

Registered number
8041022

Ground Rents Income Fund plc
Annual Report and Financial Statements
for the year ended 30 September 2017

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

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W1G 0AY

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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 2017.

As uncertainty continues to surround the implications of the EU referendum result, market volatility and political events present an interesting and challenging macro-economic environment.

During the financial year, companies within the Group completed ground rent asset purchases for a total cost of £11.1 million. These were mainly development-based purchases, agreed historically at attractive pricing, with completion at practical completion of construction. I am pleased that the decision we took to implement a forward-funded strategy has delivered value and scale of operation for shareholders.

The value of the Group's investment property portfolio rose by 10.7% and the overall ground rent yield remained at 3.2%. This was in comparison to a 13 basis point increase in the UK 10-year government bond yield to 1.38% over the same period. Ground rents continue to demonstrate their defensive characteristics, providing stable quasi-inflation-linked, asset-backed income.

The resilience of the portfolio is encouraging in light of the government focus on improving standards, tackling unfair practices and protecting leaseholders within the leasehold system, which led to the recent consultation launched by the Department for Communities and Local Government ('DCLG').

In November 2016, the Group secured a larger and longer-term loan facility with Santander UK plc for £19.5 million, an increase of £11.5 million from the previous £8.0 million short-term facility. This new facility is held within a Group company and secured against a number of investment properties. It is for a period of up to five years and was fully drawn down at the year-end date. The proceeds have been utilised during the year to purchase new ground rents and will fund a pipeline of acquisitions during the new financial year.

Also during November 2016, the Group published a Supplementary Information Memorandum ('SIM'). This included a revised investment policy, borrowing restrictions under the Real Estate Investment Trust ('REIT') regime and the requirement for the Group to appoint a full scope Alternative Investment Fund Manager ('AIFM') under the AIFM Directive ('AIFMD').

Finally, from a capital perspective, the Group raised a further £3.3 million in September 2017 through the issuance of new Ordinary Shares, converted from warrants held by existing warrant holders.

Financial results

Our financial results reflect the continued application of our defensive investment policy against a backdrop of uncertain political and economic conditions, for both the UK and the ground rents sector.

Under International Financial Reporting Standards ('IFRS') our operating profit for the year to 30 September 2017 was £5.3 million (30 September 2016: £20.5 million), with total comprehensive income of £4.7 million (30 September 2016: £20.2 million), reflecting a lower level of revaluation gains in the current year. Revenue for the year to 30 September 2017 was £5.1 million (30 September 2016: £4.8 million). Basic earnings per share ('EPS') for the year were 4.98 pence (30 September 2016: 21.66 pence).

The audited basic net asset value ('NAV') per share as at 30 September 2017 was 131.72 pence (30 September 2016: 131.83 pence).

The Group had ongoing charges of 0.97% (30 September 2016: 0.90%) for the year. The drivers of the increase in ongoing charges during the current year were the rise in the management fee derived from the increased market capitalisation for a period of the year, in addition to a number of unexpected costs relating to the Group's DCLG consultation response and the implementation of the subsequent asset management programme. These costs are likely to impact Group profits going into the new financial year.

Ground Rents Income Fund plc

Chairman's Statement (*continued*)

Financial results (*continued*)

The Group's property portfolio has been independently valued by Savills Advisory Services Limited ('Savills') in accordance with the RICS Valuation - Professional Standards (the 'Red Book'). As at 30 September 2017, the portfolio had a fair value of £139.1 million, compared with £125.7 million as at 30 September 2016 (excluding purchase costs), an increase of £13.4 million or 10.7%. On a like-for-like basis, the Group's investment property portfolio value remained broadly stable during the financial year.

Financing

On 14 November 2016, the Group amended the terms of its loan facility with Santander UK plc to increase the facility limit from 6.5% to 15.8% of NAV measured at drawdown.

There were two utilisation requests during the year: an initial £15 million in November 2016 and a further £4.5 million in March 2017.

The loan attracts interest on a fixed-rate basis at a composite rate of 3.371%, which includes a 2.3% margin.

As at 30 September 2017, the unexpired term of the facility was 4.1 years and the borrowing ratio was 13.7% of the value of the investment properties (gross assets).

Dividends

The Group continued to deliver its target of at least maintaining the dividend per Ordinary Share. During the financial year, the Group declared and paid four Property Income Distribution ('PID') dividends, totalling 3.964 pence per share.

On 16 November, the Board declared a PID dividend of 0.98 pence per Ordinary Share in respect of the period from 1 September to 31 December 2017.

See note 18 Dividends for further details.

Board and governance

As highlighted above, the shareholders approved a revised investment policy of the Group at an extraordinary general meeting on 26 October 2016. This was incorporated within the SIM, published in November 2016, along with borrowing restrictions under the REIT regime and AIFMD requirements.

Under the AIFMD the Investment Manager as AIFM has to ensure that the Group complies with the requirements in the AIFMD, including appointing a depositary, and the AIFM is subject to certain organisational, operational and transparency obligations.

Shareholder engagement

During the year, the Company continued to develop its relations with investors.

James Agar, the Head of Specialist Funds for the AIFM, met with the majority of institutional shareholders during June and July 2017 with the joint aims of improving communications and to seek their views and valuable input into the asset management programme.

It was important to be clear with shareholders regarding the options available to manage the media and political sentiment around the sector, the actions for which have subsequently been agreed.

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

Leaseholder engagement

In September 2017, we announced our intention to implement an asset management plan in response to the DCLG's launch of the aforementioned consultation on proposals to amend leasehold legislation.

In conjunction with the Investment Manager, the Board 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 the Retail Prices Index ('RPI'), or doubling, while retaining their existing review cycle.

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.

We recognise there are political and legislative hurdles facing the industry during the next financial year, but we continue to focus on growing the Group and, subject to market conditions, seek new acquisitions to increase the net asset value.



Malcolm Naish
Chairman

Date *1st December 2017*

Ground Rents Income Fund plc

Strategic Report

The Directors present their Strategic Report on the Group for the year ended 30 September 2017.

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') (formerly the Channel Islands Stock Exchange (CISE)) 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 nominal 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

At 30 September 2017, the portfolio of ground rents was generally valued on multiples of between 18 and 40, which equates to gross yields of between 5.6% and 2.5%.

Values also 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 88% 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 2017, the total net assets of the Group were £127.4 million (2016: £123.1 million), of which £139.1 million (2016: £125.7 million) was represented by investments in ground rents.

Current year activity

Acquisitions in the year ended 30 September 2017 included:

RPI-linked portfolio

A small site in Northumberland was purchased in October 2016, providing an additional £6,500 of ground rent linked to five year RPI at a cost of £0.2 million, giving an initial ground rent yield of 3.1%.

In November 2016, an additional student property in York was acquired on a forward-funding basis. The site is to be one of the highest-quality student accommodation schemes in the UK, consisting of 14 three and four-storey buildings and a converted convent in 6.3 acres of extensively-landscaped grounds within walking distance of both the University of York and York St John's University. The 643 beds across 527 flats generate £273,500 of total ground rent linked to five-year RPI. The Group paid £7.8 million for the freehold, giving an initial ground rent yield of 3.5%, or an initial total yield of 3.9% when forecast ancillary income is also included. It has, therefore, entered the portfolio as the largest single asset, and students have begun occupying the site from September 2017.

Ground Rents Income Fund plc

Strategic Report (*continued*)

Current year activity (*continued*)

The acquisitions of two residential sites were completed in Bristol (November 2016) and Brentford (December 2016). Both sites are of high specification, and have been specially designed to be sympathetic to their surroundings and provide leaseholders with a sense of community. In total, the 263 units generate £84,400 of ground rent linked to 20-year RPI at a cost of £2.1 million, giving an initial ground rent yield of 4.1%.

In June 2017, the Group completed the acquisitions of a further two properties at the Millbay development in Plymouth, which is a site where the Group already owns investment properties. The acquisitions consisted of the leasehold interest in 150 units for £0.8 million, producing £31,700 of annual ground rent linked to 20-year review indices, giving an initial ground rent yield of 4.0%.

Finally, in August 2017, a further property was acquired in Salford, for £0.25 million. Another high-quality site forming part of Central Salford Urban Development Corporation's regeneration plans, it consisted of the freehold interest in 36 units, generating annual ground rents of £10,800 linked to 20-year RPI, giving an initial ground rent yield of 4.25%.

Asset management project

As a result of the DCLG consultation GRIF affirmed its commitment to being a socially-responsible and transparent landlord. With this in mind, the Directors and the AIFM Investment Committee approved an asset management project. The project will involve offering leaseholders with "onerous" doubling ground rents the opportunity to convert their existing review mechanism to RPI via a Deed of Variation, while retaining their present review cycle.

For assets with 20-year review cycles and more, leaseholders will be offered the option to have their ground rent review to "the lesser of 20/25/50 year doubling or 20/25/50 year RPI". This small but important variation removes any risk of the Group being seen to be transferring inflation risk to leaseholders through their review mechanisms.

There are three drivers for the project:

- Reduce reputation risk and enhance investor sentiment
- Manage the valuation risk regarding doubling ground rents, especially those on short-review cycles
- Protect long-term shareholder value by increasing the linkage of the Group's ground rents to RPI

It is expected that the project will enhance investor perception and lead to a recovery in the share price to its historic correlation to the Group's NAV.

Asset focus

The five most valuable assets and their respective locations as at 30 September 2017 are as follows:

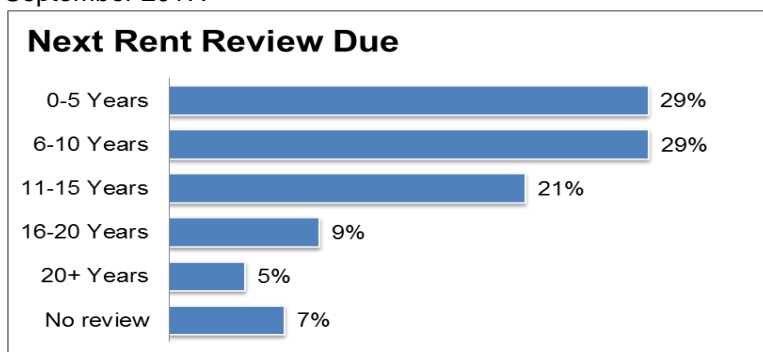
Building name	Location	Value
Vita York	York	£8.2 million
Gateway	Leeds	£4.4 million
One Park West	Liverpool	£4.1 million
Ladywell Point	Salford	£3.3 million
Vita First Street	Manchester	£3.2 million

The largest asset represents 5.9% of the total portfolio.

Ground Rents Income Fund plc Strategic Report (continued)

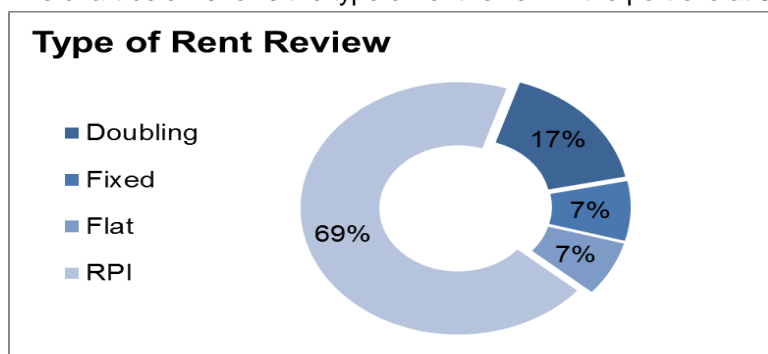
Portfolio characteristics

The chart below shows the period of time before the next review date for the ground rents in the portfolio at 30 September 2017:



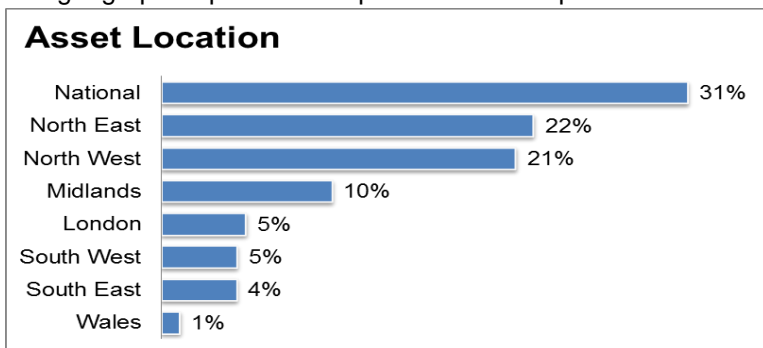
The chart demonstrates that 29% of the portfolio will be subject to a rent review within the next five years. Typically, the impact of a forthcoming rent review is recognised in the valuation over the three years leading up to the review date.

The chart below shows the type of rent review in the portfolio at 30 September 2017:



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 2017 is shown in the chart below:



22% of the Group's portfolio is located in the North East and 21% in the North West, based on ground rents income.

Ground Rents Income Fund plc

Strategic Report (*continued*)

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 2017, the dividend yield on the ordinary shares was 3.96% (year ended 30 September 2016: 3.96%) on the weighted average issue price.

- Ongoing charges

The ongoing charges measure is the ratio of total administration and operating costs expressed as a percentage of average net asset value throughout the year. It represents a measure of total 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 2017, the ratio was 0.97% (30 September 2016: 0.90%).

- 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 2017 the NAV was £127.4 million (2016: £123.1 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.

Ground Rents Income Fund plc

Strategic Report (*continued*)

Alternative Investment Fund Manager ('AIFM')

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

The Group has appointed INDOS Financial Limited ('INDOS') to act as the depositary to the Group, responsible for cash monitoring, asset verification and oversight of the Group.

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, announced the disposal of 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, will pass 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 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.

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 UK Listing Authority, 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.

Ground Rents Income Fund plc

Strategic Report (*continued*)

Principal risks and uncertainties (continued)

- 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 real estate 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.

- Insurance cover

The Group has an insurable interest in the majority of the ground rents in its portfolio. 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.

Insurances and the adequacy of insurance cover is monitored by the AIFM. Property reinstatement values are independently assessed every three years. Health & Safety reporting is reviewed by the Directors on a quarterly basis.

- Working capital liquidity

Sufficient working capital liquidity is required to service payables including dividend distributions and committed property transactions when they fall due. The Directors manage and monitor 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.

Ground Rents Income Fund plc
Strategic Report (continued)

Future developments

The Group will continue to seek suitable ground rent acquisitions and employ its existing cash resources. 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.

The Directors intend to maintain the dividend yield for the year ahead. For the year ended 30 September 2017, based on the weighted average issue price of shares in issue during the year, the dividend yield was approximately 3.96%.

The market for ground rents has remained strong since the year end. Any further movements in valuation will be reflected in the next independent valuation, which will be performed by Savills as at 31 March 2018.

On behalf of the board:



Simon Paul Wombwell
Director

Date 1st December 2017

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 2017.

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 period are set out in Note 18 of the notes to the Group consolidated financial statements.

Total dividends of 3.964p per ordinary share were paid for the year ended 30 September 2017 (2016: 3.959p). These dividends amount to £3,702,456 (2016: £3,686,328). 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 2017, 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 30 November 2017, the Group had been informed of the following notifiable interests in the voting rights of the Group, in accordance with DTR5:

	30 September 2017 % of total voting rights	30 November 2017 % of total voting rights
Schroders plc	14.52	no change
Brooks Macdonald	9.36	no change
Old Mutual plc	10.28	9.23
CG Asset Management	5.69	7.67
Integrated Financial Arrangements Limited	7.00	no change
Architas Multi Manager	8.55	4.09
IntegraLife UK Limited	2.99	3.03

Political donations

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

Ground Rents Income Fund plc

Directors' Report (*continued*)

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 12 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.

Events after the reporting period

In the period since the date of the financial statements, the Group has invested or contracted to invest in Ground Rent assets totalling £152,000 (note 23).

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 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 12. This information is incorporated into this Directors' Report by reference and is deemed to form part of this Directors' Report.

Directors' responsibilities

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 Company and of the profit or loss of the Group and 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 judgments 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 Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

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

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.

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

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.

This report was approved by the board on *1st December 2017* and signed on its behalf by:



Simon Paul Wombwell
Director

Company registered number: 8041022

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 company financial statements (the "financial statements"):

- give a true and fair view of the state of the Group's and of the company's affairs as at 30 September 2017 and of the Group's profit and the Group's and the company's cash flows for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union and, as regards the 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 2017; 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 consolidated and company 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: £1,488,885 (2016: £1,331,480), and parent company materiality: £946,575 (2016: £906,498) based on 1% of total assets.• For income statement line items we applied a lower specific materiality of £165,536 (2016: £160,082) for the Group and £27,470 (2016: £23,822) 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.

The risk of material misstatement that had the greatest effect on our audit, including the allocation of our resources and effort, is identified as a "key audit matter" in the table below. We have also set out how we tailored our audit to address this specific area in order to provide an opinion on the financial statements as a whole, and any comments we make on the results of our procedures should be read in this context. This is not a complete list of all risks identified by our audit.

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><i>Valuation of investment properties</i></p> <p>Refer to page 26 (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 gain of £1,348k (2016: £16,618k), which is accounted for within "Net revaluation gain 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 lease agreements and rental income. They apply assumptions for Years Purchase (YP) multiples and estimated market rent increases, which are influenced by prevailing 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 type of leases held and terms of future rent reviews to supporting evidence.</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, but the discussions with the Valuer focused on the properties in the portfolio impacted by the Government's consultation paper and those with significant movements year on year.</p> <p>The key assumptions used in the valuations, including the YP multiple, were agreed to recent transactions in the market and reflect 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 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 company overall materiality	Group and company specific materiality for income statement account balances
Materiality	Group: £1,448,885 (2016: £1,331,480) Company: £946,575 (2016: £906,498)	Group: £165,536 (2016: £160,082) Company: £27,470 (2016: £23,822)
How we determined it	1% of total assets	5% of profit before tax
Rationale for benchmark applied	The key measure of the Group and In addition to the overall materiality, a specific parent's performance is the valuation of investment properties and the account balances. This was determined on balance sheet as a whole. Given this, the basis of 5% PBT excluding the consistent with the prior year, we set revaluation gain. A specific materiality was 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 materiality allocated across components was between £482 and £432,860. 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 £74,444 (Group audit) (2016: £66,574) and £47,329 (Company audit) (2016: £45,325) 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 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 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 2017 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 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 Directors' Responsibilities, 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 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 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 company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the 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 1/12/17

Ground Rents Income Fund plc
Consolidated Statement of Comprehensive Income
for the year ended 30 September 2017

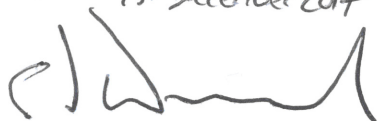
	Note	Year ended 30 September 2017 £	Year ended 30 September 2016 £
Continuing operations			
Revenue	2	5,137,103	4,759,385
Administrative expenses	3	(1,232,615)	(1,065,301)
Profit on sale of ground rent assets		3,375	158,502
Net revaluation gain on investment properties	8	1,347,518	16,617,598
Operating profit		<u>5,255,381</u>	<u>20,470,184</u>
Finance income	5	18,110	23,306
Finance expenses	6	(615,248)	(329,372)
Net finance expense		<u>(597,138)</u>	<u>(306,066)</u>
Profit before tax		<u>4,658,243</u>	<u>20,164,118</u>
Taxation	7	-	3,320
Profit after tax and total comprehensive income		<u>4,658,243</u>	<u>20,167,438</u>
Earnings per share			
Basic	13	4.98p	21.66p
Diluted	13	4.90p	21.34p

The accompanying notes on pages 25 to 40 form an integral part of the consolidated financial statements.

Ground Rents Income Fund plc
Consolidated Statement of Financial Position
as at 30 September 2017

	Note	2017 £	2016 £
Assets			
Non-current assets			
Investment properties - ground rents	8	139,088,000	125,699,100
		<u>139,088,000</u>	<u>125,699,100</u>
Current assets			
Trade and other receivables	9	2,571,888	2,291,812
Cash and cash equivalents		7,228,645	5,307,432
		<u>9,800,533</u>	<u>7,599,244</u>
Total assets		<u>148,888,533</u>	<u>133,298,344</u>
Liabilities			
Non-current liabilities			
Financial liabilities measured at amortised cost	11	(19,117,641)	-
		<u>(19,117,641)</u>	<u>-</u>
Current liabilities			
Trade and other payables	10	(2,381,414)	(2,162,976)
Financial liabilities measured at amortised cost	11	-	(8,000,000)
		<u>(2,381,414)</u>	<u>(10,162,976)</u>
Total liabilities		<u>(21,499,055)</u>	<u>(10,162,976)</u>
Net assets		<u>127,389,478</u>	<u>123,135,368</u>
Financed by:			
Equity			
Share capital	15	48,356,050	46,701,006
Share premium account	16	45,747,161	44,103,882
Retained earnings	17	28,628,024	12,163,042
Current year profit	17	4,658,243	20,167,438
		<u>127,389,478</u>	<u>123,135,368</u>
Total equity		<u>127,389,478</u>	<u>123,135,368</u>
Net asset value per ordinary share			
Basic	14	131.72p	131.83p
Diluted	14	130.24p	129.31p

The financial statements on pages 21 to 40 were approved and authorised for issue by the board of directors on *1st December 2017* and signed on its behalf by:



Simon Paul Wombwell
 Director
 Ground Rents Income Fund plc

Company registered number 8041022

The accompanying notes on pages 25 to 40 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 2017

	Note	Year ended 30 September 2017 £	Year ended 30 September 2016 £
Cash flows from operating activities			
Cash generated from operations	19	3,751,965	5,167,583
Interest paid on bank loan and bank charges		(455,921)	(200,040)
Taxation received		-	1,719
Net cash generated from operating activities		<u>3,296,044</u>	<u>4,969,262</u>
Cash flow from investing activities			
Interest received		18,110	23,306
Receipts from the sale of ground rent assets		15,000	164,025
Purchase of ground rent assets		(12,053,007)	(4,872,425)
Net cash used in investing activities		<u>(12,019,897)</u>	<u>(4,685,094)</u>
Cash flows from financing activities			
Net proceeds from issuance of shares	19	3,298,323	414,565
Bank loan net proceeds		11,049,199	2,913,307
Dividends paid to shareholders	18	(3,702,456)	(3,686,328)
Net cash generated from / (used in) financing activities		<u>10,645,066</u>	<u>(358,456)</u>
Net increase / (decrease) in cash and cash equivalents	20	<u>1,921,213</u>	<u>(74,288)</u>
Net cash and cash equivalents at 1 October		<u>5,307,432</u>	<u>5,381,720</u>
Net cash and cash equivalents at 30 September		<u>7,228,645</u>	<u>5,307,432</u>

The accompanying notes on pages 25 to 40 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 2017

	Share capital £	Share premium account £	Retained earnings £	Total equity £
Note	15	16	17	
At 1 October 2015	46,482,856	43,907,467	15,849,370	106,239,693
Comprehensive income				
Profit for the year	-	-	20,167,438	20,167,438
Total comprehensive income	-	-	20,167,438	20,167,438
Transactions with owners				
Issue of share capital	218,150	218,150	-	436,300
Share issue costs	-	(21,735)	-	(21,735)
Dividends paid (note 18)	-	-	(3,686,328)	(3,686,328)
At 30 September 2016	46,701,006	44,103,882	32,330,480	123,135,368
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

The accompanying notes on pages 25 to 40 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 2017

1 Accounting policies

(a) Basis of preparation

Ground Rents Income Fund plc is a public limited company incorporated and domiciled in the United Kingdom. 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. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of ground rent properties.

At the year end date, the Group had a debt facility fully drawn down 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, 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 years ending 30 September 2017, but have not had an impact on the amounts reported in the Group financial statements:

IFRS 5	'Non-current assets held for sale and discontinued operations'
IFRS 7	'Financial instruments: disclosures'
IFRS 14	'Regulatory deferral accounts'
IAS 19	'Employee benefits'
IAS 34	'Interim financial reporting'
Amendment to IFRS 11	'Joint arrangements'
Amendment to IFRS 10 and IAS 28 on investment entities applying the consolidation exception	
Amendment to IAS 1	'Presentation of financial statements'
Amendment to IAS 38	'Intangible assets'
Amendments to IAS 16	'Property, plant and equipment'
Amendments to IAS 27	'Separate financial statements'
Amendments to IAS 41	'Agriculture'

In addition to the above, the following new EU-endorsed standards, amendments to standards and interpretations have been issued and are effective for the financial year beginning 1 October 2017, but have not been early adopted:

IFRS 9	'Financial instruments'
IFRS 15	'Revenue from contracts with customers'
IFRS 16	'Leases'
IFRS 17	'Insurance contracts'
IFRIC 23	Uncertainty over income tax treatments'
Amendment to IFRS 4	'Insurance contracts' - regarding IFRS 9 'Financial instruments'
Amendments to IFRS 2	'Share based payments' - on transaction accounting clarification
Amendment to IAS 40	'Investment property'
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

The impact of these 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.

(c) Currency

The functional and presentation currency is pounds sterling.

(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.

Ground Rents Income Fund plc
Notes to the Consolidated Financial Statements
for the year ended 30 September 2017

1 Accounting policies (continued)

(e) Critical accounting estimates and judgments

The preparation of financial information requires the use of assumptions, estimates and judgments about future conditions. Use of available information and application of judgment 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 judgment 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 tenant notice 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.

(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.

Ground Rents Income Fund plc
Notes to the Consolidated Financial Statements
for the year ended 30 September 2017

1 Accounting policies (continued)

(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 £7,228,645 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 drawn down a £19,500,000 loan for up to a period of five years from 14 November 2016. 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 ground rent debtor balance 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 £61,090 (2016: £129,332).

(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.

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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 2017 £	Year ended 30 September 2016 £
By activity:		
Ground rent income accrued in the year	4,519,624	4,107,896
Other income	617,479	651,489
	<u>5,137,103</u>	<u>4,759,385</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 2017 £	Year ended 30 September 2016 £
This is stated after charging:		
Directors salaries	60,340	61,304
Auditors' remuneration - see below	74,750	72,400
Management fees	449,430	364,714
Professional fees	292,401	294,258
Insurance	22,923	34,264
Sponsor fees	35,772	35,734
Valuation fees	67,428	47,682
Registrar fees	45,894	34,625
Listing fees	48,658	41,462
Advertising and printing costs	14,689	13,975
Other operating expenses	120,330	64,883
	<u>1,232,615</u>	<u>1,065,301</u>

No direct operating expenses were incurred in relation to investment property in the year. Profits on sale of ground rents were £3,375 (2016: £158,502).

Services provided by the Company's auditors:

	Year ended 30 September 2017 £	Year ended 30 September 2016 £
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	54,750	52,400
	<u>74,750</u>	<u>72,400</u>

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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 2017 £	Year ended 30 September 2016 £
Short term employee benefits paid as directors' remuneration	60,340	61,304
Invoiced by Brooks Macdonald Funds Limited	24,000	24,000
	<u>84,340</u>	<u>85,304</u>
Highest paid director: Emoluments	30,000	30,000
	<u>30,000</u>	<u>30,000</u>

Monthly average number of employees during the year

	Number	Number
Administration	<u>3</u>	<u>3</u>

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 2017 (2016: none).

5 Finance income

	Year ended 30 September 2017 £	Year ended 30 September 2016 £
Interest on bank deposits	<u>18,110</u>	<u>23,306</u>

6 Finance expenses

	Year ended 30 September 2017 £	Year ended 30 September 2016 £
Loan interest	546,806	200,040
Amortisation of loan arrangement fees and bank charges	68,442	129,332
	<u>615,248</u>	<u>329,372</u>

Loan set-up costs of £382,359 have been capitalised and deducted from the total loan amount outstanding. These costs have been amortised over 50 months to 15 November 2021.

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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.

Analysis of credit in year	Year ended 30 September 2017 £	Year ended 30 September 2016 £
Current tax:		
UK corporation tax on profits of the year	-	-
Adjustments in respect of previous years	-	(3,320)
Total tax credit for year	<u>-</u>	<u>(3,320)</u>

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 2017 £	Year ended 30 September 2016 £
Profit before taxation	<u>4,658,243</u>	<u>20,164,118</u>
Standard rate of corporation tax in the UK	19.5%	20.0%
	£	£
Profit on ordinary activities multiplied by the standard rate of corporation tax	908,357	4,032,824
Effects of:		
Unrealised revaluation surplus not taxable	(262,766)	(3,323,520)
Property profit not taxable under the REIT regime	(645,591)	(709,304)
Adjustments in respect of previous years	-	(3,320)
Total tax credit for year	<u>-</u>	<u>(3,320)</u>

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

A change to the UK corporation tax rate was announced in the Chancellor's Budget on 16 March 2016. The change announced is to reduce the main rate to 17% from 1 April 2020. Changes to reduce the UK corporation tax rate to 19% from 1 April 2017 and to 18% from 1 April 2020 had already been substantively enacted on 26 October 2015.

As the change to 17% had not been substantively enacted at the date of the statement of financial position its effects are not included in these financial statements.

Ground Rents Income Fund plc
Notes to the Consolidated Financial Statements
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8 Investment properties - ground rents	30 September 2017	30 September 2016
Market value	£	£
At 1 October	125,699,100	104,213,000
Additions	12,053,007	4,872,425
Total unrealised gain recognised in income statement	1,347,518	16,617,598
Disposals	(11,625)	(3,923)
At 30 September	<u>139,088,000</u>	<u>125,699,100</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 - Professional Standards VPS 4 (1.5.1) (the Red Book), which is consistent with IFRS 13 measurement requirements. The 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 2017 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.

Savills have made reference to VPGA 10 (Valuation Practice Guidance Applications) of the RICS Valuation Global Standards 2017, under which they are required to bring to the attention of the Directors "Matters that may give rise to material valuation uncertainty". At the valuation date market uncertainty surrounds investments with aggressive review patterns, leasehold houses and those with ground rents which are high in comparison to the property's capital value. The Group's portfolio has only limited exposure to this type of asset and so the valuation uncertainty is reduced.

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. While interest rates remain low, ground rents are an attractive investment due to their secure, pre-determined income streams.

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

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.

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

Valuation Category - type of rent review

			Fixed	
30 September 2017	Indexed	Doubling	increases	Flat
Cost (£)	68,798,174	20,551,149	6,829,192	5,477,949
Fair Value at 30 Sept 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%
			Fixed	
30 September 2016	Indexed	Doubling	increases	Flat
Cost (£)	57,696,143	20,551,149	6,829,192	5,477,949
Fair Value at 30 Sept 2016 (£)	86,484,944	25,745,894	7,847,213	5,621,048
Gross rent roll (£)	2,758,601	786,010	323,086	307,164
Rental Yield on purchase price	4.78%	3.82%	4.73%	5.61%
Rental Yield on fair value	3.19%	3.05%	4.12%	5.46%

All categories of ground rent asset have been valued by independent valuers using available market comparisons.

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

+/- effect on valuation

			Fixed	
	Indexed	Doubling	increases	Flat
Impact on fair value of 1 YP change	3,165,438	786,010	323,086	307,164

The average YP across the portfolio is 30.4 (2016: 30.1).

9 Trade and other receivables

	30 September	30 September
	2017	2016
	£	£
Trade receivables	1,810,539	1,340,897
Other taxes and social security costs	18,794	-
Other receivables	710,209	931,487
Prepayments and accrued income	32,346	19,428
	<u>2,571,888</u>	<u>2,291,812</u>

Included in other receivables is £234,088 (2016: £387,671) 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 this there is £175,613 (2016: £54,085) of option payments that have been made and an £83,000 deposit (2016: £83,000). The fair value of trade and other receivables is equal to the book value.

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Notes to the Consolidated Financial Statements
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9 Trade and other receivables (continued)

The ageing analysis of trade receivables is as follows:

	30 September 2017	30 September 2016
	£	£
Up to 3 months	1,272,717	891,800
Over 3 months	537,822	449,097
	<u>1,810,539</u>	<u>1,340,897</u>

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.

10 Trade and other payables

	30 September 2017	30 September 2016
	£	£
Trade payables	103,968	91,887
Other taxes and social security costs	-	7,681
Other payables	1,759	119,257
Accruals	446,876	263,157
Deferred income	1,828,811	1,680,994
	<u>2,381,414</u>	<u>2,162,976</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 2017	30 September 2016
	£	£
Bank loan repayable within one year	-	8,000,000
Bank loan repayable over one year	19,500,000	-
Capitalised loan arrangement fees net of amortisation	(382,359)	-
	<u>19,117,641</u>	<u>8,000,000</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, Gateway (Leeds) Ground Rents Limited, GRIF040 Limited, GRIF041 Limited, GRIF044 Limited, GRIF048 Limited, Masshouse Ground Rents Limited, Masshouse Block HI Limited, Masshouse Residential Block HI Limited, North West Ground Rents Limited, Opw Ground Rents Limited, Postbox Ground Rents Limited, The Manchester Ground Rent Company Limited, Wiltshire Ground Rents Limited and Yorkshire 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 2017.

Ground Rents Income Fund plc
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11 Financial liabilities measured at amortised cost (continued)

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 2017, this was 13.7% (30 September 2016: 6.4%).

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 2017, and are as follows:

Leverage exposure

	Maximum limit	Actual
Gross method	175%	111%
Commitment method	<u>175%</u>	<u>117%</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.

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 2017		30 September 2016	
	Book value	Fair value	Book value	Fair value
	£	£	£	£
Trade receivables	1,810,539	1,810,539	1,340,897	1,340,897
Other receivables	710,209	710,209	931,487	931,487
Cash at bank and in hand	<u>7,228,645</u>	<u>7,228,645</u>	<u>5,307,432</u>	<u>5,307,432</u>

As of 30 September 2017 no trade receivables (2016: £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 2017		30 September 2016	
	Book value	Fair value	Book value	Fair value
	£	£	£	£
Trade payables	103,968	103,968	91,887	91,887
Other payables and accruals	448,635	448,635	382,414	382,414
Bank loan	<u>19,117,641</u>	<u>19,117,641</u>	<u>8,000,000</u>	<u>8,000,000</u>

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12 Financial instruments (continued)

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 30 September was as follows:

	30 September 2017	30 September 2016
	£	£
Cash and cash equivalents	7,228,645	5,307,432
Total borrowings (note 11)	<u>(19,117,641)</u>	<u>(8,000,000)</u>
Net cash	(11,888,996)	(2,692,568)
Total equity	127,389,478	123,135,368
Total capital	115,500,482	120,442,800
Gearing ratio	15%	6%

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 investment manager. The panel of suitable counterparties is subject to regular review by the board and its advisers.

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 Directors manage and monitor 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 Earnings per share

Basic earnings per share

Earnings used to calculate earnings per share in the financial statements were:

	30 September 2017	30 September 2016
	£	£
Profit attributable to owners of the Company	<u>4,658,243</u>	<u>20,167,438</u>
Basic earnings per share have been calculated by dividing earnings by the weighted average number of ordinary shares in issue throughout the year.		
Weighted average number of shares in issue in the year	93,565,248	93,118,248
Basic earnings per share	4.98p	21.66p

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13 Earnings per share (continued)

Diluted earnings per share

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

	30 September 2017	30 September 2016
	£	£
Profit attributable to equity shareholders of the Company	4,658,243	20,167,438
	2017	2016
	Number	Number
Weighted average number of shares - basic	93,565,248	93,118,248
Potential dilutive impact of warrants	1,565,659	1,365,831
Diluted total shares	95,130,907	94,484,079
Diluted earnings per share	4.90p	21.34p

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 2017	30 September 2016
	£	£
Net assets	127,389,478	123,135,368
	Number	Number
Number of ordinary shares in issue	96,712,100	93,402,011
Outstanding warrants in issue	4,718,273	8,028,362
Diluted number of shares in issue	101,430,373	101,430,373
NAV per ordinary share - basic	131.72p	131.83p
NAV per ordinary share - dilutive	130.24p	129.31p

15 Share capital

	30 September 2017	30 September 2017	30 September 2016	30 September 2016
	Number	£	Number	£
Allotted, called up and fully paid:				
Ordinary shares of £0.50 each	96,712,100	48,356,050	93,402,011	46,701,006
	30 September 2017	30 September 2017	30 September 2016	30 September 2016
	Number	£	Number	£
Shares issued during the year				
Ordinary shares of £0.50 each	3,310,089	1,655,044	436,300	218,150

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.

In January 2015, the Company raised an additional £8,451,428, by way of a placing of ordinary shares at £1.07 per share.

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. 277,700 warrants were exercised and issued in September 2016. 3,310,089 warrants were exercised and issued in September 2017. At 30 September 2017 there were 4,718,273 warrants in issue.

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16 Share premium account	2017	2016
	£	£
At 1 October	44,103,882	43,907,467
Shares issued	1,655,045	218,150
Expenses of issue	(11,766)	(21,735)
At 30 September	<u>45,747,161</u>	<u>44,103,882</u>

17 Retained earnings	2017	2016
	£	£
At 1 October	32,330,480	15,849,370
Profit for the financial year	4,658,243	20,167,438
Dividends paid	(3,702,456)	(3,686,328)
At 30 September	<u>33,286,267</u>	<u>32,330,480</u>

18 Dividends

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

	2017	2016
	£	£
Dividends declared by the Company during the year:		
Dividends paid	<u>3,702,456</u>	<u>3,686,328</u>
	<u>3,702,456</u>	<u>3,686,328</u>

Analysis of dividends by type:

Interim PID dividend of 0.952p per share	-	886,543
Interim PID dividend of 0.9646p per share	-	898,277
Interim PID dividend of 1.0187p per share	-	948,659
Interim PID dividend of 1.0232p per share	-	952,849
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	-
	<u>3,702,456</u>	<u>3,686,328</u>

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

Interim PID dividend of 1.024p per share - announced	-	956,437
Interim PID dividend of 0.980p per share - announced	<u>915,340</u>	<u>-</u>

19 Cash generated from operations

Reconciliation of operating profit to net cash inflow from operating activities

	2017	2016
	£	£
Profit before income tax	4,658,243	20,164,118
Adjustments for:		
Non-cash revaluation gain	(1,347,518)	(16,617,598)
Profit on sale of fixed assets	(3,375)	(158,502)
Net finance expense	597,138	306,066
Operating cash flows before movements in working capital	<u>3,904,488</u>	<u>3,694,084</u>
Movements in working capital:		
Decrease / (increase) in trade and other receivables	(280,076)	752,790
Increase in trade and other payables	127,553	720,709
Net cash generated from operations	<u>3,751,965</u>	<u>5,167,583</u>

Ground Rents Income Fund plc
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19 Cash generated from operations (continued)

Proceeds of share issue

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

	2017	2016
	£	£
Warrants issued on 28 October 2015	-	158,600
Warrants issued on 23 September 2016	-	277,700
Warrants issued on 13 September 2017	3,310,089	-
Share issue costs associated with issue of ordinary shares	(11,766)	(21,735)
	<u>3,298,323</u>	<u>414,565</u>

20 Analysis of changes in net cash

	At 1 October 2016	Cash flows	Non-cash changes	At 30 September 2017
	£	£	£	£
Cash at bank and in hand	5,307,432	1,921,213	-	7,228,645
Total	<u>5,307,432</u>	<u>1,921,213</u>	<u>-</u>	<u>7,228,645</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	
	2017	2016	2017	2016
	£	£	£	£
Admiral Ground Rents Limited	2,035,983	2,077,926	-	-
Azure House Ground Rents Limited	74,899	80,112	-	-
Banbury Ground Rents Limited	93,494	91,707	-	-
BH Ground Rents Limited	1,285,210	1,326,562	-	-
Clapham One Ground Rents Limited	2,961,033	2,845,729	-	-
D G Ground Rents Limited	1,631,645	1,609,830	-	-
East Anglia Ground Rents Limited	489,627	524,407	-	-
Ebony House Ground Rents Limited	182,160	189,542	-	-
Enclave Court Ground Rents Limited	86,617	92,721	-	-
Greenhouse Ground Rents Limited	544,520	489,557	-	-
GRIF Student Ground Rents Limited	926,823	935,078	-	-
GRIF033 Limited	648,824	595,529	-	-
GRIF038 Limited	104,835	104,835	-	-
GRIF039 Limited	744,594	756,349	-	-
GRIF040 Limited	11,410,100	7,944,200	-	-
GRIF041 Limited	2,858,129	2,753,065	-	-
GRIF042 Limited	639,042	570,909	-	-
GRIF043 Limited	988,782	911,236	-	-
GRIF044 Limited	1,498,286	1,536,695	-	-
GRIF045 Limited	829,010	572,529	-	-
GRIF046 Limited	2,304,432	2,349,339	-	-
GRIF047 Limited	123,049	132,625	-	-
GRIF048 Limited	-	1,905,413	416,226	-

Ground Rents Income Fund plc
Notes to the Consolidated Financial Statements
for the year ended 30 September 2017

21 Related party transactions (continued)

Company	Amounts owed by related parties		Amounts owed to related parties	
	2017 £	2016 £	2017 £	2016 £
GRIF051 Limited	19,901,102	20,059,510	-	-
GRIF052 Limited	1,750,073	1,819,591	-	-
Halcyon Wharf Ground Rents Limited	302,830	252,583	-	-
Hill Ground Rents Limited	5,106,778	5,127,263	-	-
Invest Ground Rents Limited	205,876	210,776	-	-
Masshouse Block HI Limited	1,870,786	1,856,851	-	-
Masshouse Residential Block HI Limited	-	-	29,853	29,812
Metropolitan Ground Rents Limited	2,659,841	2,649,699	-	-
Nikal Humber Quay Residential Limited	-	-	55,515	57,210
Northwest Houses Ground Rents Limited	1,026,738	997,722	-	-
OPW Ground Rents Limited	2,869,485	2,762,444	-	-
The Manchester Ground Rent Company Limited	4,037,979	4,085,687	-	-
Trinity Land & Investments No.2 Limited	2,498,953	2,415,283	-	-
Wiltshire Ground Rents Limited	2,492,763	2,506,108	-	-
XQ7 Ground Rents Limited	622,176	654,862	-	-

All the above subsidiaries are registered at the same UK address, being Richmond House, Heath Road, Hale, Cheshire WA14 2XP.

Company	Amounts owed by related parties		Amounts owed to related parties	
	2017 £	2016 £	2017 £	2016 £
Gateway (Leeds) Ground Rents Limited	2,525,236	2,551,788	-	-
Masshouse Ground Rents Limited	950,106	1,003,642	-	-
Midlands Ground Rents Limited	819,035	790,060	-	-
North West Ground Rents Limited	953,141	985,241	-	-
Postbox Ground Rents Limited	1,414,546	1,352,488	-	-
TMG003 Limited	137,029	42,254	-	-
Yorkshire Ground Rents Limited	1,165,156	1,129,950	-	-

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) and of Brooks Macdonald Group plc, the parent company of BMF and Braemar Estates (Residential) Limited (BER), both of which companies provided services to Ground Rents Income Fund plc during the financial year.

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, and 20% of any notice fee income. 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.

Ground Rents Income Fund plc
Notes to the Consolidated Financial Statements
for the year ended 30 September 2017

21 Related party transactions (continued)

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

	2017	2016
	£	£
Advisory fee paid to Brooks Macdonald Funds Limited	515,316	429,281
Acquisition fees paid to Brooks Macdonald Funds Limited	49,500	81,057
Other amounts paid to Brooks Macdonald Funds Limited	123,171	109,543
Directors fees paid to Brooks Macdonald Funds Limited	24,000	24,000
	<u>711,987</u>	<u>643,881</u>

£92,400 was due from Ground Rents Income Fund plc to Brooks Macdonald Funds Limited at the year end date (2016: £59,300).

Braemar Estates (Residential) Limited is also a related party by virtue of being under common control with Brooks Macdonald Funds Limited. Transactions between Braemar Estates (Residential) Limited and Ground Rents Income Fund plc during the financial year were as follows:

	2017	2016
	£	£
Other amounts paid to Braemar Estates (Residential) Limited	26,895	18,825
	<u>26,895</u>	<u>18,825</u>

£nil was due from Ground Rents Income Fund plc to Braemar Estates (Residential) Limited at the year end date (2016: £12,000). £nil was due to Ground Rents Income Fund plc from Braemar Estates (Residential) Limited at the year end date (2016: £nil).

22 Other financial commitments and contingencies

The Group has a number of ground rent asset acquisitions in the pipeline. At 30 September 2017, the Group had £234,088 of cash held at solicitors for acquisitions which were in progress to complete after the year end date (note 9) (2016: £387,671). The ground rent deals are expected to cost £4,099,977 to complete.

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

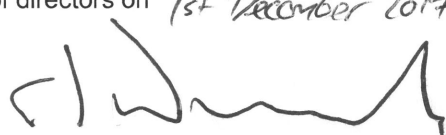
23 Events after the year end date

On 1 November 2017 the Group completed on the purchase of the head lease interest Beetham Tower, Birmingham, for £152,000. The investment consists of 152 units generating £10,138 ground rent linked to 21 year RPI, giving an initial ground rent yield of 6.7%.

Ground Rents Income Fund plc
Company Statement of Financial Position
as at 30 September 2017

	Note	2017 £	2016 £
Assets			
Non-current assets			
Investments	5	1,665,010	1,665,010
		<u>1,665,010</u>	<u>1,665,010</u>
Current assets			
Trade and other receivables	6	85,763,862	84,191,013
Cash and cash equivalents		7,228,645	5,307,432
		<u>92,992,507</u>	<u>89,498,445</u>
Total assets		<u>94,657,517</u>	<u>91,163,455</u>
Liabilities			
Current liabilities			
Trade and other payables	7	(453,352)	(276,755)
		<u>(453,352)</u>	<u>(276,755)</u>
Total liabilities		<u>(453,352)</u>	<u>(276,755)</u>
Net assets		<u>94,204,165</u>	<u>90,886,700</u>
Financed by:			
Equity			
Share capital	9	48,356,050	46,701,006
Share premium account	9	45,747,161	44,103,882
Profit for the financial year	10	3,721,598	3,733,779
Retained earnings / (losses)	10	(3,620,644)	(3,651,967)
Total equity		<u>94,204,165</u>	<u>90,886,700</u>

The Company financial statements on pages 41 to 50 were approved and authorised for issue by the board of directors on *1st December 2017* and signed on its behalf by:



Simon Paul Wombwell
 Director
 Ground Rents Income Fund plc

Company registered number

8041022

The accompanying notes from pages 44 to 50 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 2017

	Year ended 30 September 2017 £	Year ended 30 September 2016 £
Cash flows from operating activities		
Cash generated from operations	12 2,318,247	8,324,185
Interest paid on bank loan and bank charges	(201)	(108,476)
Net cash generated from operating activities	<u>2,318,046</u>	<u>8,215,709</u>
Cash flow from investing activities		
Interest received	7,300	23,306
Net cash generated from investing activities	<u>7,300</u>	<u>23,306</u>
Cash flows from financing activities		
Proceeds from issuance of shares	12 3,298,323	414,565
Bank loan net payments	-	(5,041,540)
Dividends paid to shareholders	(3,702,456)	(3,686,328)
Net cash used in financing activities	<u>(404,133)</u>	<u>(8,313,303)</u>
Net increase / (decrease) in cash and cash equivalents	13 <u>1,921,213</u>	<u>(74,288)</u>
Net cash and cash equivalents at 1 October	<u>5,307,432</u>	<u>5,381,720</u>
Net cash and cash equivalents at 30 September	<u>7,228,645</u>	<u>5,307,432</u>

The accompanying notes from pages 44 to 50 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 2017

	Share capital £	Share premium account £	Retained earnings £	Total equity £
Note	9	9	10	
At 1 October 2015	46,482,856	43,907,467	34,361	90,424,684
Comprehensive income				
Profit for the year	-	-	3,733,779	3,733,779
Total comprehensive income	-	-	3,733,779	3,733,779
Transactions with owners				
Issue of share capital	218,150	218,150	-	436,300
Share issue costs	-	(21,735)	-	(21,735)
Dividends paid	-	-	(3,686,328)	(3,686,328)
At 30 September 2016	46,701,006	44,103,882	81,812	90,886,700
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

The accompanying notes from pages 44 to 50 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 2017

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) Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards and applicable UK Law that applies to companies reporting under IFRS, and IFRS IC interpretations.

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 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 2017, but have not had an impact on the amounts reported in the Group financial statements:

IFRS 5	'Non-current assets held for sale and discontinued operations'
IFRS 7	'Financial instruments: disclosures'
IFRS 14	'Regulatory deferral accounts'
IAS 19	'Employee benefits'
IAS 34	'Interim financial reporting'
Amendment to IFRS 11	'Joint arrangements'
Amendment to IFRS 10 and IAS 28 on investment entities applying the consolidation exception	
Amendment to IAS 1	'Presentation of financial statements'
Amendment to IAS 38	'Intangible assets'
Amendments to IAS 16	'Property, plant and equipment'
Amendments to IAS 27	'Separate financial statements'
Amendments to IAS 41	'Agriculture'

In addition to the above, the following new EU-endorsed standards, amendments to standards and interpretations have been issued and are effective for the financial year beginning 1 October 2017, but have not been early adopted:

IFRS 9	'Financial instruments'
IFRS 15	'Revenue from contracts with customers'
IFRS 16	'Leases'
IFRS 17	'Insurance contracts'
IFRIC 23	'Uncertainty over income tax treatments'
Amendment to IFRS 4	'Insurance contracts' - regarding IFRS 9 'Financial instruments'
Amendments to IFRS 2	'Share based payments' - on transaction accounting clarification
Amendment to IAS 40	'Investment property'
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

The impact of these 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.

Ground Rents Income Fund plc
Notes to the Company Financial Statements
for the year ended 30 September 2017

2 Accounting policies (continued)

(c) **Critical accounting estimates and judgments**

The preparation of financial information requires the use of assumptions, estimates and judgments about future conditions. Use of available information and application of judgment 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 judgment is necessarily applied are those that relate to valuations. 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 statement of financial position date, the Group had a loan facility of £19,500,000 in place for up to a further five years from 14 November 2016. For these reasons the Directors continue to prepare the financial statements on a going concern basis.

(e) **Currency**

The functional and presentation currency is pound sterling.

(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 £7,228,645 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 drawn down a £19,500,000 loan for up to a period of five years from 14 November 2016. 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 2017

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 £3,721,598 (2016: £3,733,779). Auditors' remuneration for audit of the parent Company financial statements was £20,000 (2016: £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 2016 and 30 September 2017

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 2017 all of which are wholly owned and included in the financial statements are given below. All subsidiaries below are registered at the same UK address, being Richmond House, Heath Road, Hale, Cheshire WA14 2XP:

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 2017

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 and 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 Cossec Limited	Ordinary £1	Corporate Director	UK

6 Trade and other receivables

	30 September 2017	30 September 2016
	£	£
Trade receivables	10,155	27,237
Other receivables	180,617	317,111
Other taxes and social security costs	28,933	-
Amounts owed by subsidiary undertakings	85,522,134	83,828,735
Prepayments and accrued income	22,023	17,930
	85,763,862	84,191,013

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 2017	30 September 2016
	£	£
Up to 3 months	-	-
Over 3 months	10,155	27,237
	10,155	27,237

Ground Rents Income Fund plc
Notes to the Company Financial Statements
for the year ended 30 September 2017

7 Trade and other payables

	30 September 2017	30 September 2016
	£	£
Trade payables	103,968	91,887
Accruals and deferred income	349,384	184,868
	<u>453,352</u>	<u>276,755</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 2017		30 September 2016	
	Book value	Fair value	Book value	Fair value
	£	£	£	£
Trade receivables	10,155	10,155	27,237	27,237
Other receivables	180,617	180,617	317,111	317,111
Cash at bank and in hand	<u>7,228,645</u>	<u>7,228,645</u>	<u>5,307,432</u>	<u>5,307,432</u>

As of 30 September 2017 no trade receivables (2016: £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 2017		30 September 2016	
	Book value	Fair value	Book value	Fair value
	£	£	£	£
Trade payables	<u>103,968</u>	<u>103,968</u>	<u>91,887</u>	<u>91,887</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.

Ground Rents Income Fund plc
Notes to the Company Financial Statements
for the year ended 30 September 2017

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 2015	92,965,711	46,482,856	43,907,467
Shares issued	436,300	218,150	218,150
Expenses of issue	-	-	(21,735)
At 30 September 2016	<u>93,402,011</u>	<u>46,701,006</u>	<u>44,103,882</u>
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>

The total number of ordinary shares, issued and fully paid at 30 September 2017, was 96,712,100 (2016: 93,402,011) 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.

10 Retained earnings

	2017 £	2016 £
At 1 October	81,812	34,361
Profit for the financial year	3,721,598	3,733,779
Dividends paid in the year (note 18 - consolidated financial statements)	(3,702,456)	(3,686,328)
At 30 September	<u>100,954</u>	<u>81,812</u>

11 Reconciliation of movements in total equity

	2017 £	2016 £
At 1 October	90,886,700	90,424,684
Profit for the financial year	3,721,598	3,733,779
Dividends paid in the year (note 18 - consolidated financial statements)	(3,702,456)	(3,686,328)
Shares issued	3,298,323	414,565
At 30 September	<u>94,204,165</u>	<u>90,886,700</u>

12 Cash generated from operations

Reconciliation of operating profit to net cash inflow from operating activities

	2017 £	2016 £
Profit before income tax	3,721,598	3,733,779
Adjustments for:		
Net finance (income) / expense	(7,099)	169,348
Operating cash flows before movements in working capital	<u>3,714,499</u>	<u>3,903,127</u>
Movements in working capital:		
Decrease / (increase) in trade and other receivables	120,550	(128,349)
(Increase) / decrease in amounts owed by group undertakings	(1,693,399)	4,510,699
Increase in trade and other payables	176,597	38,708
Net cash generated from operations	<u>2,318,247</u>	<u>8,324,185</u>

Ground Rents Income Fund plc
Notes to the Company Financial Statements
for the year ended 30 September 2017

12 Cash generated from operations (continued)

Proceeds of share issue

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

	2017	2016
	£	£
Shares issued on exercise of warrants on 28 October 2015	-	158,600
Shares issued on exercise of warrants on 23 September 2016	-	277,700
Shares issued on exercise of warrants on 13 September 2017	3,310,089	-
Share issue costs associated with issue of ordinary shares	(11,766)	(21,735)
	<u>3,298,323</u>	<u>414,565</u>

13 Analysis of changes in net cash

	At 1 October	Cash flows	Non-cash At 30 September	2017
	2016		changes	2017
	£	£	£	£
Cash at bank and in hand	5,307,432	1,921,213	-	7,228,645
Total	<u>5,307,432</u>	<u>1,921,213</u>	<u>-</u>	<u>7,228,645</u>

14 Related party transactions

The Company's balances with fellow group companies at 30 September 2017 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.