

Registered number
8041022

Ground Rents Income Fund plc
Annual Report and Financial Statements
for the year ended 30 September 2015

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

Company Information

Directors

Robert Malcolm Naish - Chairman
Paul Anthony Craig
Simon Paul Wombwell

Company Secretary

William Martin Robinson

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Chartered Accountants and Statutory Auditors
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Ground Rents Income Fund plc Chairman's Statement

I am pleased to present the third annual report and financial statements of Ground Rents Income Fund plc ("GRIF") for the year ended 30 September 2015.

The Group has completed purchases with a total cost of £27.8m during the year and is now fully invested. However, the Directors continue to look for suitable acquisitions and have a pipeline of purchases committed by way of the exchange of contracts or option agreements amounting to approximately £6m which are expected to complete in the current financial year. These acquisitions will be financed from the Group's cash resources which are derived from short-term loans drawn down during the year. Further acquisitions amounting to £3m are being negotiated and the Group has undrawn facilities available to finance those acquisitions.

In the year ended 30 September 2015, the Company achieved profits attributable to ordinary shareholders of £12.5m (year ended 30 September 2014: £4.7m) and paid dividends of 3.538 pence per share (year ended 30 September 2014: 3.868 pence per share), a gross yield of 3.44 per cent, based on the issue price of the shares.

The market for ground rent investments is buoyant and values have increased significantly over the last 24 months. The upper end of the market is dominated by only a handful of buyers who have the liquidity to purchase large (£1m plus) portfolios quickly. This results in sellers being able to approach a small group of investors without having to go to the market fully.

We have seen pricing move up significantly with RPI reviewable rents being in demand particularly. The traditional 25 year reviews with rents doubling have also seen a significant yield shift from around 6% in March 2012 to around 4% today. The valuation of the Company's portfolio has increased from £67m at 30 September 2014 to £104m at 30 September 2015. After taking account of the cost of acquisitions during the year, the increase in valuation of the assets held at 30 September 2014 was £10.9m, an increase of 16% during the year. The increase in valuation across the full portfolio including new additions was £11.4m and offset against this was acquisition costs of £2.2m to give a net revaluation gain on the whole portfolio of £9.2m in the year.

The NAV per share at 30 September 2015 was £1.142 (2014: £1.043), an increase of 9.5%.

The Directors feel the future prospects for the Group are positive. The trend of increasing market values coupled with a growing income each year, it is hoped, will have the intended effect of a growing net asset value.

It is customary for the Chairman to thank all of the employees for their hard work during the year, but this company has no employees, other than the Directors. My thanks, therefore, go to all the Group's advisers who have helped us to find suitable acquisitions, collected our income and provided all the administrative support needed to manage a company like ours.



Robert Malcolm Naish
Chairman
8 December 2015

Ground Rents Income Fund plc

Strategic Report

The Directors present their Strategic Report on the Group for the year ended 30 September 2015.

Review of the 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. The Company was admitted to the Official List of the Channel Islands Securities Exchange (CISE) (formerly the Channel Islands Stock Exchange (CISX)) and to trading on the SETSqx platform of the London Stock Exchange in August 2012.

The Company, together with its subsidiaries (the Group), 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.

The Company raised approximately £48.2 million at IPO, before expenses on admission to CISE and to trading on SETSqx, through a placing and offer for subscription of ordinary shares.

In May 2013, the Company raised an additional £38.5 million, before expenses, by way of a placing of convertible preference shares. These shares were converted into ordinary shares in June 2014.

In August 2013, the exercise of warrants resulted in the issue of a further 1.184 million shares at £1.00 per share. No warrants were exercised in the year ended 30 September 2014.

In January 2015, the Company raised an additional £9.0 million, before expenses, by way of a placing of ordinary shares at £1.07 per share.

In August 2015, 158,600 warrants were exercised resulting in a post-year end issue of share capital in October 2015.

Investment 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 Income Fund plc Strategic Report (continued)

Investment Strategy (continued)

At 30 September 2015, the portfolio of ground rents was generally valued on multiples of between 16 and 34, which equate to gross yields of between 5.87 per cent. and 2.94 per cent.

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 Price Index (RPI), or those that have imminent rent reviews.

Ground Rents Acquired

The prime focus of the Directors since admission to CISE has been the investment of the proceeds of the share issues.

As at 30 September 2015, the audited total net assets of the Group were £106.2 million (2014: £88.2 million), of which £104.2 million (2014: £67.3 million) was represented by investments in ground rents and £0.4 million (2014: £20.3 million) in net cash (after taking borrowings into account).

Acquisitions in the year ended 30 September 2015 include:

Student Accommodation Blocks

A portfolio of student accommodation blocks located in Liverpool, Manchester, Bristol, Exeter and Southampton, comprising 1,127 high specification student studios. The ground rent income from the portfolio is £394,450 with a purchase price of £9,466,800, generating an initial yield of 4.17%. The rent review mechanisms are particularly attractive being all RPI-linked and spread across 5 year and 10 year cycles.

The portfolio includes Vita First Street, a new-build 279 unit scheme at the landmark First Street development on the south side of Manchester city centre. The wider development includes new hotel and office accommodation, a number of well-known retail brands and is the location for the new cinema and cultural complex known as Home. The block represents the premium student accommodation offering in the city.

The Crosshall Building in Liverpool involved the retention of the historic façade with a complete internal demolition and new build of luxury student accommodation. It houses 158 units and is adjacent to the other two Liverpool blocks in the portfolio which include a shared gym and common room facilities in addition to retail space.

Fixed uplift portfolio

A portfolio of fixed uplift mechanism assets comprising 307 units across 14 locations. Producing ground rent income of £73,500, the portfolio was purchased for £1,778,700, which represents an initial yield of 4.1%.

RPI linked portfolio

A portfolio of RPI-linked assets comprising 2,100 units across 50 sites with review dates ranging from 4 years to 25 years and most of which is linked to RPI. The total ground rent income is £572,754 and purchase price of £17,996,274, producing an initial yield of 3.18%. The yield reflects the scale and make-up of the portfolio. Assets within the portfolio include a 325 unit block at Brewery Wharf in Leeds, built as part of the wider development of retail, commercial and residential offerings. The Vie Building in Manchester consists of 207 units at the confluence of two rivers in a conservation area at the edge of the city centre. The portfolio also includes a number of conversions of historic mills at canal-side locations.

Ground Rents Income Fund plc
Strategic Report (continued)

Ground Rents Acquired (continued)

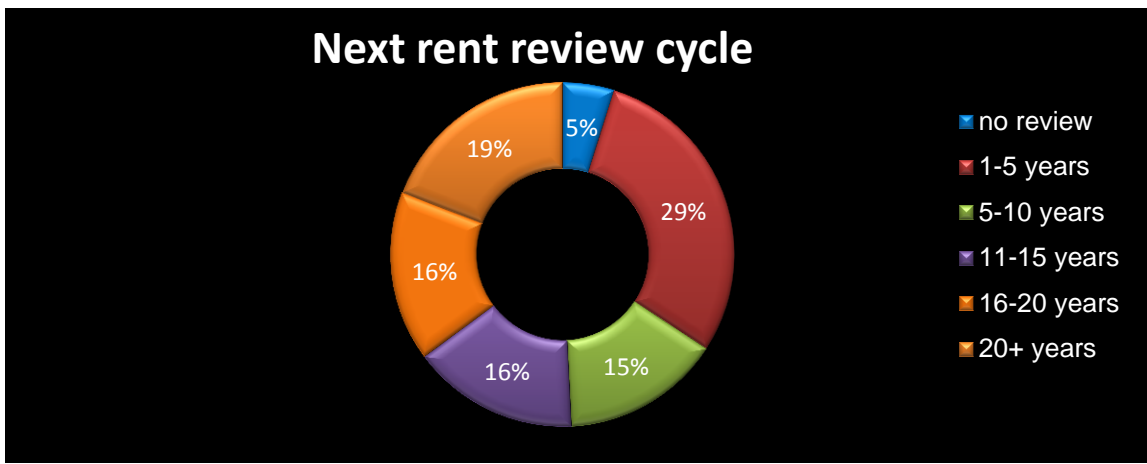
Mixed flat and indexed portfolio

A portfolio of three converted warehouse blocks in Manchester, comprising 200 units, of which 177 units have no rental uplifts and the remaining 23 have RPI linked reviews every 10 years. The total ground rent income is £33,400 and purchase price of £740,500, producing an initial yield of 4.51%.

Portfolio characteristics

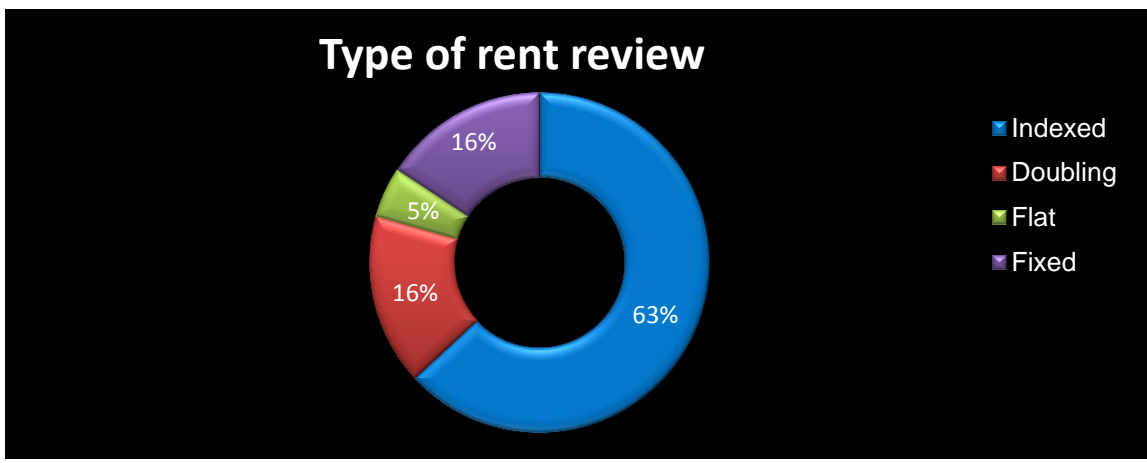
Most ground rents are subject to pre-determined rent reviews, which are documented in each lease granted by the freeholder or head leaseholder. Increases are linked to a variety of measures: they may be indexed to factors such as RPI, they may be subject to a periodic doubling or subject to fixed sum increases. The review cycles vary between annual and 50 years, although most are 20 years or less. The valuation of a ground rent investment tends to remain static, except for market movements driven by variation to yields, until the final few years before a review date.

The chart below shows the period of time before the next review date for the ground rents in the portfolio at 30 September 2015:



The chart demonstrates that 29 per cent. of the portfolio will be subject to a rent review within the next 5 years. Typically, the impact of a forthcoming rent review is recognised in the valuation over the 3 years leading up to the review date.

The chart below shows the type of rent review in the portfolio at 30 September 2015:

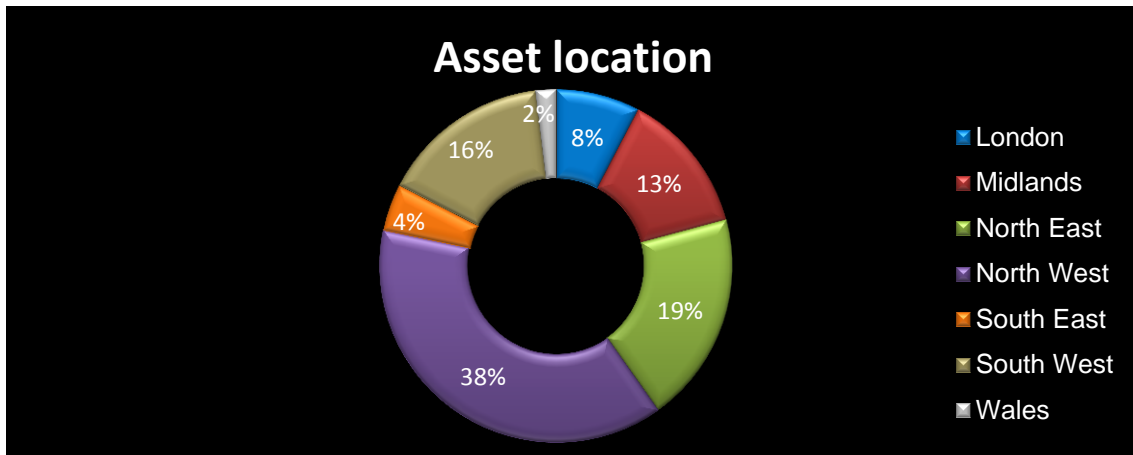


Ground Rents Income Fund plc
Strategic Report (continued)

Portfolio characteristics (continued)

63 per cent. of the portfolio is directly linked to an inflation based index. The doubling and fixed rate increases also provide an inflation hedge for the portfolio, and it is possible that such increases could be at rates in excess of inflation depending on economic conditions over the review cycle.

The geographic spread of the portfolio at 30 September 2015 is shown in the chart below:



Ground Rents Income Fund plc Strategic Report (continued)

Key Performance Indicators

The Group is approaching the end of its acquisition phase, but many of the Key Performance Indicators 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 Directors consider 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 Directors when acquisition opportunities are considered for approval.

As at 30 September 2015, the Group had invested all of the net proceeds of the issue of the ordinary shares and the preference shares.

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:

- Dividend yield
- Portfolio valuation
- Compliance with REIT rules

These KPIs are reported on and considered at the quarterly Directors' meetings. The Directors review analysis of the portfolio valuation and composition with reference to geographical location and timing of rent reviews.

In the year ended 30 September 2015, the dividend yield on the ordinary shares was 3.44% (year ended 30 September 2014: 3.8%) on the issue price. The Directors did not have a target dividend yield in the first two accounting periods because the Group was still in the investment phase.

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 Directors 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.

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.

Ground Rents Income Fund plc Strategic Report (continued)

Principle 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.

Market Risk

Sufficient acquisition opportunities

The UK market for ground rents is finite and competitive, which may result in the Directors being unable to source sufficient, suitable investment opportunities at appropriate prices to enable the Group to become fully invested when they have surplus cash to invest. The Directors have engaged the investment adviser to identify and negotiate acquisitions on their behalf, subject to their approval prior to the exchange of contracts. Although the Group is presently fully invested, the investment adviser has a pipeline of opportunities, which are reported to the Directors on a regular basis. The merits of each opportunity are considered by the Directors, together with the availability of cash resources to complete an acquisition.

Investment risk

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 Group models the potential returns from its pipeline of investment opportunities to ensure that any ground rents purchased will generate returns which are in line with the return level set by the Directors.

Investment performance

The returns to investors, over the long term, are dependent on the income stream from ground rents and any movement in the valuation of the underlying assets. Income from the collection of ground rents is one of the most secure sources of income available in the UK, due to the ability of a freeholder and/or head leaseholder to forfeit the lease on any property where the leaseholder fails to pay the ground rent.

The valuations of ground rents can go down as well as up. Valuations are linked to multiples of the ground rent payable. The 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.

Cashflow Risk

Availability of equity and/or debt

The Company has a finite amount of cash available for investment in ground rents. It 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 it has insufficient cash from its existing resources to be able to meet such capital obligations as they fall due, as a result of making further acquisitions, the Company will need to seek additional equity and/or debt. Such equity and/or debt may not be available on terms which are acceptable to the Directors, in which case any deposit or option payment made could be lost.

Ground Rents Income Fund plc Strategic Report (continued)

Principal risks and uncertainties (continued)

Availability of equity and/or debt (continued)

At the balance sheet date, the Group had a short term debt facility of £8m, expiring on 27 June 2016, of which £5m was drawn down. The Group has sufficient cash resources to repay the outstanding debt in full, but in doing so it would forfeit any deposit or option payment already made. Consequently, the Directors have requested that the lender extend the facility for up to a further three years and the lender has offered indicative terms for such an extension, which will be considered at the next quarterly board meeting of the Company. Should the Directors decide not to extend the facility or the lender withdraws its offer, which the Directors consider very unlikely, the Directors have a number of options available to them to repay the debt before 27 June 2016, including the sale of assets. For these reasons the Directors continue to prepare the accounts on a going concern basis.

The Directors monitor the cash flow projections on a regular basis, which allows them to ensure that the Company does not commit to acquisitions which it is unable to finance. The pipeline of acquisitions and schedule of known commitments identifies the capital requirements in good time for the Directors to consider the options available to them to finance those acquisitions before a binding commitment is made.

Liquidity Risk

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.

Credit Risk

Cash deposits are placed with a number of financial institutions whose financial strength has been considered by the Directors based on advice received from the investment adviser. The panel of suitable counterparties is subject to regular review by the board and its advisers.

Interest rate risk

The Group has some short-term external borrowings, the interest rate for which is 3 month LIBOR + 2.5%.

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

Operational Risks

REIT rules

The Company 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 Directors receive a quarterly report on the Company's compliance with the REIT rules and take independent tax advice on the conduct of its business to ensure that it remains compliant with the REIT regime.

Dependence on the investment advice, key individuals and relationships

The Company's ability to achieve its investment objective is substantively dependent on the performance of the investment adviser and other key individuals in identification of suitable acquisitions and disposals and the management of such investments. Failure by these people to provide appropriate advice and support to the Company could have a material adverse effect on the Company's business, financial condition and results of operations.

Ground Rents Income Fund plc Strategic Report (continued)

Operational Risks (continued)

Allocation of dividend type

The Company's property profits are payable as Property Income Distributions (PIDs) and are paid gross, whereas its non-property income is paid as an ordinary dividend and is subject to the deduction of basic rate income tax. The Directors must ensure profits are correctly allocated and distributions are made to ensure the Group operates within the rules of the REIT regime.

Insurance risk

The Company 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 a building or if a building was insured for an inadequate reinstatement value, the Company would incur costs to reinstate the property.

The Directors seek independent confirmation of reinstatement values prior to acquiring a property and ensure that the insurance cover is adequate. The reinstatement values are confirmed on a three year cycle.

Future developments

The Directors continue to seek suitable ground rent acquisitions despite having now achieved full investment. The Directors intend to finance such acquisitions from the Group's existing cash resources and the undrawn short-term facilities (£3m). At the balance sheet date, the short-term facilities expire in June 2016. The Directors have requested that the lender extend the facility for up to a further three years and the lender has offered indicative terms for such an extension, which will be considered at the next quarterly board meeting of the company.

The Directors believe that the price of ground rents may now have reached a peak, so intend to be highly selective in making any acquisitions. The Directors may also consider the disposal of certain assets should suitable opportunities arise for sale and reinvestment which would enhance shareholder value.

The Directors set an annualised target dividend yield of 4.4 per cent. per annum, in May 2013, calculated on the issue price of the ordinary and convertible preference shares and on the assumption that all of the net proceeds from the share issues have been invested in accordance with the Company's investment strategy and that the convertible preference shares issued in May 2013 have been converted into ordinary shares.

In the Strategic report contained in the 2014 Annual Report, the Directors reported that the prices being negotiated for their then pipeline of transactions, if completed at those prices, would result in the total portfolio yield falling below the target set in May 2013. The completion of the RPI linked portfolio, referred to above, during the year at an initial yield of 3.18% illustrates the impact on the portfolio's yield of increasing values.

The dividend yield for the year ended 30 September 2015, based on the weighted average issue price of shares in issue during the year, was approximately 3.44%. Now that the Group is fully invested, the Directors expect the yield on the issue price of the Group's equity to increase to approximately 3.9% for the year ended 30 September 2016.

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 2016.

On behalf of the board:



Simon Paul Wombwell
Director
8 December 2015

Ground Rents Income Fund plc

Registered number: 8041022

Directors' Report

The Directors present herewith their report, together with the audited consolidated financial statements for the Group and Company for the year ended 30 September 2015.

Group overview

The Company was admitted to listing on the CISE and admitted to trading on the SETSqx platform of the London Stock Exchange in August 2012.

In August 2012 the Company raised approximately £48.2 million through a placing and offer for subscription of Ordinary Shares with Warrants attached on a one for five basis. In May 2013 the Company raised an additional £38.5 million by way of a placing of Convertible Preference Shares.

In August 2013, the Company issued 1,183,798 ordinary shares following the exercise of warrants by warrant holders.

In May 2014 the Convertible Preference Shares were converted to Ordinary Shares.

Resolutions were passed at the annual general meeting on 20 January 2015 to issue up to a further 10% of share capital resulting in 8,451,428 shares being issued at £1.07 in the period to 31 March 2015.

Following application by the company on 14th August 2012, the Group operates as a UK REIT (Real Estate Investment Trust).

Results and Dividends

The profit before taxation for the year ended 30 September 2015 was £12.5m (2014: £4.7m) and the profit for the year ended 30 September 2015 after taxation was £12.4m (2014: £4.7m).

The stated policy of the Company is to pay quarterly interim dividends.
The dividend amounts which have been paid in the year are as follows:

- Interim PID dividend of 0.847p per share for the period to 31 December 2014
- Interim PID dividend of 0.874p per share for the period to 31 March 2015
- Interim PID dividend of 0.934p per share for the period to 30 June 2015
- Interim PID dividend of 0.883p per share to the period to 30 September 2015

This results in total dividends of 3.538p per ordinary share for the year ended 30 September 2015 (2014: 3.868p). These dividends amount to £3,217,543 for the year ended 30 September 2015 (2014: £2,321,982). The preference share interest amounted to a total of £nil for the year ended 30 September 2015 (2014: £501,150). 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 2015, the Group complied with the conditions set out in the CISE Rules for Companies. The Directors monitor the compliance at board meetings and take advice from the Group's CISE Listing sponsor where required.

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

Ground Rents Income Fund plc

Registered number: 8041022

Directors' Report

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 provided by the brokers, to ensure compliance with the REIT rules (not be a close company). At the balance sheet date, the shareholders owning more than 10% of the company's shares were Architas Multi Manager (23.80%) and Brooks Macdonald Asset Management (10.58%).

Political donations

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

Financial Instruments

Details of the Group's use of financial instruments, together with information on policies and exposure to risk, can be found on pages 8-10 and in note 12 on page 29. This information is incorporated into this Directors' Report by reference and is deemed to form part of this Directors' Report.

Events after the balance sheet date

The Company continues to look for Ground Rent investment opportunities.

In the period since the balance sheet date, the Group has invested or contracted to invest in Ground Rent assets totalling £1.3 million (note 22) (2014: £5.2m).

In August 2015, 158,600 warrants were exercised resulting in £158,600 of additional share capital which was issued in October 2015.

Future developments

An indication of likely future developments in the Group can be found on page 10. This information is incorporated into this Directors' Report by reference and is deemed to form part of this Directors' Report.

Independent Auditors

PricewaterhouseCoopers LLP have expressed their willingness to continue in office as auditors and a resolution to re-appoint them will be proposed 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 8 December 2015 and signed on its behalf by:



Simon Paul Wombwell
Director

Ground Rents Income Fund plc

Statement of Directors' Responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, and the parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether IFRSs as adopted by the European Union and applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the group and parent company financial statements respectively;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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



Simon Paul Wombwell
Director

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

Report on the Group financial statements

Our opinion

In our opinion, Ground Rents Income Fund plc's group financial statements (the "financial statements"):

- give a true and fair view of the state of the group's affairs as at 30 September 2015 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

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

- Consolidated Statement of Financial Position as at 30 September 2015;
- Consolidated Income Statement for the year then ended;
- Consolidated Statement of Cashflows for the year then ended;
- Consolidated Statement of Changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and IFRSs as adopted by the European Union.

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

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Other matters on which we are required to report by exception

Adequacy of information and explanations received

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. We have no exceptions to report arising from this responsibility.

Directors' remuneration

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

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

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 13, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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

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

What an audit of financial statements involves

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

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

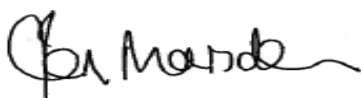
We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

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

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

Other matter

We have reported separately on the parent company financial statements of Ground Rents Income Fund plc for the year ended 30 September 2015.



Ian Marsden (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
8 December 2015

Ground Rents Income Fund plc
Consolidated Income Statement
for the year ended 30 September 2015

	Note	Year ended 30 September 2015 £	Year ended 30 September 2014 £
Continuing Operations			
Revenue	2	4,173,523	3,197,615
Administrative expenses	3	(879,599)	(904,419)
Profit on sale of ground rent assets		73,005	19,093
Net revaluation gain on investment properties	8	9,186,057	2,619,071
Operating profit		12,552,986	4,931,360
Finance income	5	52,163	272,711
Finance costs	6	(167,946)	(501,150)
Profit before income tax		12,437,203	4,702,921
Income tax credit / (charge)	7	20,880	(15,619)
Profit for the year attributable to owners of the parent		12,458,083	4,687,302
Earnings per share			
Basic	13	13.82p	7.58p
Diluted	13	13.70p	5.97p

There is no other comprehensive income in either the current or preceding year.

The accompanying notes on pages 20 to 34 form an integral part of the consolidated financial statements.

Ground Rents Income Fund plc
Consolidated Statement of Financial Position
as at 30 September 2015

	Notes	2015 £	2014 £
Assets			
Non current assets			
Investment properties - ground rents	8	104,213,000	67,259,300
Total non current assets		<u>104,213,000</u>	<u>67,259,300</u>
Current assets			
Trade and other receivables	9	3,044,602	1,114,511
Cash and cash equivalents		5,381,720	20,363,067
Total current assets		<u>8,426,322</u>	<u>21,477,578</u>
Total Assets		112,639,322	88,736,878
Current liabilities			
Trade and other payables	10	(1,442,267)	(554,325)
Corporation tax liability		-	(24,785)
Financial liabilities measured at amortised cost	11	(4,957,362)	-
Total current liabilities		<u>(6,399,629)</u>	<u>(579,110)</u>
Net assets		<u>106,239,693</u>	<u>88,157,768</u>
Financed by:			
Equity			
Share capital	14	46,482,856	42,257,142
Share premium account	15	43,907,467	39,291,796
Retained earnings	16	15,849,370	6,608,830
Total equity		<u>106,239,693</u>	<u>88,157,768</u>

The financial statements on pages 16 to 34 were approved and authorised for issue by the board of directors on 8 December 2015 and signed on its behalf by:



Simon Paul Wombwell

Director
Ground Rents Income Fund plc

Company registered number 8041022

The accompanying notes on pages 20 to 34 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 2015

		Year ended 30 September 2015 £	Year ended 30 September 2014 £
	Note		
Cash flows from operating activities			
Cash generated from operations	18	2,302,601	2,881,462
Interest paid on bank loan		(76,118)	-
Taxation paid		(2,304)	(43,036)
Net cash generated from operating activities		<u>2,224,179</u>	<u>2,838,426</u>
Cash flow from investing activities			
Interest received		52,163	287,653
Purchase of ground rent assets		(27,767,643)	(20,650,365)
Net cash used in investing activities		<u>(27,715,480)</u>	<u>(20,362,712)</u>
Cash flows from financing activities			
Proceeds from issuance of shares	18	8,841,385	-
Bank loan net proceeds		4,886,112	-
Preference shares interest paid		-	(501,150)
Dividends paid to shareholders	17	(3,217,543)	(2,321,982)
Net cash generated from / (used in) financing activities		<u>10,509,954</u>	<u>(2,823,132)</u>
Net decrease in cash and cash equivalents	19	<u>(14,981,347)</u>	<u>(20,347,418)</u>
Net cash and cash equivalents at 1 October		<u>20,363,067</u>	<u>40,710,485</u>
Net cash and cash equivalents at 30 September		<u>5,381,720</u>	<u>20,363,067</u>

The accompanying notes on pages 20 to 34 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 2015

	Share capital	Share premium account	Retained earnings	Total equity
Note	14 £	15 £	16 £	£
At 1 October 2013	24,713,049	19,092,961	4,243,510	48,049,520
Comprehensive income				
Profit for the year	-	-	4,687,302	4,687,302
Profit for the year and total comprehensive income	-	-	4,687,302	4,687,302
Transactions with owners				
Issue of share capital	17,544,093	20,236,531	-	37,780,624
Share issue costs	-	(37,696)	-	(37,696)
Dividends paid (note 17)	-	-	(2,321,982)	(2,321,982)
At 30 September 2014	42,257,142	39,291,796	6,608,830	88,157,768
At 1 October 2014	42,257,142	39,291,796	6,608,830	88,157,768
Comprehensive income				
Profit for the year	-	-	12,458,083	12,458,083
Profit for the year and total comprehensive income	-	-	12,458,083	12,458,083
Transactions with owners				
Issue of share capital	4,225,714	4,817,314	-	9,043,028
Share issue costs	-	(201,643)	-	(201,643)
Dividends paid (note 17)	-	-	(3,217,543)	(3,217,543)
At 30 September 2015	46,482,856	43,907,467	15,849,370	106,239,693

The accompanying notes on pages 20 to 34 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 2015

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 balance sheet date, the Group had a short term debt facility of £8m, expiring on 27 June 2016, of which £5m was drawn down. The Group has sufficient cash resources to repay the outstanding debt in full, but in doing so it would forfeit any deposit or option payment already made. Consequently, the Directors have requested that the lender extend the facility for up to a further three years and the lender has offered indicative terms for such an extension, which will be considered at the next quarterly board meeting of the Company. Should the Directors decide not to extend the facility or the lender withdraws its offer, which the directors consider very unlikely, the directors have a number of options available to them to repay the debt before 27 June 2016, including the sale of assets. For these reasons the directors continue to prepare the accounts 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 year beginning 1 October 2014, but have not had an impact on the amounts reported in the Group financial statements:

IFRS 10	'Consolidated Financial Statements'
IFRS 11	'Joint Arrangements'
IFRS 12	'Disclosure of Interests in Other Entities'
IAS 27 (revised 2011)	'Separate Financial Statements'
IAS 28 (revised 2011)	'Associates and Joint Ventures'
IFRIC 21	'Levies'
Amendment to IAS 32	'Financial Instruments: Presentation' - offsetting financial assets and financial liabilities
Amendment to IAS 36	'Impairment of Assets' - fair value less costs of disposal
Amendment to IAS 39	'Financial Instruments: Recognition and Measurement' - novation of derivatives and hedge accounting
Amendments to IFRS 10, 11 and 12 on transition guidance	
Amendments to IFRS 10, IFRS 12 and IAS 27 for investment entities	

In addition to the above, the following new EU-endorsed standards, amendments to standards and interpretations have been issued, but are not effective for the financial year beginning 1 October 2014 and have not been early adopted:

IFRS 14	'Regulatory Deferral Accounts'
IFRS 15	'Revenue from Contracts with Customers'
IFRS 9	'Financial Instruments' - classification and measurement
Amendment to IFRS 11	'Joint Arrangements' - on acquisition of an interest in a joint operation
Amendment to IAS 16	'Property, Plant and Equipment' - depreciation and amortisation
Amendment to IAS 38	'Intangible Assets' - depreciation and amortisation
Amendment to IAS 1	'Presentation of Financial Statements' - on the disclosure initiative
Amendment to IAS 19	'Employee Benefits' - on defined benefit contributions
Amendment to IFRS 10 and IAS 28 regarding the sale or contribution of assets	
Amendment to IFRS 10 and IAS 28 regarding the consolidated exemption	
Amendments to IAS 27 regarding the equity method	
Amendments to IAS 16 and IAS 41 'Agriculture' regarding bearer plants	
Annual improvements 2012, 2013 and 2014	

Ground Rents Income Fund plc
Notes to the Consolidated financial statements
for the year ended 30 September 2015

1 Accounting policies (continued)

(b) **Adoption of new and revised standards (continued)**

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.

(e) **Critical accounting estimates and judgements**

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

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

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

Valuations are provided by an independent third-party valuer and reviewed carefully by the directors before inclusion in the accounts. 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. 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 period. Ground rent revenue is recognised on a straight line basis over the term receivable.

(h) **Finance income**

Finance income comprises interest receivable on bank deposits. Finance income is recognised in the income statement in the period in which it is accrued.

(i) **Taxation**

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

(j) **Deferred tax**

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

Ground Rents Income Fund plc
Notes to the Consolidated financial statements
for the year ended 30 September 2015

1 Accounting policies (continued)

(k) **Investment properties - Ground Rents**

Ground rents are carried in the balance sheet at their open market value. The directors have applied the fair-value model in IAS 40 - Investment Property. Properties are revalued at the balance sheet date by an external valuer, as defined by the Royal Institution of Chartered Surveyors. 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 external valuers from time to time as the need arises. Gains and losses on changes in fair value are recognised at the time of each valuation.

(l) **Cash and cash equivalents**

Cash comprises of call deposits held with banks.

(m) **Capital Management**

The capital managed by the company consists of cash held across different bank accounts in several banking institutions. The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maximise the interest return on funds which have yet to be invested while ensuring there is enough free cash to meet day to day liabilities. In order to maintain or adjust the capital structure the directors have the option to adjust the dividends paid to shareholders, return cash to shareholders, sell assets or delay purchase of individual assets. The Group monitors capital through cash and dividends which are prepared and reviewed on a quarterly basis. The company had £5.3m of cash at the year end. Once fully invested in ground rents, the directors intend to retain an amount for working capital roughly equal to the next quarter's dividend payment. The Group has drawn down a £5m loan, which, at the balance sheet date expires at 27 June 2016 along with an undrawn facility for £3m.

(n) **Trade Receivables**

Trade 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 Payables**

Trade 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 interest expense in the financial statements. The amount of the charge to the profit and loss accounts for loan arrangement fees in the year was £71,250 (2014: £nil).

(r) **Ordinary Share Capital**

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

(s) **Warrants**

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

Ground Rents Income Fund plc
Notes to the Consolidated financial statements
for the year ended 30 September 2015

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.

	Year ended 30 September 2015 £	Year ended 30 September 2014 £
By activity:		
Ground rent income accrued in the year	3,728,637	2,861,222
Other income	444,886	336,393
	<u>4,173,523</u>	<u>3,197,615</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 Operating profit

	Year ended 30 September 2015 £	Year ended 30 September 2014 £
This is stated after charging:		
Directors salaries	60,362	62,432
Auditors' remuneration - see below	72,100	64,250
Management fees	348,019	346,011
Professional fees	160,156	171,763
Insurance	19,594	22,433
Sponsor fees	35,075	34,368
Valuation fees	76,475	73,730
Registrar fees	25,968	35,535
Listing fees	27,126	28,854
Advertising and printing costs	15,579	26,362
Other operating expenses	39,145	38,681
	<u>879,599</u>	<u>904,419</u>

No direct operating expenses were incurred in relation to investment property in the year. Profits on sale of ground rents were £73,005 (2014: £19,093).

Services provided by the Company's auditors:

	Year ended 30 September 2015 £	Year ended 30 September 2014 £
Group		
Fees payable to the Company's auditors for the audit of parent Company and consolidated financial statements	20,000	15,000
Fees payable to the Company's auditors and its associates for other services:		
- The audit of the Company's subsidiaries	52,100	49,250
- Audit-related assurance services	-	6,000
	<u>72,100</u>	<u>70,250</u>

Auditors remuneration of £6,000 in 2014 for work done to verify the conversion of preference shares to ordinary shares was charged to share issue costs.

Ground Rents Income Fund plc
Notes to the Consolidated financial statements
for the year ended 30 September 2015

4 Directors' emoluments

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

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

	Year ended 30 September 2015 £	Year ended 30 September 2014 £
Short term employee benefits paid as directors' remuneration Invoiced by Brooks Macdonald Funds Limited	60,362 24,000 <u>84,362</u>	62,432 24,000 <u>86,432</u>
Highest paid director: Emoluments	<u>30,000</u> <u>30,000</u>	<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 2015 (2014: none).

5 Finance income

	Year ended 30 September 2015 £	Year ended 30 September 2014 £
Interest on bank deposits	<u>52,163</u>	<u>272,711</u>

6 Finance costs

	Year ended 30 September 2015 £	Year ended 30 September 2014 £
Preference share interest	-	501,150
Loan interest	96,696	-
Amortisation of loan arrangement fees	71,250	-
	<u>167,946</u>	<u>501,150</u>

Loan set-up costs of £172,682 have been capitalised and deducted from the total loan amount outstanding. These costs are being amortised over 18 months to June 2016.

The preference share interest was payable from the issue date on 24 May 2013 to the date of conversion to ordinary shares on 24 May 2014. The interest was payable at the rate of 2% per annum per share. The amounts were paid as a non-PID dividend.

Ground Rents Income Fund plc
Notes to the Consolidated financial statements
for the year ended 30 September 2015

7 Income tax (credit) / charge

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) / charge in year	Year ended 30 September 2015 £	Year ended 30 September 2014 £
Current tax:		
UK corporation tax on profits of the year	-	19,453
Adjustments in respect of previous years	(20,880)	(3,834)
	<u>(20,880)</u>	<u>15,619</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 2015 £	Year ended 30 September 2014 £
Profit on ordinary activities before tax	<u>12,437,203</u>	<u>4,702,921</u>
Standard rate of corporation tax in the UK	20.5%	22.0%
	£	£
Profit on ordinary activities multiplied by the standard rate of corporation tax	2,549,627	1,034,643
Effects of:		
Unrealised revaluation surplus not taxable	(1,883,142)	(576,196)
Property profit not taxable under the REIT regime	(666,485)	(549,247)
Adjustments in respect of previous years	(20,880)	(3,834)
Preference share interest paid not deductible for corporation tax	-	110,253
Current tax (credit) / charge for year	<u>(20,880)</u>	<u>15,619</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

The main rate of corporation tax was reduced to 21% from 1 April 2014 and to 20% from 1 April 2015 as part of the finance bill on 2 July 2013. Further changes to the UK corporation tax rates were announced in the Chancellor's budget on 8 July 2015. These include reductions to the main rate to reduce the rate to 19% from 1 April 2017 and to 18% from 1 April 2020.

Ground Rents Income Fund plc
Notes to the Consolidated financial statements
for the year ended 30 September 2015

8 Investment Properties - Ground rents

**Ground rent
assets
Total
£**

Market value

At 1 October 2014	67,259,300
Additions	27,767,643
Surplus on revaluation	9,186,057
At 30 September 2015	<u>104,213,000</u>

The fair value hierarchy has the following levels:

Level 1: Quoted prices (unadjusted) in active market for identical assets and liabilities

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3: 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 2 and Level 3 of the fair value hierarchy during the year.

The following table shows a reconciliation of all the movements in the fair value of investment properties categorised within Level 3 between the beginning and the end of the reporting year.

	Level III investment properties at 30 September 2015	Level III investment properties at 30 September 2014
	£	£
Level 3		
At start of year	67,259,300	43,989,864
Additions	27,767,643	20,650,365
Total unrealised gain recognised in Income Statement	9,186,057	2,619,071
Closing balance at 30 September	<u>104,213,000</u>	<u>67,259,300</u>

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.

Ground Rents Income Fund plc
Notes to the Consolidated financial statements
for the year ended 30 September 2015

8 Investment Properties - Ground rents (continued)

The Group's investment in ground rents was revalued at 30 September 2015 by Savills (UK) Limited. The valuer has confirmed to the directors that the fair value as set out in the valuation report has been primarily derived using comparable recent market transactions on an arm's length basis. The fair value is defined as "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 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, fixed income streams. The valuation of a ground rent depends on the future rental uplift timing and nature. The most valuable ground rents 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 YP multiple and the highest yield.

Information about fair value measurement using significant unobservable input (Level 3)

	Valuation Category - type of rent review			
	Indexed	Doubling	Fixed increases	Flat
Cost (£)	62,892,204	13,074,594	9,695,281	645,900
Fair Value at 30 Sept 2015 (£)	74,543,000	18,189,000	10,739,000	742,000
Gross rent roll (£)	2,786,292	680,550	508,076	41,979
Rental Yield on purchase price	4.43%	5.21%	5.24%	6.50%
Rental Yield on fair value	3.74%	3.74%	4.73%	5.66%

All categories of ground rent asset have been valued by external 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			
	Indexed	Doubling	Fixed increases	Flat
Impact on fair value of 1 YP change	2,786,292	680,550	508,076	41,979

The average YP across the portfolio is 25.9 (2014: 21.6)

Ground Rents Income Fund plc
Notes to the Consolidated financial statements
for the year ended 30 September 2015

9 Trade and other receivables	30 September 2015 £	30 September 2014 £
Trade receivables	1,039,211	406,933
Other receivables	1,967,337	529,684
Prepayments and accrued income	38,054	177,894
	<u>3,044,602</u>	<u>1,114,511</u>

Included in other receivables is £947,749 (2014: £279,767) held in a client account at the Company's solicitors which was for deals in progress to complete after the balance sheet date. In addition to this there is £551,735 (2014: 91,663) of option payments that have been made and an £83,000 deposit (2014: £83,000). The fair value of trade and other receivables is equal to the book value.

The ageing analysis of trade receivables is as follows:

	30 September 2015 £	30 September 2014 £
Up to 3 months	745,120	243,349
Over 3 months	294,091	163,584
	<u>1,039,211</u>	<u>406,933</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.

10 Trade and other payables	30 September 2015 £	30 September 2014 £
Trade payables	54,523	16,801
Other taxes and social security costs	1,601	19,462
Other payables	135,675	-
Accruals	220,609	286,069
Deferred income	1,029,859	231,993
	<u>1,442,267</u>	<u>554,325</u>

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

11 Financial liabilities measured at amortised cost	2015 £	2014 £
Bank loan repayable within one year	5,058,037	-
Capitalised loan arrangement fees net of amortisation	(100,675)	-
	<u>4,957,362</u>	<u>-</u>

The loan facility is within Santander UK plc and had a termination date of 27 June 2016 at the balance sheet date. The rate of interest payable on the loan is set in advance at three-monthly intervals and is equal to the 3 month LIBOR rate on the first day of each charging period plus a margin of 2.5%.

The loan facility is secured over four ground rent assets, Ladywell Point, Vita 1st Street, Gateway Leeds and One Park West.

The directors have a £3m facility in place to draw down additional funds secured over further ground rent assets if they require further borrowings to complete additional ground rent purchases.

Ground Rents Income Fund plc
Notes to the Consolidated financial statements
for the year ended 30 September 2015

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 2015		30 September 2014	
	Book value	Fair value	Book value	Fair value
	£	£	£	£
Trade receivables	1,039,211	1,039,211	406,933	406,933
Other receivables	1,967,337	1,967,337	529,684	529,684
Cash at bank and in hand	5,381,720	5,381,720	20,363,067	20,363,067

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 2015		30 September 2014	
	Book value	Fair value	Book value	Fair value
	£	£	£	£
Trade creditors	54,523	54,523	16,801	16,801
Bank loan	5,058,794	5,058,794	-	-

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.

The gearing ratio at 30 September 2015 was as follows (no debt as at 30 September 2014):

	30 September 2015
	£
Cash and cash equivalents	5,381,720
Total borrowings (note 11)	(5,058,037)
Net cash	323,683
Total equity	106,239,693
Total capital	106,563,376
Gearing ratio	5%

Ground Rents Income Fund plc
Notes to the Consolidated financial statements
for the year ended 30 September 2015

12 Financial Instruments (continued)

Credit Risk

Cash deposits are placed with a number of financial institutions whose financial strength has been considered by the Directors based on advice received from the investment adviser. 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 2015	30 September 2014
	£	£
Profit attributable to owners of the Company	<u>12,458,083</u>	<u>4,687,302</u>

Basic earnings per share have been calculated by dividing earnings by the weighted average number of ordinary shares in issue throughout the year ended 30 September.

Weighted average number of shares in issue in the year	90,156,309	61,861,197
Basic earnings per share	13.82p	7.58p

Diluted Earnings per Share

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

	30 September 2015	30 September 2014
	£	£
Profit attributable to equity shareholders of the Company	12,458,083	4,687,302
Preference share interest paid	-	501,150
Total earnings in the year	<u>12,458,083</u>	<u>5,188,452</u>

	2015 Number	2014 Number
Weighted average number of shares - basic	90,156,309	61,861,197
Effect of warrants	773,566	158,789
Effect of preference shares	-	24,855,769
Diluted total shares	<u>90,929,875</u>	<u>86,875,755</u>
Diluted earnings per share	13.70p	5.97p

Ground Rents Income Fund plc
Notes to the Consolidated financial statements
for the year ended 30 September 2015

14 Share capital	30 September 2015 Number	30 September 2015 £	30 September 2014 Number	30 September 2014 £
Allotted, called up and fully paid: Ordinary shares of £0.50 each	92,965,712	46,482,856	84,514,284	42,257,142
	30 September 2015 Number	30 September 2015 £	30 September 2014 Number	30 September 2014 £
Shares issued during the year Ordinary shares of £0.50 each	8,451,428	4,225,714	35,088,186	17,544,093

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. No additional shares were issued to warrant-holders in 2014. 158,600 warrants were exercised in August 2015 but the shares were not issued until after the balance sheet date so have not been recorded in these financial statements. At 30 September 2015 there were 8,464,662 warrants in issue.

15 Share premium account	2015 £	2014 £
At 1 October	39,291,796	19,092,961
Shares issued	4,817,314	20,236,531
Expenses of issue	(201,643)	(37,696)
At 30 September	<u>43,907,467</u>	<u>39,291,796</u>

16 Retained earnings	2015 £	2014 £
At 1 October	6,608,830	4,243,510
Profit for the financial year	12,458,083	4,687,302
Dividends paid	(3,217,543)	(2,321,982)
At 30 September	<u>15,849,370</u>	<u>6,608,830</u>

Ground Rents Income Fund plc
Notes to the Consolidated financial statements
for the year ended 30 September 2015

17 Dividends

It is the policy of the Group to pay quarterly dividends to ordinary shareholders. Information about preference share dividends paid in the prior year is provided in note 6 on page 24.

	2015	2014
	£	£
Dividends declared by the Company during the year:		
Dividends paid	3,217,543	2,321,982
	<u>3,217,543</u>	<u>2,321,982</u>
Analysis of dividends by type:		
Interim PID dividend of 1.056p per share	-	521,939
Interim PID dividend of 1.043p per share	-	515,514
Interim PID dividend of 0.6p per share	-	296,557
Interim PID dividend of 1.102p per share	-	931,549
Interim ordinary dividend of 0.067p per share	-	56,423
Interim PID dividend of 0.847p per share	715,836	-
Interim PID dividend of 0.874p per share	812,520	-
Interim PID dividend of 0.934p per share	868,300	-
Interim PID dividend of 0.883p per share	820,887	-
	<u>3,217,543</u>	<u>2,321,982</u>
Since the year end, the following dividends have been announced:		
Interim PID dividend of 0.952p per share - announced	886,655	-
Interim PID dividend on 0.847p per share - announced	-	715,836
	<u>886,655</u>	<u>715,836</u>

Ground Rents Income Fund plc
Notes to the Consolidated financial statements
for the year ended 30 September 2015

18 Gross cash flows

Reconciliation of operating profit to net cash inflow from operating activities

	2015	2014
	£	£
Profit before income tax	12,437,203	4,702,921
Adjustments for:		
Non-cash revaluation gain	(9,186,057)	(2,619,071)
Net finance expense	115,783	228,439
Operating cash flows before movements in working capital	<u>3,366,929</u>	<u>2,312,289</u>
Movements in working capital:		
(Increase) / decrease in trade and other receivables	(1,930,091)	849,843
Increase / (decrease) in trade and other payables	865,763	(280,670)
Net cash generated from operations	<u>2,302,601</u>	<u>2,881,462</u>

Proceeds of share issue

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

	2015	2014
	£	£
Issue of ordinary shares on 8 January 2015	9,043,028	-
Share issue costs associated with issue of ordinary shares	(201,643)	-
	<u>8,841,385</u>	<u>-</u>

19 Analysis of changes in net cash

	At 30 September		Non-cash	At 30 September
	2014	Cash	changes	2015
	£	flows	£	£
		£		
Cash at bank and in hand	20,363,067	(14,981,347)	-	5,381,720
Total	<u>20,363,067</u>	<u>(14,981,347)</u>	<u>-</u>	<u>5,381,720</u>

Ground Rents Income Fund plc
Notes to the Consolidated financial statements
for the year ended 30 September 2015

20 Related party transactions

Transactions between the Company and its subsidiaries which are related parties, have been eliminated on consolidation. The captions in the primary statements of the Company include the amounts attributable to subsidiaries. All amounts due to or from subsidiary companies are interest free and repayable on demand.

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

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

	2015	2014
	£	£
Advisory fee payable to Brooks Macdonald Funds Limited	348,019	346,011
Acquisition fees payable to Brooks Macdonald Funds Limited	485,454	211,515
Other amounts due to Brooks Macdonald Funds Limited	12,375	11,649
Directors fees payable to Brooks Macdonald Funds Limited	24,000	24,000
	<u>869,848</u>	<u>593,175</u>

£nil was due from Ground Rents Income Fund plc to Brooks Macdonald Funds Limited at the balance sheet date (2014: £94).

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:

	2015	2014
	£	£
Other amounts due to Braemar Estates (Residential) Limited	4,403	5,829
	<u>4,403</u>	<u>5,829</u>

No amounts were owed to or from Braemar Estates (Residential) Limited at the balance sheet date (2014: £nil).

21 Other financial commitments

The Company has a number of Ground Rent acquisitions in the pipeline. At 30 September 2015, the Company had £947,749 of cash held at solicitors for acquisitions which were in progress to complete after the balance sheet date (note 9) (2014: £279,767). In addition, the company has made option payments of £551,735 for ground rent deals which will cost £4,282,050 to complete. The Company has paid a deposit of £83,000 on another deal which will cost £747,000 to complete.

22 Events after the balance sheet date

The Company continues to look for ground rent investment opportunities. In the period since the balance sheet date, the Group has invested or contracted to invest in ground rent assets totalling £1.3m.

Following the exercise of 158,600 warrants, the company issued £158,600 of share capital in October 2015.

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

Report on the company financial statements

Our opinion

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

- give a true and fair view of the state of the company's affairs as at 30 September 2015;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

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

- Company Balance Sheet as at 30 September 2015; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

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

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 13, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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

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

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

What an audit of financial statements involves

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

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

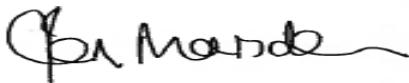
We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

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

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

Other matter

We have reported separately on the group financial statements of Ground Rents Income Fund plc for the year ended 30 September 2015.



Ian Marsden (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
8 December 2015

Ground Rents Income Fund plc
Company Balance Sheet
as at 30 September 2015

	Notes	2015 £	2014 £
Fixed Assets			
Investments	4	1,665,010	1,665,010
		<u>1,665,010</u>	<u>1,665,010</u>
Current assets			
Debtors	5	233,929	447,510
Amounts owed by group undertakings	5	88,339,434	59,679,025
Cash at bank and in hand		5,381,720	20,363,067
		<u>93,955,083</u>	<u>80,489,602</u>
Creditors: amounts falling due within one year	6	(5,195,409)	(291,774)
Net current assets		<u>88,759,674</u>	<u>80,197,828</u>
Total assets less current liabilities		<u>90,424,684</u>	<u>81,862,838</u>
Net assets		<u>90,424,684</u>	<u>81,862,838</u>
Capital and Reserves			
Called up share capital	7	46,482,856	42,257,142
Share premium account	8	43,907,467	39,291,796
Distributable reserves	9	34,361	313,900
Total shareholders' funds		<u>90,424,684</u>	<u>81,862,838</u>

The Company financial statements on pages 37 to 41 were approved and authorised for issue by the board of directors on 8 December 2015 and signed on its behalf by:



Simon Paul Wombwell
 Director
 Ground Rents Income Fund plc

Company registered number

8041022

The accompanying notes from pages 37 to 40 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 2015

1 Accounting policies

(a) ***Basis of preparation***

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) ***Cash flow Statement***

The Company has not presented its own cash flow statement. The Company cash flow statement is the same as the consolidated cash flow statement. The subsidiary companies do not maintain their own bank accounts and cash transactions are settled by the parent Company and accounted for via the intercompany account.

(c) ***Going concern***

The directors have prepared the accounts on the going concern basis. Cashflow forecasts are prepared and reviewed at the quarterly board meetings. At the balance sheet date, the Group had a short term debt facility of £8m, expiring on 27 June 2016, of which £5m was drawn down. The Group has sufficient cash resources to repay the outstanding debt in full, but in doing so it would forfeit any deposit or option payment already made. Consequently, the Directors have requested that the lender extend the facility for up to a further three years and the lender has offered indicative terms for such an extension, which will be considered at the next quarterly board meeting of the Company. Should the Directors decide not to extend the facility or the lender withdraws its offer, which the directors consider very unlikely, the directors have a number of options available to them to repay the debt before 27 June 2016, including the sale of assets. For these reasons the directors continue to prepare the accounts on a going concern basis.

(d) ***Currency***

The functional and presentation currency is pound sterling.

(e) ***Investments in subsidiary companies***

Investments in subsidiary companies are carried at cost less any provision for impairment.

(f) ***Cash at bank and in hand***

Cash at bank and in hand represents short term deposits held with financial institutions.

(g) ***Debtors***

Debtors are recognised and measured at the invoiced amount. Doubtful debts are provided for when the collection of the full amount is no longer probable, whilst bad debts are immediately written off when identified.

(h) ***Creditors***

Creditors are classed as current liabilities if payment is due within 12 months or less.

(i) ***Preference shares***

Convertible Preference Shares were classified within "Creditors: amounts falling due within one year". Expenses of issue were netted off the outstanding balance. Interest was accrued evenly in line with the fixed coupon rate attached to the shares.

(j) ***Share capital***

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

(k) ***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.

(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 2015

2 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 £2,938,004 (2014: £187,162). Auditors' remuneration for audit of the parent Company financial statements was £20,000 (2014: £15,000). 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.

3 Dividends

Details of the Company's dividends paid are set out in note 17 of the Group financial statements.

4 Investments

**Investments in
subsidiary
undertakings
£**

Cost

At 1 October 2014 and 30 September 2015

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 2015 all of which are wholly owned and included in the financial statements are given below:

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
Gateway Leeds Ground Rents Limited	Ordinary £1	Ground Rents	Guernsey
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

Ground Rents Income Fund plc
Notes to the Company Financial Statements
for the year ended 30 September 2015

4 Investments (continued)

Company	Type of Share	Nature of Business	Country of Incorporation
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
GRIF052 Limited	Ordinary £1	Ground Rents	UK
GRIF Cosec Limited	Ordinary £1	Corporate Director	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
Manchester Ground Rent Company Limited	Ordinary £1	Ground Rents	UK
Masshouse Block M 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
Midlands Ground Rents Limited	Ordinary £1	Holding Company	Guernsey
Nikal Humber Quay Residential Limited	Ordinary £1	Ground Rents	UK
North West Ground Rents Limited	Ordinary £1	Ground Rents	Guernsey
North West Houses Ground Rents Limited	Ordinary £1	Ground Rents	UK
OPW Ground Rents Limited	Ordinary £1	Ground Rents	UK
Postbox Ground Rents Limited	Ordinary £1	Ground Rents	Guernsey
TMG003 Limited	Ordinary £1	Ground Rents	Guernsey
Trinity Land and Investments Limited	Ordinary £1	Ground Rents	UK
Wiltshire Ground Rents Limited	Ordinary £1	Ground Rents	UK
XQ7 Ground Rents Limited	Ordinary £1	Ground Rents	UK
Yorkshire Ground Rents Limited	Ordinary £1	Ground Rents	Guernsey

5 Debtors

	30 September 2015	30 September 2014
	£	£
Trade debtors	33,101	66,158
Other debtors	163,564	225,219
Amounts owed by subsidiary undertakings	88,339,434	59,679,025
Prepayments and accrued income	37,264	156,133
	<u>88,573,363</u>	<u>60,126,535</u>

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

6 Creditors: amounts falling due within one year

	30 September 2015	30 September 2014
	£	£
Bank loans and overdraft	4,957,362	-
Trade creditors	53,745	15,128
Accruals and deferred income	184,302	276,646
	<u>5,195,409</u>	<u>291,774</u>

See note 11 of the consolidated financial statements for information about the terms and security on the bank loan.

Ground Rents Income Fund plc
Notes to the Company Financial Statements
for the year ended 30 September 2015

7 Called up ordinary share capital

	30 September 2015		30 September 2014	
	Number	£	Number	£
Allotted, called up and fully paid:				
Ordinary shares of £0.50 each	92,965,712	46,482,856	84,514,284	42,257,142
	30 September 2015		30 September 2014	
	Number	Amount	Number	Amount
		£		£
Shares issued during the year:				
Ordinary shares of £0.50 each	8,451,428	4,225,714	35,088,186	17,544,093

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. 1,183,798 additional ordinary shares were issued to warrant holders in August 2013. No warrants were exercised in the year ended 30 September 2014. 158,600 warrants were exercised in August 2015 but the shares were not issued at the balance sheet date so have not been recorded in these financial statements. At 30 September 2015 there were 8,464,662 warrants in issue.

8 Share premium account

	2015
	£
At 1 October 2014	39,291,796
Shares issued	4,817,314
Expenses of issue	(201,643)
At 30 September 2015	<u>43,907,467</u>

9 Distributable reserves

	2015
	£
At 1 October 2014	313,900
Profit for the financial year	2,938,004
Dividends paid in the year (note 17 of consolidated accounts)	(3,217,543)
At 30 September 2015	<u>34,361</u>

10 Reconciliation of movements in shareholders' funds

	2015	2014
	£	£
At 1 October	81,862,838	46,254,730
Profit for the financial year	2,938,004	187,162
Dividends paid in the year (note 17 of consolidated accounts)	(3,217,543)	(2,321,982)
Shares issued	8,841,385	37,742,928
At 30 September	<u>90,424,684</u>	<u>81,862,838</u>

11 Related party transactions

The Company has taken advantage of the exemption given by FRS8 not to disclose transactions and balances with its wholly owned subsidiaries. Information about the Group's transactions with related parties is given in note 20 to the Group financial statements on page 34.