall materiality	Group and parent company specific materiality for income statement account balances
Overall materiality	Group: £1,349,716 (2017: £1,448,885) Parent company: £956,710 (2017: £946,575)	Group: £173,602 (2017: £165,536) Parent company: £16,965 (2017: £27,470)
How we determined it	1% of total assets.	5% of profit before tax
Rationale for benchmark applied	The key measure of the Group and parent company's performance is the materiality was applied to income statement valuation of investment properties and account balances. This was determined on the balance sheet as a whole. Given the basis of 5% PBT excluding the this, consistent with the prior year, we revaluation gain. A specific materiality was set an overall Group materiality level considered as the most appropriate method based on total assets.	
		to ensure sufficient coverage across the income statement.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of reduced overall materiality allocated across components was between £40 and £417,509. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £67,488 (Group audit) (2017: £74,444) and £47,878 (Parent company audit) (2017: £47,329) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's and parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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

Ground Rents Income Fund plc

Independent auditors' report to the members of Ground Rents Income Fund plc (*continued*)

Reporting on other information

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

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

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

Based on the responsibilities described above and our work undertaken in the course of the audit, the Companies Act 2006 and ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 30 September 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' responsibilities set out on page 13, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

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

Ground Rents Income Fund plc
Independent auditors' report to the members of
Ground Rents Income Fund plc (continued)

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.



Daniel Brydon (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester

Date 20 December 2018

Ground Rents Income Fund plc
Consolidated Statement of Comprehensive Income
for the year ended 30 September 2018

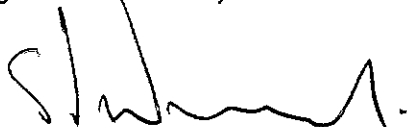
	Note	Year ended 30 September 2018 £	Year ended 30 September 2017 £
Continuing operations			
Revenue	2	5,356,965	5,137,103
Administrative expenses	3	(1,322,983)	(1,232,615)
Profit on sale of ground rent assets and leasehold property		165,469	3,375
Net revaluation on investment properties	8	(14,160,078)	1,347,518
Operating (loss)/profit		<u>(9,960,627)</u>	<u>5,255,381</u>
Finance income	5	26,129	18,110
Finance expenses	6	<u>(753,539)</u>	<u>(615,248)</u>
Net finance expense		<u>(727,410)</u>	<u>(597,138)</u>
(Loss)/profit before tax		<u>(10,688,037)</u>	<u>4,658,243</u>
Taxation	7	-	-
Result after tax and total comprehensive (expense)/income		<u>(10,688,037)</u>	<u>4,658,243</u>
(Losses)/earnings per share			
Basic	13	(11.05p)	4.98p
Diluted	13	(11.05p)	4.90p

The accompanying notes on pages 25 to 39 form an integral part of the consolidated financial statements.

Ground Rents Income Fund plc
Consolidated Statement of Financial Position
as at 30 September 2018

	Note	2018 £	2017 £
Assets			
Non-current assets			
Investment properties - ground rents	8	127,509,800	139,088,000
		<u>127,509,800</u>	<u>139,088,000</u>
Current assets			
Trade and other receivables	9	1,895,271	2,571,888
Cash and cash equivalents		5,566,561	7,228,645
		<u>7,461,832</u>	<u>9,800,533</u>
Total assets		<u>134,971,632</u>	<u>148,888,533</u>
Liabilities			
Non-current liabilities			
Financial liabilities measured at amortised cost	11	(19,211,693)	(19,117,641)
		<u>(19,211,693)</u>	<u>(19,117,641)</u>
Current liabilities			
Trade and other payables	10	(2,604,005)	(2,381,414)
		<u>(2,604,005)</u>	<u>(2,381,414)</u>
Total liabilities		<u>(21,815,698)</u>	<u>(21,499,055)</u>
Net assets		<u>113,155,934</u>	<u>127,389,478</u>
Financed by:			
Equity			
Share capital	15	48,503,198	48,356,050
Share premium account	16	45,884,305	45,747,161
Retained earnings	17	29,456,468	28,628,024
(Loss)/profit for the financial year	17	(10,688,037)	4,658,243
Total equity		<u>113,155,934</u>	<u>127,389,478</u>
Net asset value per ordinary share			
Basic	14	116.65p	131.72p
Diluted	14	115.92p	130.24p

The financial statements on pages 21 to 39 were approved and authorised for issue by the board of directors and signed on its behalf by:



Simon Paul Wombwell
 Director
 Ground Rents Income Fund plc
 Company registered number: 8041022

Date 20/12/2018

The accompanying notes on pages 25 to 39 form an integral part of the consolidated financial statements.

Ground Rents Income Fund plc
Consolidated Statement of Cash Flows
for the year ended 30 September 2018

	Note	Year ended 30 September 2018 £	Year ended 30 September 2017 £
Cash flows from operating activities			
Cash generated from operations	19	4,787,311	3,751,965
Interest paid on bank loan and bank charges		(753,539)	(455,921)
Net cash generated from operating activities		<u>4,033,772</u>	<u>3,296,044</u>
Cash flow from investing activities			
Interest received		26,129	18,110
Receipts from the sale of ground rent assets and leasehold property		452,350	15,000
Purchasing of ground rent assets and selling of leasehold property		(2,628,828)	(12,053,007)
Net cash used in investing activities		<u>(2,150,349)</u>	<u>(12,019,897)</u>
Cash flows from financing activities			
Net proceeds from issuance of shares	19	284,292	3,298,323
Bank loan net proceeds		-	11,049,199
Dividends paid to shareholders	18	(3,829,799)	(3,702,456)
Net cash (used in)/generated from financing activities		<u>(3,545,507)</u>	<u>10,645,066</u>
Net (decrease)/increase in cash and cash equivalents	20	<u>(1,662,084)</u>	<u>1,921,213</u>
Net cash and cash equivalents at 1 October		<u>7,228,645</u>	<u>5,307,432</u>
Net cash and cash equivalents at 30 September		<u>5,566,561</u>	<u>7,228,645</u>

The accompanying notes on pages 25 to 39 form an integral part of the consolidated financial statements.

Ground Rents Income Fund plc
Consolidated Statement of Changes in Equity
for the year ended 30 September 2018

	Share capital £ 15	Share premium account £ 16	Retained earnings £ 17	Total equity £
Note				
At 1 October 2016	46,701,006	44,103,882	32,330,480	123,135,368
Comprehensive income				
Profit for the year	-	-	4,658,243	4,658,243
Total comprehensive income	-	-	4,658,243	4,658,243
Transactions with owners				
Issue of share capital	1,655,044	1,655,045	-	3,310,089
Share issue costs	-	(11,766)	-	(11,766)
Dividends paid (note 18)	-	-	(3,702,456)	(3,702,456)
At 30 September 2017	48,356,050	45,747,161	33,286,267	127,389,478
At 1 October 2017	48,356,050	45,747,161	33,286,267	127,389,478
Comprehensive expense				
Loss for the year	-	-	(10,688,037)	(10,688,037)
Total comprehensive expense	-	-	(10,688,037)	(10,688,037)
Transactions with owners				
Issue of share capital	147,148	147,149	-	294,297
Share issue costs	-	(10,005)	-	(10,005)
Dividends paid (note 18)	-	-	(3,829,799)	(3,829,799)
At 30 September 2018	48,503,198	45,884,305	18,768,431	113,155,934

The accompanying notes on pages 25 to 39 form an integral part of the consolidated financial statements.

Ground Rents Income Fund plc
Notes to the Consolidated Financial Statements
for the year ended 30 September 2018

1 Accounting policies

Ground Rents Income Fund plc (the 'Company') is a public limited company incorporated and domiciled in the United Kingdom. The consolidated financial statements of the Company comprise the Company and its subsidiaries (together referred to as the 'Group').

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union, IFRS IC interpretations, and the Companies Act 2006 applicable to companies reporting under IFRS and issued by the International Accounting Standards Board (the 'IASB').

(b) Basis of preparation

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of ground rent properties. They are presented in sterling, which is the Group's functional currency.

At the year end date, the Group had a fully drawn down debt facility of £19,500,000, expiring on 15 November 2021. The Directors continue to prepare the financial statements on a going concern basis.

The accounting policies have been consistently applied to the results, assets, liabilities and cash flows of the entities included in the consolidated financial statements are consistent with those of the previous year.

(c) Adoption of new and revised standards

The following new EU-endorsed standards, amendments to standards and interpretations are mandatory for the first time for the financial years ending 30 September 2018, but have not had an impact on the amounts reported in the Group financial statements:

Amendments to IAS 7	'Statement of cash flows' - on the disclosure initiative
Amendments to IAS 12	'Income taxes' - on the recognition of deferred tax assets

In addition to the above, the following new EU-endorsed standards, amendments to standards and interpretations have been issued and are effective for financial years beginning on or after 1 October 2018 or later, but have not been early adopted:

IFRS 9	'Financial instruments'
IFRS 15	'Revenue from contracts with customers'
IFRS 16	'Leases'

In July 2014, the IASB issued the final version of IFRS 9 - Financial Instruments that replaces IAS 39 - Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. Overall, the Directors expect no significant impact from IFRS 9 on the financial statements.

IFRS 15 - Revenue from Contracts with Customers is a converged standard from the IASB on revenue recognition. The standard will improve the financial reporting of revenue and improve comparability of the top line in financial statements globally. It is more prescriptive in terms of what should be included within revenue than IAS 18 - Revenue. The Directors do not expect the application of IFRS 15 to have a significant impact on the Group's financial statements.

IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. IFRS 16 was issued in January 2016 and applies to annual reporting periods beginning on or after 1 January 2019.

The impact of the following new standards and amendments will be assessed in detail prior to adoption. However, at this stage the Directors do not anticipate them to have a material impact on the amounts reported in the Group financial statements:

IFRS 17	'Insurance contracts'
IFRIC 23	Uncertainty over income tax treatments'
Amendments to IFRS 2	'Share based payments' - on transaction accounting clarification
Amendment to IFRS 4	'Insurance contracts' - regarding IFRS 9 'Financial instruments'
Amendment to IAS 40	'Investment property'

Ground Rents Income Fund plc
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1 Accounting policies (continued)

(d) Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's directors.

(e) Critical accounting estimates and judgements

The preparation of financial information requires the use of assumptions, estimates and judgements about future conditions. Use of available information and application of judgement are inherent in the formation of estimates. Actual results in the future may differ from those reported. In this regard, management believes that the accounting policies where judgement is necessarily applied are those that relate to valuations. The estimation of the underlying assumptions are reviewed on an ongoing basis.

The valuation of investment properties is dependent on external factors such as the availability of fixed rate investments in the market as well as factors specific to the nature of the investment. While interest rates remain low, ground rents are viewed as attractive investments due to the secure, fixed income streams. The value is also dependent on the timing and amount of future rental uplifts, the most attractive being those linked to RPI with rental cycles of 10 years or less. The least attractive are those ground rents which are flat with no future uplifts.

Property valuations often refer to the YP multiple, otherwise known as Years Purchase (equivalent to the valuation divided by the current ground rent).

Valuations are provided by an independent third-party valuer and reviewed carefully by the Directors before inclusion in the financial statements. Further information about the qualifications of the independent third-party valuer and the valuation methods can be found in note 8.

(f) Basis of consolidation

The Group's financial statements comprise a consolidation of the financial statements of the parent company (Ground Rents Income Fund plc) and its subsidiaries. The financial statements of the subsidiaries are prepared using consistent accounting policies. Subsidiaries are entities controlled by the Group and control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefit from its activities. The financial statements of the subsidiaries are included from the date on which control is transferred to the Group. Financial statements of subsidiaries are deconsolidated from the date on which control ceases.

All intra-group transactions and balances are eliminated on consolidation.

(g) Revenue

Revenue represents the value of ground rent income due in the period together with any supplementary income earned in the year, including insurance income, tenant fees and other income. Ground rent revenue is recognised on a straight line basis over the term receivable.

(h) Finance income and expenses

Finance income comprises interest receivable on bank deposits. Finance expenses comprise interest and other costs incurred in connection with the borrowing of funds. Finance income and expenses are recognised in the income statement in the period in which they are accrued.

(i) Taxation

Tax on the profit for the year comprises current tax. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the year end date.

(j) Deferred tax

Generally, the Group is not exposed to deferred tax because it is a REIT. REITs do not pay tax on property income and gains.

Ground Rents Income Fund plc
Notes to the Consolidated Financial Statements
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1 Accounting policies (continued)

(k) Investment properties - ground rents

Ground rents are carried in the statement of financial position at their open market value. The Directors have applied the fair-value model in IAS 40 - Investment Property. Properties are revalued at the statement of financial position date by an independent valuer. Expenses that are directly attributable to the acquisition of a ground rent are capitalised into the cost of investment. Gains and losses on changes in fair value of ground rent assets are recognised in the income statement. The Directors instruct the independent valuers from time to time as the need arises. Gains and losses on changes in fair value are recognised at the time of each valuation.

(l) Cash and cash equivalents

Cash comprises of call deposits held with banks.

(m) Capital management

The capital managed by the Company consists of cash held across different bank accounts in several banking institutions. The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maximise the interest return on funds which have yet to be invested while ensuring there is enough free cash to meet day to day liabilities. In order to maintain or adjust the capital structure the Directors have the option to adjust the dividends paid to shareholders, return cash to shareholders, sell assets or delay purchase of individual assets. The Group monitors capital through cash and dividends which are prepared and reviewed on a quarterly basis. The Company had £5,566,561 of cash at the year end. The Directors intend to retain an amount for working capital at least equal to the next quarter's dividend payment. The Group has a fully drawn down £19,500,000 debt facility which expires on 15 November 2021. See note 12 - Financial Instruments for further information on the loan. Associated costs are capitalised and amortised over the duration of the loan.

(n) Trade and other receivables

Trade and other receivables are recognised and carried at original invoice amount less an allowance for any uncollectable amounts. They are initially recognised at fair value and subsequently held at amortised cost.

(o) Trade and other payables

Trade and other payables are obligations to pay for services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classed as current liabilities if payment is due within one year or less. They are initially recognised at fair value and subsequently held at amortised cost.

(p) Deferred income

Deferred income arises because ground rents are usually billed annually in advance. Deferred income is held in the deferred income account within payables and released against the income statement over the period to which it relates.

(q) Amortisation of loan arrangement fees

Loan arrangement fees are capitalised and deducted from the amount outstanding on the loan. They are expensed to the profit and loss account over the period of the loan facility. This loan amortisation is included within finance expenses in the financial statements. The amount of the charge to the profit and loss accounts for loan arrangement fees in the year was £94,052 (2017: £61,090).

(r) Ordinary share capital

Ordinary share capital is classed as equity. Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction from the share premium account.

(s) Warrants

Warrants were issued on a one for five basis with the issue of the Ordinary Share Capital in August 2012. Each warrant gives the holder the right to subscribe for an ordinary share for £1 on the anniversary of their issue for a period of ten years.

Ground Rents Income Fund plc
Notes to the Consolidated Financial Statements
for the year ended 30 September 2018

2 Segmental information

The Company is mainly concerned with the collection of ground rent. The company receives some ancillary income to which it is entitled as a result of its position as property freeholder or head leaseholder.

	Year ended 30 September 2018	Year ended 30 September 2017
	£	£
By activity:		
Ground rent income accrued in the year	4,681,600	4,519,624
Other income	675,365	617,479
	<u>5,356,965</u>	<u>5,137,103</u>

All income of the Group is derived from activities carried out within the United Kingdom. The Group is not reliant on any one property or group of connected properties for the generation of its revenues. The board is the chief operating decision maker and runs the business as one segment.

3 Administrative expenses

	Year ended 30 September 2018	Year ended 30 September 2017
	£	£
This is stated after charging:		
Directors salaries	59,715	60,340
Auditors' remuneration - see below	74,500	74,750
Management fees	372,210	449,430
Professional fees	472,727	292,401
Insurance	21,392	22,923
Sponsor fees	44,218	35,772
Valuation fees	69,149	67,428
Registrar fees	55,448	45,894
Listing fees	23,412	48,658
Public relations and printing costs	77,465	14,689
Other operating expenses	52,747	120,330
	<u>1,322,983</u>	<u>1,232,615</u>

No direct operating expenses were incurred in relation to investment property in the year. Profits on sale of ground rents and leasehold property were £165,469 (2017: £3,375).

Services provided by the Company's auditors:

	Year ended 30 September 2018	Year ended 30 September 2017
	£	£
Group		
Fees payable to the Group's auditors for the audit of parent company and consolidated financial statements	20,000	20,000
Fees payable to the Group's auditors and its associates for other services:		
- The audit of the Group's subsidiaries	54,500	54,750
	<u>74,500</u>	<u>74,750</u>

Ground Rents Income Fund plc
Notes to the Consolidated Financial Statements
for the year ended 30 September 2018

4 Directors' emoluments

The Company does not have any employees other than the Directors.

The services of Simon Paul Wombwell as a director of the Group are provided by Brooks Macdonald Funds Limited and invoiced on a monthly basis.

	Year ended 30 September 2018	Year ended 30 September 2017
	£	£
Short term employee benefits paid as Directors' remuneration	59,715	60,340
Invoiced by Brooks Macdonald Funds Limited	24,000	24,000
	<u>83,715</u>	<u>84,340</u>
Highest paid Director:		
Emoluments	30,000	30,000
	<u>30,000</u>	<u>30,000</u>
Monthly average number of Directors during the year	Number	Number
Administration	3	3

There were no post-employment benefits, other long-term benefits, termination benefits or share-based payments accrued or paid out in the year ended 30 September 2018 (2017: none).

5 Finance income

	Year ended 30 September 2018	Year ended 30 September 2017
	£	£
Interest on bank deposits	<u>26,129</u>	<u>18,110</u>

6 Finance expenses

	Year ended 30 September 2018	Year ended 30 September 2017
	£	£
Loan interest	659,110	546,806
Amortisation of loan arrangement fees and bank charges	94,429	68,442
	<u>753,539</u>	<u>615,248</u>

Loan set-up costs of £288,307 have been capitalised and deducted from the total loan amount outstanding. These costs will be amortised over 38 months to 15 November 2021.

Ground Rents Income Fund plc
Notes to the Consolidated Financial Statements
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7 Taxation

The Company applied to HMRC to join the Real Estate Investment Trust (REIT) taxation regime on 14 August 2012. The REIT regime affords the Company a number of potential efficiencies in its tax affairs including exemption from UK corporation tax on profits and gains from its UK property rental business. The Company intends to comply with the rules of the REIT regime in order to achieve these potential benefits.

	Year ended 30 September 2018	Year ended 30 September 2017
Analysis of credit in year	£	£
Current tax:		
UK corporation tax on profits of the year	-	-
Adjustments in respect of previous years	-	-
Total tax credit for year	-	-

Factors affecting tax charge for year

The differences between the tax assessed for the year and the standard rate of corporation tax are explained as follows:

	Year ended 30 September 2018	Year ended 30 September 2017
	£	£
(Loss)/profit before taxation	(10,688,037)	4,658,243
Standard rate of corporation tax in the UK	19.0%	19.5%
	£	£
(Loss)/profit before taxation multiplied by the standard rate of corporation tax	(2,030,727)	908,357
Effects of:		
Unrealised revaluation surplus not taxable	2,690,415	(262,766)
Property profit not taxable under the REIT regime	(659,688)	(645,591)
Adjustments in respect of previous years	-	-
Total tax credit for year	-	-

Deferred tax

No deferred tax arises on revaluation of investment properties due to the REIT status of the Company. UK REITs are exempt from Capital Gains Tax on property sales.

Factors affecting current and future tax charges

The standard rate of corporation tax was reduced from 20% to 19% from 1 April 2017. The Government has announced that the corporation tax standard rate is to be reduced to 17% with effective date from 1 April 2020.

As a UK REIT, the Group is exempt from corporation tax on the profits and gains from its property investment business, provided it meets certain conditions as set out in the UK REIT regulations. For the current year ended 30 September 2018, the Group did not have any non-qualifying profits and accordingly there is no tax charge in the year. If there were any non-qualifying profits and gains, these would be subject to corporation tax.

Ground Rents Income Fund plc
Notes to the Consolidated Financial Statements
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8 Investment properties - ground rents

	30 September 2018	30 September 2017
Market value	£	£
At 1 October	139,088,000	125,699,100
Additions	2,628,828	12,053,007
Net revaluation recognised in statement of comprehensive income	(14,160,078)	1,347,518
Disposals	(46,950)	(11,625)
At 30 September	<u>127,509,800</u>	<u>139,088,000</u>

Fair value hierarchy

Non-financial assets carried at fair value, as is the case for investment property held by the Group, are required to be analysed by level depending on the valuation method adopted under IFRS 12 'Fair Value Measurement'.

The fair value hierarchy has the following levels:

Level I: Quoted prices (unadjusted) in active market for identical assets and liabilities.

Level II: Inputs other than quoted prices included within Level I that are observable for the asset or liability either directly (that is, as prices) or indirectly (that is, derived from prices).

Level III: Inputs for the asset or liability that are not based on observable market data (that is unobservable inputs).

There have been no transfers between Level II and Level III of the fair value hierarchy during the year.

All investment property held by the Group is classified as Level III.

Key assumptions within the basis of fair value are:

The value of each of the Properties has been assessed in accordance with the relevant parts of the Royal Institution of Chartered Surveyors Valuation - Global Standards 2017, incorporating the IVSC International Valuations Standards (the 'RICS Red Book'), which is consistent with IFRS 13 measurement requirements. The RICS Red Book provides two definitions of Fair Value (FV). The one appropriate for the IFRS basis of accounting is as follows:

"The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date".

The commentary under VPS 4 (1.5.3) of the Red Book states that, for most practical purposes, Fair Value is consistent with the concept of Market Value and there is no difference between the two.

The Group's investment in ground rents was revalued at 30 September 2018 by Savills Advisory Services Limited ('Savills'). The valuer has confirmed to the Directors that the fair value as set out in the valuation report has been primarily derived using comparable recent market transactions on an arm's length basis.

The valuer within Savills is a RICS Registered Valuer. Most of the properties have previously been valued by Savills when they were acquired and from time to time as requested by the Directors. The valuation of ground rents takes into account external factors such as interest rates and the availability of other fixed rate investments in the market.

The valuation of a ground rent depends on the future rental uplift timing and nature. The most valuable ground rent assets are those which are RPI linked with reviews every 10 years or less. Other types of ground rents are doubling where the rent doubles at a fixed time interval and fixed increases where the uplifts are fixed and detailed in the lease. The least attractive ground rents are those which are flat with no future rental increases which attract the lowest Years Purchase (YP) multiple and the highest yield.

Ground Rents Income Fund plc
Notes to the Consolidated Financial Statements
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8 Investment properties - ground rents (continued)

Information about fair value measurement using significant unobservable input (Level III):

Valuation Category - type of rent review

30 September 2018	Indexed	Doubling	Fixed increases	Flat
Cost (£)	72,130,299	19,601,149	6,829,192	6,427,949
Fair Value at 30 September 2018 (£)	91,512,800	20,173,000	8,400,000	7,424,000
Gross rent roll (£)	3,183,764	782,360	339,174	467,875
Rental Yield on purchase price	4.41%	3.99%	4.97%	7.28%
Rental Yield on fair value	3.48%	3.88%	4.04%	6.30%

30 September 2017	Indexed	Doubling	Fixed increases	Flat
Cost (£)	68,798,174	20,551,149	6,829,192	5,477,949
Fair Value at 30 September 2017 (£)	102,227,000	22,849,000	8,424,000	5,588,000
Gross rent roll (£)	3,165,438	786,010	323,086	307,164
Rental Yield on purchase price	4.60%	3.82%	4.73%	5.61%
Rental Yield on fair value	3.10%	3.44%	3.84%	5.50%

All categories of ground rent asset have been valued by independent valuers using available market comparisons. During the year, some assets held with doubling rent reviews transitioned to a flat review profile.

The table below shows the principal sensitivity to the key valuation metrics and the resultant change to the valuation.

+/- effect on valuation	Indexed	Doubling	Fixed increases	Flat
Impact on fair value of 1 YP change	3,183,764	782,360	339,174	467,875

The average YP across the portfolio is 26.7 (2017: 30.4).

9 Trade and other receivables

	30 September 2018	30 September 2017
	£	£
Trade receivables	1,251,146	1,810,539
Other taxes and social security costs	-	18,794
Other receivables	588,213	710,209
Prepayments and accrued income	55,912	32,346
	1,895,271	2,571,888

Included in other receivables is £221,864 (2017: £234,088) held in a client account at the Company's solicitors which was for deals in progress to complete after the year end date, in addition to an £83,000 deposit (2017: £83,000). The fair value of trade and other receivables is equal to the book value.

The ageing analysis of trade receivables is as follows:

	30 September 2018	30 September 2017
	£	£
Up to 3 months	884,299	1,272,717
Over 3 months	366,847	537,822
	1,251,146	1,810,539

Management consider the trade receivables to be fully collectable due to the secure nature of the asset. The Directors believe all financial assets that are neither past due nor impaired to be fully recoverable as the amounts are represented by either cash held at a secure client account at the Company's solicitors or other trading amounts which are considered fully recoverable and of good quality.

Ground Rents Income Fund plc
Notes to the Consolidated Financial Statements
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10 Trade and other payables

	30 September 2018	30 September 2017
	£	£
Trade payables	158,866	103,968
Other taxes and social security costs	4,780	-
Other payables	1,759	1,759
Accruals	619,159	446,876
Deferred income	1,819,441	1,828,811
	<u>2,604,005</u>	<u>2,381,414</u>

Trade payables and other taxes and social security amounts fall due within the next three months.

11 Financial liabilities measured at amortised cost

	30 September 2018	30 September 2017
	£	£
Bank loan repayable over one year	19,500,000	19,500,000
Capitalised loan arrangement fees net of amortisation	(288,307)	(382,359)
	<u>19,211,693</u>	<u>19,117,641</u>

The current loan facility is with Santander UK plc and has a termination date of 15 November 2021. The rate of interest payable on the loan is set in advance at 1.097% for the first tranche of £15,000,000 and 0.986% for the second tranche of £4,500,000. Both of these rates are to subject to an additional 2.300% margin, giving the fully drawn loan a composite rate of 3.371%.

The loan facility is secured over assets held in group companies, namely Admiral Ground Rents Limited, Clapham One Ground Rents Limited, GRIF040 Limited, GRIF041 Limited, GRIF044 Limited, GRIF048 Limited, Masshouse Block HI Limited, Masshouse Residential Block HI Limited, North West Ground Rents Limited, OPW Ground Rents Limited, The Manchester Ground Rent Company Limited and Wiltshire Ground Rents Limited.

No security or guarantee exists in relation to the facility over any other group assets or assets within the parent company.

The loan facility includes loan-to-value of and interest cover covenants that are measured at a Group level and the Group has maintained significant headroom against all measures throughout the financial year. The Group is in full compliance with all loan covenants at 30 September 2018.

Borrowing restrictions

The Group has self-imposed borrowing restrictions of 25% of gross assets, these being the Group's investment properties - ground rents. At 30 September 2018, this was 15.3% (30 September 2017: 13.7%).

Leverage ratio

For the purposes of the AIFMD, leverage is any method which increases the Company's exposure, including the borrowing of cash and the use of derivatives.

It is expressed as a ratio between the Group's gross assets and its NAV and is calculated under the gross and commitment methods, in accordance with AIFMD. This differs to the Group's borrowing restriction which is expressed as an absolute measure as quoted above.

The Group is required to state its maximum and actual leverage levels, calculated as prescribed by the AIFMD as at 30 September 2018, and are as follows:

Leverage exposure	Maximum limit	Actual
Gross method	175%	114%
Commitment method	<u>175%</u>	<u>119%</u>

The gross method represents the sum of the Group's positions (total assets) after deducting cash balances. The commitment method represents the sum of the Group's positions without deducting cash balances.

Ground Rents Income Fund plc
Notes to the Consolidated Financial Statements
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12 Financial instruments

The Group's financial instruments comprise cash and various items such as trade and other receivables and trade and other payables which arise from its operations. The Group does not have any 'held to maturity' or 'available for sale financial assets' or 'held for trading financial assets and liabilities' as defined by IAS 39.

Financial assets carried at amortised cost

The book value, fair value and interest rate profile of the Group's financial assets, other than non-interest bearing short-term trade and other receivables, for which book value equates to fair value, were as follows:

	30 September 2018		30 September 2017	
	Book value	Fair value	Book value	Fair value
	£	£	£	£
Trade receivables	1,251,146	1,251,146	1,810,539	1,810,539
Other receivables	588,213	588,213	710,209	710,209
Cash at bank and in hand	5,566,561	5,566,561	7,228,645	7,228,645

As of 30 September 2018 no trade receivables (2017: £nil) were impaired or provided for.

Financial liabilities carried at amortised cost

The book value, fair value and interest rate profile of the Group's financial liabilities, other than non-interest bearing short-term trade and other payables, for which book value equates to fair value, were as follows:

	30 September 2018		30 September 2017	
	Book value	Fair value	Book value	Fair value
	£	£	£	£
Trade payables	158,866	158,866	103,968	103,968
Other payables and accruals	620,918	620,918	448,635	448,635
Bank loan	19,211,693	19,211,693	19,117,641	19,117,641

Financial risk management

The Group has identified the risks arising from its activities and has established policies and procedures as part of a formal structure of managing risk.

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maximise the interest return on funds which have yet to be invested while ensuring there is enough free cash to meet day to day liabilities. In order to maintain or adjust the capital structure the Directors have the option to adjust the dividends paid to shareholders, return cash to shareholders, sell assets or delay purchase of additional assets. The Group monitors capital through cash and dividend forecasts which are prepared and reviewed on a quarterly basis.

A gearing ratio measures the proportion of a company's borrowed funds to its equity. The Group's gearing ratio at the year end date was as follows:

	30 September 2018	30 September 2017
	£	£
Cash and cash equivalents	5,566,561	7,228,645
Total borrowings (note 11)	(19,211,693)	(19,117,641)
Net cash	(13,645,132)	(11,888,996)
Total equity	113,155,934	127,389,478
Total capital	99,510,802	115,500,482
Gearing ratio	17%	15%

Credit risk

Cash deposits are placed with a number of financial institutions whose financial strength and credit quality have been considered by the Directors based on advice received from the AIFM. The panel of suitable counterparties is subject to regular review by the Board.

Ground Rents Income Fund plc
Notes to the Consolidated Financial Statements
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12 Financial instruments (continued)

Interest rate risk

The Company places excess cash of the Group on deposit in interest bearing accounts to maximise returns.

Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its payment obligations associated with its financial liabilities when they fall due. The AIFM manages and monitors short-term liquidity requirements to ensure that the Group maintains a surplus of immediately realisable assets over its liabilities, such that all known and potential cash obligations can be met.

13 (Losses)/earnings per share

Basic (losses)/earnings per share

(Losses)/earnings used to calculate earnings per share in the financial statements were:

	30 September 2018	30 September 2017
	£	£
(Loss)/profit attributable to owners of the Company	<u>(10,688,037)</u>	<u>4,658,243</u>

Basic losses/earnings per share have been calculated by dividing losses/earnings by the weighted average number of ordinary shares in issue throughout the year.

Weighted average number of shares in issue in the year	96,726,613	93,565,248
Basic (losses)/earnings per share	(11.05p)	4.98p

Diluted (losses)/earnings per share

Diluted (losses)/earnings per share is the basic (losses)/earnings per share, adjusted for the effect of contingently issuable warrants in issue during the year, weighted for the relevant periods.

	30 September 2018	30 September 2017
	£	£
(Loss)/profit attributable to equity shareholders of the Company	<u>(10,688,037)</u>	<u>4,658,243</u>
	2018	2017
	Number	Number
Weighted average number of shares - basic	96,726,613	93,565,248
Potential dilutive impact of warrants	-	1,565,659
Diluted total shares	<u>96,726,613</u>	<u>95,130,907</u>
Diluted (losses)/earnings per share	(11.05p)	4.90p

14 Net asset value per ordinary share

The NAV calculates the net asset value per share in the financial statements. The diluted NAV per ordinary share is calculated after assuming the exercise of all outstanding warrants.

	30 September 2018	30 September 2017
	£	£
Net assets	<u>113,155,934</u>	<u>127,389,478</u>
	Number	Number
Number of ordinary shares in issue	97,006,397	96,712,100
Outstanding warrants in issue	4,423,976	4,718,273
Diluted number of shares in issue	<u>101,430,373</u>	<u>101,430,373</u>
NAV per ordinary share - basic	116.65p	131.72p
NAV per ordinary share - dilutive	115.92p	130.24p

Ground Rents Income Fund plc
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15 Share capital	30 September 2018 Number	30 September 2018 £	30 September 2017 Number	30 September 2017 £
Allotted, called up and fully paid:				
Ordinary shares of £0.50 each	97,006,397	48,503,198	96,712,100	48,356,050
	30 September 2018 Number	30 September 2018 £	30 September 2017 Number	30 September 2017 £
Shares issued during the year:				
Ordinary shares of £0.50 each	294,297	147,148	3,310,089	1,655,044

Resolutions were passed at an annual general meeting on 24 July 2012 to authorise the Directors to allot shares up to an aggregate nominal amount of £65,000,000.

Warrants were issued for £nil consideration on the basis of one warrant for every five subscription shares in August 2012. Warrant-holders have the right to subscribe £1 per share for the number of ordinary shares to which they are entitled on 31 August in each year following admission up to and including 31 August 2022. 3,310,089 warrants were exercised and issued in September 2017. 294,297 warrants were exercised and issued in September 2018. At 30 September 2018 there were 4,423,976 warrants in issue.

16 Share premium account	2018 £	2017 £
At 1 October	45,747,161	44,103,882
Shares issued	147,149	1,655,045
Expenses of issue	(10,005)	(11,766)
At 30 September	45,884,305	45,747,161
17 Retained earnings	2018 £	2017 £
At 1 October	33,286,267	32,330,480
Dividends paid	(3,829,799)	(3,702,456)
Retained earnings	29,456,468	28,628,024
(Loss)/profit for the financial year	(10,688,037)	4,658,243
At 30 September	18,768,431	33,286,267

18 Dividends

It is the policy of the Group to pay quarterly dividends to ordinary shareholders.

	2018 £	2017 £
Dividends declared by the Company during the year:		
Dividends paid	3,829,799	3,702,456
	3,829,799	3,702,456

Analysis of dividends by type:

Interim PID dividend of 1.024p per share	-	956,437
Interim PID dividend of 0.980p per share	-	915,339
Interim PID dividend of 0.980p per share	-	915,340
Interim PID dividend of 0.980p per share	-	915,340
Interim PID dividend of 0.980p per share	947,778	-
Interim PID dividend of 0.980p per share	947,779	-
Interim PID dividend of 0.980p per share	947,779	-
Interim PID dividend of 1.020p per share	986,463	-
	3,829,799	3,702,456

Since the year end, the following dividends have been announced:

Interim PID dividend of 0.980p per share - announced	-	915,340
Interim PID dividend of 0.980p per share - announced	950,663	-

Ground Rents Income Fund plc
Notes to the Consolidated Financial Statements
for the year ended 30 September 2018

19 Cash generated from operations

Reconciliation of operating (loss)/profit to net cash inflow from operating activities

	2018 £	2017 £
(Loss)/profit before income tax	(10,688,037)	4,658,243
Adjustments for:		
Non-cash revaluation movement	14,160,078	(1,347,518)
Profit on sale of ground rent assets and leasehold property	(165,469)	(3,375)
Net finance expense	727,410	597,138
Operating cash flows before movements in working capital	<u>4,033,982</u>	<u>3,904,488</u>
Movements in working capital:		
Decrease/(increase) in trade and other receivables	690,738	(280,076)
(Decrease)/increase in trade and other payables	62,591	127,553
Net cash generated from operations	<u>4,787,311</u>	<u>3,751,965</u>

Proceeds of share issue

The proceeds from issue of shares can be broken down as follows:

	2018 £	2017 £
Warrants converted on 13 September 2017	-	3,310,089
Warrants converted on 14 September 2018	294,297	-
Share issue costs associated with issue of ordinary shares	(10,005)	(11,766)
	<u>284,292</u>	<u>3,298,323</u>

20 Analysis of changes in net cash

	At 1 October 2017 £	Cash flows £	Non-cash changes £	At 30 September 2018 £
Cash at bank and in hand	7,228,645	(1,662,084)	-	5,566,561
Total	<u>7,228,645</u>	<u>(1,662,084)</u>	<u>-</u>	<u>5,566,561</u>

21 Related party transactions

Transactions between the Company and its subsidiaries which are related parties, are eliminated on consolidation. The Company's individual financial statements include the amounts attributable to subsidiaries. All amounts due to or from subsidiary companies are interest free and repayable on demand. These amounts are disclosed in aggregate in the relevant Company financial statements and in detail in the following tables:

Company	Amounts owed by related parties		Amounts owed to related parties	
	2018 £	2017 £	2018 £	2017 £
Admiral Ground Rents Limited	6,042,932	2,035,983	-	-
Azure House Ground Rents Limited	101,782	74,899	-	-
Banbury Ground Rents Limited	124,825	93,494	-	-
BH Ground Rents Limited	1,442,268	1,285,210	-	-
Clapham One Ground Rents Limited	2,999,605	2,961,033	-	-
D G Ground Rents Limited	1,631,866	1,631,645	-	-
East Anglia Ground Rents Limited	488,655	489,627	-	-
Ebony House Ground Rents Limited	179,968	182,160	-	-
Enclave Court Ground Rents Limited	126,229	86,617	-	-
Greenhouse Ground Rents Limited	576,156	544,520	-	-
GRIF Student Ground Rents Limited	626,590	926,823	-	-
GRIF033 Limited	683,903	648,824	-	-

Ground Rents Income Fund plc
Notes to the Consolidated Financial Statements
for the year ended 30 September 2018

21 Related party transactions (continued)

Company	Amounts owed by related parties		Amounts owed to related parties	
	2018	2017	2018	2017
	£	£	£	£
GRIF038 Limited	104,835	104,835	-	-
GRIF039 Limited	815,048	744,594	-	-
GRIF040 Limited	13,829,480	11,410,100	-	-
GRIF041 Limited	2,885,026	2,858,129	-	-
GRIF042 Limited	674,488	639,042	-	-
GRIF043 Limited	1,025,234	988,782	-	-
GRIF044 Limited	1,534,695	1,498,286	-	-
GRIF045 Limited	1,017,264	829,010	-	-
GRIF046 Limited	2,326,240	2,304,432	-	-
GRIF047 Limited	144,452	123,049	-	-
GRIF048 Limited	-	-	405,302	416,226
GRIF051 Limited	19,213,141	19,901,102	-	-
GRIF052 Limited	1,682,583	1,750,073	-	-
Halcyon Wharf Ground Rents Limited	336,922	302,830	-	-
Hill Ground Rents Limited	5,109,716	5,106,778	-	-
Invest Ground Rents Limited	229,097	205,876	-	-
Masshouse Block HI Limited	2,925,515	1,870,786	-	-
Masshouse Residential Block HI Limited	11,370	-	-	29,853
Metropolitan Ground Rents Limited	2,646,510	2,659,841	-	-
Nikal Humber Quay Residential Limited	-	-	16,921	55,515
Northwest Houses Ground Rents Limited	1,059,070	1,026,738	-	-
OPW Ground Rents Limited	4,044,601	2,869,485	-	-
The Manchester Ground Rent Company Limited	4,084,463	4,037,979	-	-
Trinity Land & Investments No.2 Limited	2,521,541	2,498,953	-	-
Wiltshire Ground Rents Limited	2,512,236	2,492,763	-	-
XQ7 Ground Rents Limited	648,559	622,176	-	-

All the above subsidiaries are registered at the same UK address, being c/o Brooks Macdonald, 10th floor, No.1 Marsden Street, Manchester, M2 1HW.

Company	Amounts owed by related parties		Amounts owed to related parties	
	2018	2017	2018	2017
	£	£	£	£
Gateway (Leeds) Ground Rents Limited	7,044	2,525,236	-	-
Masshouse Ground Rents Limited	-	950,106	275	-
Midlands Ground Rents Limited	821,031	819,035	-	-
North West Ground Rents Limited	1,042,559	953,141	-	-
Postbox Ground Rents Limited	6,413	1,414,546	-	-
TMG003 Limited	-	137,029	19	-
Yorkshire Ground Rents Limited	56,035	1,165,156	-	-

All the above subsidiaries are registered at the same Guernsey address, being Dorey Court, Admiral Park, St Peter Port, Guernsey, GY1 2HT.

Simon Paul Wombwell is also a director of Brooks Macdonald Funds Limited ('BMF'), which provided services to Ground Rents Income Fund plc during the financial year.

Ground Rents Income Fund plc
Notes to the Consolidated Financial Statements
for the year ended 30 September 2018

21 Related party transactions (continued)

BMF provides investment management and administration services to the Company, the fees for which are 0.55% per annum of the market capitalisation of the Company. In addition, BMF is entitled to an agency fee of 2% of the purchase price of any property acquired by the Company, where no other agency fee is payable. Where a third party agency fee is less than 2% of the purchase price, BMF is entitled to an agency fee of 50% of the difference between 2% of the purchase price and the third party agency fee.

Transactions between Brooks Macdonald Funds Limited and Ground Rents Income Fund plc during the financial year were as follows:

	2018 £	2017 £
Advisory fee paid to Brooks Macdonald Funds Limited	417,912	515,316
Acquisition fees paid to Brooks Macdonald Funds Limited	28,759	49,500
Other amounts paid to Brooks Macdonald Funds Limited	39,080	123,171
Directors fees paid to Brooks Macdonald Funds Limited	24,000	24,000
	<u>509,751</u>	<u>711,987</u>

£60,000 was due from Ground Rents Income Fund plc to Brooks Macdonald Funds Limited at the year end date (2017: £92,400).

Braemar Estates Limited (formerly Braemar Estates (Residential) Limited) ('Braemar Estates') was also a related party by virtue of being under common control with Brooks Macdonald Funds Limited until 1 December 2017, from when control passed to an unrelated party Rendall & Rittner Limited. Transactions between Braemar Estates and Ground Rents Income Fund plc during the financial year were as follows:

	2018 £	2017 £
Other amounts paid to Braemar Estates while under common control	1,980	26,895
	<u>1,980</u>	<u>26,895</u>

£nil was due from Ground Rents Income Fund plc to Braemar Estates at the year end date (2017: £nil). £nil was due to Ground Rents Income Fund plc from Braemar Estates at the year end date (2017: £nil).

22 Other financial commitments and contingencies

The Group has a number of ground rent asset acquisitions in the pipeline. At 30 September 2018, the Group had £221,864 of cash held at solicitors for acquisitions which were in progress to complete after the year end date (note 9) (2017: £234,088). The ground rent deals are expected to cost £2,470,650 to complete.

A claim for damages was lodged during the year by a leaseholder of an investment property held by a subsidiary of the Group. The subsidiary has disclaimed liability and will defend the action. Legal advice obtained indicates that it is unlikely that any significant liability will arise. The Directors are therefore of the view that no material irrecoverable losses will arise in respect of the legal claim at the date of these financial statements. A subsequent revaluation loss has been factored into the fair value of the investment property.

23 Events after the year end date

There are no events after the reporting year of note.

Ground Rents Income Fund plc
Company Statement of Financial Position
as at 30 September 2018

	Note	2018 £	2017 £
Assets			
Non-current assets			
Investments	5	<u>1,665,010</u>	<u>1,665,010</u>
		1,665,010	1,665,010
Current assets			
Trade and other receivables	6	88,439,471	85,763,862
Cash and cash equivalents		<u>5,566,561</u>	<u>7,228,645</u>
		94,006,032	92,992,507
Total assets		<u>95,671,042</u>	<u>94,657,517</u>
Liabilities			
Current liabilities			
Trade and other payables	7	<u>(389,690)</u>	<u>(453,352)</u>
		(389,690)	(453,352)
Total liabilities		<u>(389,690)</u>	<u>(453,352)</u>
Net assets		<u>95,281,352</u>	<u>94,204,165</u>
Financed by:			
Equity			
Share capital	9	48,503,198	48,356,050
Share premium account	9	45,884,305	45,747,161
Accumulated losses	10	(3,728,845)	(3,620,644)
Profit for the financial year	10	4,622,694	3,721,598
Total equity		<u>95,281,352</u>	<u>94,204,165</u>

The Company financial statements on pages 40 to 48 were approved and authorised for issue by the board of directors and signed on its behalf by:



Simon Paul Wombwell
 Director
 Ground Rents Income Fund plc
 Company registered number: 8041022

Date 20/12/2018

The accompanying notes from pages 43 to 48 form an integral part of the Company financial statements.

Ground Rents Income Fund plc
Company Statement of Cash Flows
for the year ended 30 September 2018

		Year ended 30 September 2018 £	Year ended 30 September 2017 £
	Note		
Cash flows from operating activities			
Cash generated from operations	12	1,870,474	2,318,247
Interest paid on bank loan and bank charges		-	(201)
Net cash generated from operating activities		<u>1,870,474</u>	<u>2,318,046</u>
 Cash flow from investing activities			
Interest received		12,949	7,300
Net cash generated from investing activities		<u>12,949</u>	<u>7,300</u>
 Cash flows from financing activities			
Proceeds from issuance of shares	12	284,292	3,298,323
Dividends paid to shareholders		(3,829,799)	(3,702,456)
Net cash used in financing activities		<u>(3,545,507)</u>	<u>(404,133)</u>
 Net (decrease)/increase in cash and cash equivalents	13	<u>(1,662,084)</u>	<u>1,921,213</u>
 Net cash and cash equivalents at 1 October		<u>7,228,645</u>	<u>5,307,432</u>
Net cash and cash equivalents at 30 September		<u>5,566,561</u>	<u>7,228,645</u>

The accompanying notes from pages 43 to 48 form an integral part of the Company financial statements.

Ground Rents Income Fund plc
Company Statement of Changes in Equity
for the year ended 30 September 2018

	Share capital £ 9	Share premium account £ 9	Retained earnings £ 10	Total equity £
Note				
At 1 October 2016	46,701,006	44,103,882	81,812	90,886,700
Comprehensive income				
Profit for the year	-	-	3,721,598	3,721,598
Total comprehensive income	-	-	3,721,598	3,721,598
Transactions with owners				
Issue of share capital	1,655,044	1,655,045	-	3,310,089
Share issue costs	-	(11,766)	-	(11,766)
Dividends paid	-	-	(3,702,456)	(3,702,456)
At 30 September 2017	48,356,050	45,747,161	100,954	94,204,165
At 1 October 2017	48,356,050	45,747,161	100,954	94,204,165
Comprehensive income				
Profit for the year	-	-	4,622,694	4,622,694
Total comprehensive income	-	-	4,622,694	4,622,694
Transactions with owners				
Issue of share capital	147,148	147,149	-	294,297
Share issue costs	-	(10,005)	-	(10,005)
Dividends paid	-	-	(3,829,799)	(3,829,799)
At 30 September 2018	48,503,198	45,884,305	893,849	95,281,352

The accompanying notes from pages 43 to 48 form an integral part of the Company financial statements.

Ground Rents Income Fund plc
Notes to the Company Financial Statements
for the year ended 30 September 2018

1 General information

The Company is a private company limited by shares, incorporated, registered and domiciled in England and Wales. The address of its registered office is 72 Welbeck Street, London, United Kingdom, W1G 0AY.

The Company's principal activity during the year was to operate a property rental and investment business.

2 Accounting policies

(a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union, IFRS IC interpretations, and the Companies Act 2006 applicable to companies reporting under IFRS and issued by the International Accounting Standards Board (the 'IASB').

(b) Basis of preparation

The Company has taken advantage of the exemption in section 408 of the Companies Act from disclosing its individual profit and loss account.

These financial statements are prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The functional and presentational currency is sterling. The principal accounting policies of the Company, which have been applied consistently throughout the year, are set out below.

(b) Adoption of new and revised standards

The following new EU-endorsed standards, amendments to standards and interpretations are mandatory for the first time for the financial year ending 30 September 2018, but have not had an impact on the amounts reported in the Group financial statements:

Amendments to IAS 7	'Statement of cash flows' - on the disclosure initiative
Amendments to IAS 12	'Income taxes' - on the recognition of deferred tax assets

In addition to the above, the following new EU-endorsed standards, amendments to standards and interpretations have been issued and are effective for financial years beginning on or after 1 October 2018 or later, but have not been early adopted:

IFRS 9	'Financial instruments'
IFRS 15	'Revenue from contracts with customers'
IFRS 16	'Leases'

In July 2014, the IASB issued the final version of IFRS 9 - Financial Instruments that replaces IAS 39 - Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. Overall, the Directors expect no significant impact from IFRS 9 on the financial statements.

IFRS 15 - Revenue from Contracts with Customers is a converged standard from the IASB on revenue recognition. The standard will improve the financial reporting of revenue and improve comparability of the top line in financial statements globally. It is more prescriptive in terms of what should be included within revenue than IAS 18 - Revenue. The Directors do not expect the application of IFRS 15 to have a significant impact on the financial statements.

IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. IFRS 16 was issued in January 2016 and applies to annual reporting periods beginning on or after 1 January 2019.

The impact of the following new standards and amendments will be assessed in detail prior to adoption. However, at this stage the Directors do not anticipate them to have a material impact on the amounts reported in the financial statements:

IFRS 17	'Insurance contracts'
IFRIC 23	Uncertainty over income tax treatments'
Amendments to IFRS 2	'Share based payments' - on transaction accounting clarification
Amendment to IFRS 4	'Insurance contracts' - regarding IFRS 9 'Financial instruments'
Amendment to IAS 40	'Investment property'

Ground Rents Income Fund plc
Notes to the Company Financial Statements
for the year ended 30 September 2018

2 Accounting policies (continued)

(c) Critical accounting estimates and judgements

The preparation of financial information requires the use of assumptions, estimates and judgements about future conditions. Use of available information and application of judgement are inherent in the formation of estimates. Actual results in the future may differ from those reported. In this regard, management believes that the accounting policies where judgement is necessarily applied are those that relate to valuations, investments in subsidiaries and the recoverability of intercompany receivables. The estimation of the underlying assumptions are reviewed on an ongoing basis.

(d) Going concern

The directors have prepared the financial statements on the going concern basis. Cash flow forecasts are prepared and reviewed at the quarterly board meetings. At the year end date, the Group had a fully drawn down loan facility of £19,500,000 which expires on 15 November 2021. For these reasons the Directors continue to prepare the financial statements on a going concern basis.

(f) Investments in subsidiary companies

Investments in subsidiary companies are carried at cost less any provision for impairment, which is reviewed on an annual basis.

(g) Cash and cash equivalents

Cash comprises of call deposits held with banks.

(h) Trade and other receivables

Trade and other receivables are recognised and carried at original invoice amount less an allowance for any uncollectable amounts. They are initially recognised at fair value and subsequently held at amortised cost.

(i) Capital management

The capital managed by the Company consists of cash held across different bank accounts in several banking institutions. The Company's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maximise the interest return on funds which have yet to be invested while ensuring there is enough free cash to meet day to day liabilities. In order to maintain or adjust the capital structure the Directors have the option to adjust the dividends paid to shareholders, return cash to shareholders, sell assets or delay purchase of individual assets. The Group monitors capital through cash and dividends which are prepared and reviewed on a quarterly basis. The Company had £5,566,561 of cash at the year end. The Directors intend to retain an amount for working capital at least equal to the next quarter's dividend payment. The Group has a fully drawn down £19,500,000 debt facility which expires on 15 November 2021. See note 11 in the consolidated financial statements for further information on the loan. Associated costs are capitalised and amortised over the duration of the loan.

(j) Trade and other payables

Trade and other payables are obligations to pay for services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classed as current liabilities if payment is due within one year or less. They are initially recognised at fair value and subsequently held at amortised cost.

(k) Ordinary share capital

Ordinary share capital is classed as equity. Incremental costs of issue are deducted from the share premium account.

Warrants were issued on a one for five basis with the issue of the Ordinary Share Capital in August 2012. Each warrant gives the holder the right to subscribe for an ordinary share for £1 on the anniversary of their issue for a period of ten years.

(l) Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's Directors.

Ground Rents Income Fund plc
Notes to the Company Financial Statements
for the year ended 30 September 2018

3 Results for the year

As permitted by Section 408 of the Companies Act 2006 the Company has elected not to present its own profit and loss account for the financial year. Ground Rents Income Fund plc reported a profit after tax for the financial year of £4,622,694 (2017: £3,721,598). Auditors' remuneration for audit of the parent Company financial statements was £20,000 (2017: £20,000). The average monthly number of employees during the year was three (being the directors). Directors' emoluments are set out in note 4 of the Group financial statements.

4 Dividends

Details of the Company's dividends paid and proposed, are set out in note 18 of the Group financial statements.

5 Investments

**Investments in
subsidiary
undertakings**
£

Cost
At 1 October 2017 and 30 September 2018

1,665,010

The Directors believe that the carrying value of the investments is supported by their underlying net assets.

Details of the subsidiary undertakings of the Company at 30 September 2018 all of which are wholly owned and included in the financial statements are given below (* indicates those indirectly held). All subsidiaries below are registered at the same UK address, being c/o Brooks Macdonald, 10th floor, No.1 Marsden Street, Manchester, M2 1HW:

Company	Type of Share	Nature of Business	Country of Incorporation
Admiral Ground Rents Limited	Ordinary £1	Ground Rents	UK
Azure House Ground Rents Limited	Ordinary £1	Ground Rents	UK
Banbury Ground Rents Limited	Ordinary £1	Ground Rents	UK
BH Ground Rents Limited	Ordinary £1	Ground Rents	UK
Clapham One Ground Rents Limited	Ordinary £1	Ground Rents	UK
DG Ground Rents Limited	Ordinary £1	Ground Rents	UK
East Anglia Ground Rents Limited	Ordinary £1	Ground Rents	UK
Ebony House Ground Rents Limited	Ordinary £1	Ground Rents	UK
Enclave Court Ground Rents Limited	Ordinary £1	Ground Rents	UK
Greenhouse Ground Rents Limited	Ordinary £1	Ground Rents	UK
GRIF Student Ground Rents Limited	Ordinary £1	Ground Rents	UK
GRIF027 Limited	Ordinary £1	Ground Rents	UK
GRIF028 Limited	Ordinary £1	Ground Rents	UK
GRIF033 Limited	Ordinary £1	Ground Rents	UK
GRIF034 Limited	Ordinary £1	Ground Rents	UK
GRIF036 Limited	Ordinary £1	Ground Rents	UK
GRIF037 Limited	Ordinary £1	Ground Rents	UK
GRIF038 Limited	Ordinary £1	Ground Rents	UK
GRIF039 Limited	Ordinary £1	Ground Rents	UK
GRIF040 Limited	Ordinary £1	Ground Rents	UK
GRIF041 Limited	Ordinary £1	Ground Rents	UK
GRIF042 Limited	Ordinary £1	Ground Rents	UK
GRIF043 Limited	Ordinary £1	Ground Rents	UK
GRIF044 Limited	Ordinary £1	Ground Rents	UK
GRIF045 Limited	Ordinary £1	Ground Rents	UK
GRIF046 Limited	Ordinary £1	Ground Rents	UK
GRIF047 Limited	Ordinary £1	Ground Rents	UK
GRIF048 Limited	Ordinary £1	Ground Rents	UK
GRIF049 Limited	Ordinary £1	Ground Rents	UK
GRIF051 Limited	Ordinary £1	Ground Rents	UK

Ground Rents Income Fund plc
Notes to the Company Financial Statements
for the year ended 30 September 2018

5 Investments (continued)

Company	Type of Share	Nature of Business	Country of Incorporation
GRIF052 Limited	Ordinary £1	Ground Rents	UK
GRIF053 Limited	Ordinary £1	Ground Rents	UK
Halcyon Wharf Ground Rents Limited	Ordinary £1	Ground Rents	UK
Hill Ground Rents Limited	Ordinary £1	Ground Rents	UK
Invest Ground Rents Limited	Ordinary £1	Ground Rents	UK
Masshouse Block HI Limited*	Ordinary £1	Ground Rents	UK
Masshouse Residential Block HI Limited*	Ordinary £1	Ground Rents	UK
Metropolitan Ground Rents Limited	Ordinary £1	Ground Rents	UK
Nikal Humber Quay Residential Limited*	Ordinary £1	Ground Rents	UK
Northwest Houses Ground Rents Limited	Ordinary £1	Ground Rents	UK
OPW Ground Rents Limited	Ordinary £1	Ground Rents	UK
The Manchester Ground Rent Company Limited	Ordinary £1	Ground Rents	UK
Trinity Land & Investments No.2 Limited	Ordinary £1	Ground Rents	UK
Wiltshire Ground Rents Limited	Ordinary £1	Ground Rents	UK
XQ7 Ground Rents Limited	Ordinary £1	Ground Rents	UK

All subsidiaries below are registered at the same Guernsey address, being Dorey House, Dorey Court, Admiral Park, St Peter Port, Guernsey, GY1 2HT:

Company	Type of Share	Nature of Business	Country of Incorporation
Gateway (Leeds) Ground Rents Limited	Ordinary £1	Ground Rents	Guernsey
Masshouse Ground Rents Limited	Ordinary £1	Ground Rents	Guernsey
Midlands Ground Rents Limited	Ordinary £1	Holding Company	Guernsey
North West Ground Rents Limited	Ordinary £1	Ground Rents	Guernsey
Postbox Ground Rents Limited	Ordinary £1	Ground Rents	Guernsey
TMG003 Limited	Ordinary £1	Ground Rents	Guernsey
Yorkshire Ground Rents Limited	Ordinary £1	Ground Rents	Guernsey

The following subsidiary is registered at 72 Welbeck Street, London, W1G 0AY:

Company	Type of Share	Nature of Business	Country of Incorporation
GRIF Cosec Limited	Ordinary £1	Corporate Director	UK

6 Trade and other receivables

	30 September 2018	30 September 2017
	£	£
Trade receivables	7,567	10,155
Other receivables	206,594	180,617
Other taxes and social security costs	-	28,933
Amounts owed by subsidiary undertakings	88,170,440	85,522,134
Prepayments and accrued income	54,870	22,023
	88,439,471	85,763,862

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

The ageing analysis of trade receivables is as follows:

	30 September 2018	30 September 2017
	£	£
Over 3 months	7,567	10,155
	7,567	10,155

Ground Rents Income Fund plc
Notes to the Company Financial Statements
for the year ended 30 September 2018

7 Trade and other payables

	30 September 2018	30 September 2017
	£	£
Trade payables	91,751	103,968
Other taxes and social security costs	2,745	-
Accruals and deferred income	295,194	349,384
	<u>389,690</u>	<u>453,352</u>

8 Financial instruments

The Company's financial instruments comprise cash and various items such as trade and other receivables and trade and other payables which arise from its operations, which include amounts owed by subsidiary undertakings. The Company does not have any 'held to maturity' or 'available for sale financial assets' or 'held for trading financial assets and liabilities' as defined by IAS 39.

Financial assets carried at amortised cost

The book value, fair value and interest rate profile of the Company's financial assets, other than non-interest bearing short-term trade and other receivables, for which book value equates to fair value, were as follows:

	30 September 2018		30 September 2017	
	Book value	Fair value	Book value	Fair value
	£	£	£	£
Trade receivables	7,567	7,567	10,155	10,155
Other receivables	206,594	206,594	180,617	180,617
Cash at bank and in hand	<u>5,566,561</u>	<u>5,566,561</u>	<u>7,228,645</u>	<u>7,228,645</u>

As of 30 September 2018 no trade receivables (2017: £nil) were impaired or provided for.

Financial liabilities carried at amortised cost

The book value, fair value and interest rate profile of the Company's financial liabilities, other than non-interest bearing short-term trade and other payables, for which book value equates to fair value, were as follows:

	30 September 2018		30 September 2017	
	Book value	Fair value	Book value	Fair value
	£	£	£	£
Trade payables	<u>91,751</u>	<u>91,751</u>	<u>103,968</u>	<u>103,968</u>

Financial risk management

The financial risk management objectives and policies applied by the Company are in line with those of the Group as disclosed in note 12 to the consolidated financial statements.

9 Share capital and share premium account

The movements in share capital and share premium during the year were as follows:

	Number of shares	Share capital £	Share premium account £
At 1 October 2016	93,402,011	46,701,006	44,103,882
Shares issued	3,310,089	1,655,044	1,655,045
Expenses of issue	-	-	(11,766)
At 30 September 2017	<u>96,712,100</u>	<u>48,356,050</u>	<u>45,747,161</u>
Shares issued	294,297	147,148	147,149
Expenses of issue	(10,005)	-	(10,005)
At 30 September 2018	<u>96,996,392</u>	<u>48,503,198</u>	<u>45,884,305</u>

The total number of ordinary shares, issued and fully paid at 30 September 2018, was 97,006,397 (2017: 96,712,100) with a par value of £0.50p per share. Details of the shares issued are given in notes 15 and 16 of the consolidated financial statements.

Ground Rents Income Fund plc
Notes to the Company Financial Statements
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10 Accumulated losses	2018	2017
	£	£
At 1 October	100,954	81,812
Dividends paid in the year (note 18 - consolidated financial statements)	(3,829,799)	(3,702,456)
Accumulated losses	(3,728,845)	(3,620,644)
Profit for the financial year	4,622,694	3,721,598
At 30 September	893,849	100,954

11 Reconciliation of movements in total equity	2018	2017
	£	£
At 1 October	94,204,165	90,886,700
Dividends paid in the year (note 18 - consolidated financial statements)	(3,829,799)	(3,702,456)
Profit for the financial year	4,622,694	3,721,598
Shares issued	284,292	3,298,323
At 30 September	95,281,352	94,204,165

12 Cash generated from operations

Reconciliation of operating profit before income tax to net cash inflow from operating activities

	2018	2017
	£	£
Profit before income tax	4,622,694	3,721,598
Adjustments for:		
Net finance income	(12,949)	(7,099)
Operating cash flows before movements in working capital	4,609,745	3,714,499
Movements in working capital:		
(Increase)/decrease in trade and other receivables	(27,303)	120,550
Increase in amounts owed by group undertakings	(2,648,306)	(1,693,399)
(Decrease)/increase in trade and other payables	(63,662)	176,597
Net cash generated from operations	1,870,474	2,318,247

Proceeds of share issue

The proceeds from issue of shares can be broken down as follows:

	2018	2017
	£	£
Shares issued on exercise of warrants on 13 September 2017	-	3,310,089
Shares issued on exercise of warrants on 14 September 2018	294,297	-
Share issue costs associated with issue of ordinary shares	(10,005)	(11,766)
	284,292	3,298,323

13 Analysis of changes in net cash

	At 1 October	Cash flows	Non-cash At 30 September	changes
	2017		2018	
	£	£	£	£
Cash at bank and in hand	7,228,645	(1,662,084)	-	5,566,561
Total	7,228,645	(1,662,084)	-	5,566,561

14 Related party transactions

The Company's balances with fellow group companies at 30 September 2018 are set out in note 21 to the consolidated financial statements. All transactions with fellow group companies are carried out at arm's length and all outstanding balances are to be settled in cash. None of the balances are secured and no provisions have been made for doubtful debts in respect of any of the amounts due from fellow group companies.