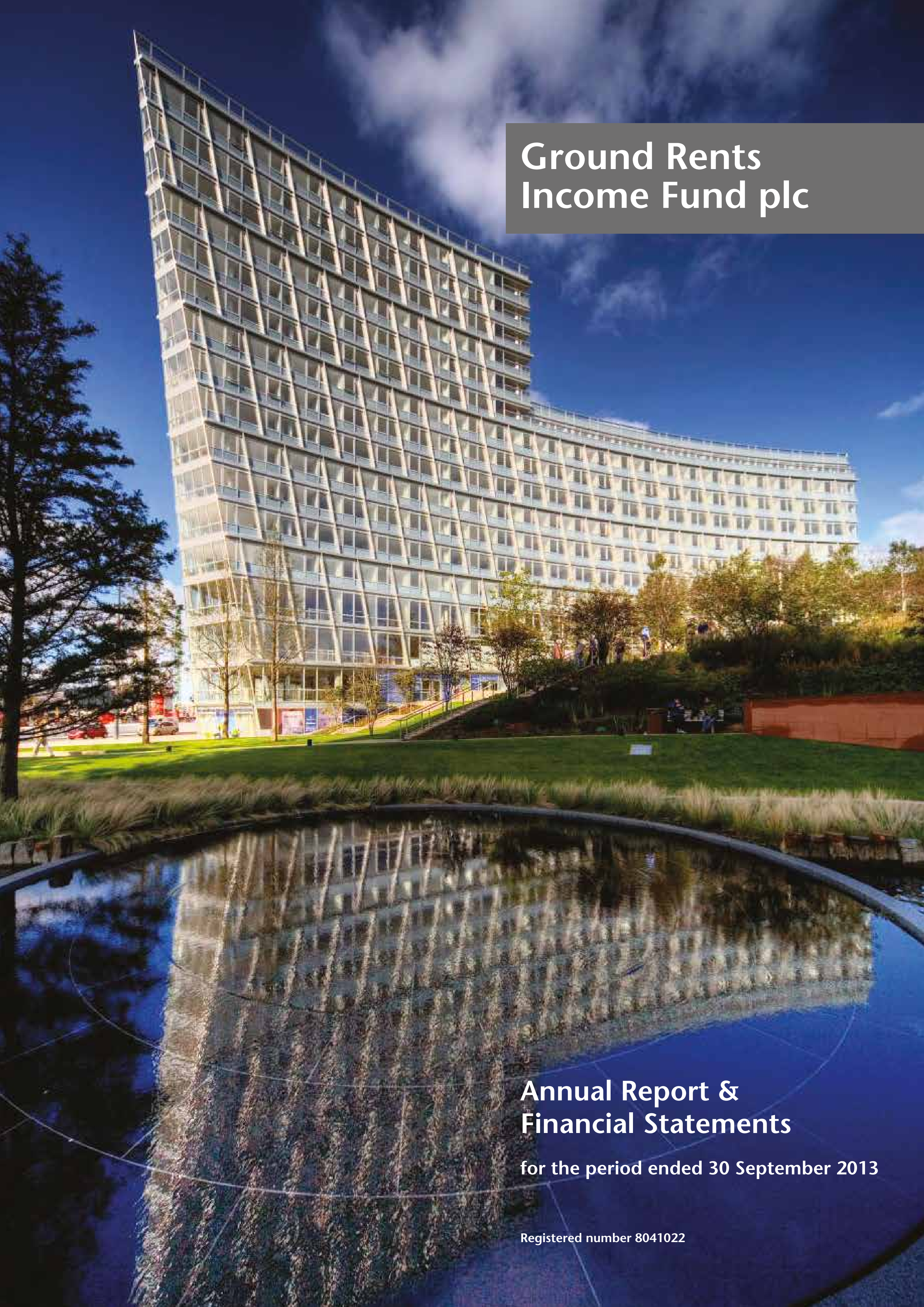


Ground Rents Income Fund plc

Annual Report & Financial Statements

for the period ended 30 September 2013

Registered number 8041022

Beetham Tower - Manchester

Contents

Company Information

DIRECTORS

Robert Malcolm Naish - Chairman
Paul Anthony Craig
Simon Paul Wombwell

COMPANY SECRETARY

William Martin Robinson
(appointed 20/12/2012)

REGISTERED OFFICE

111 Park Street
London W1K 7JL

REGISTERED NUMBER

8041022

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
101 Barbirolli Square
Lower Mosley Street
Manchester M2 3PW

REGISTRARS

Capita Registrars Limited
The Registry
34 Beckenham Road
Kent BR3 4TU

PRINCIPAL BANKERS

Royal Bank of Scotland plc
Southern Corporate Office
PO Box 391
40 Islington High Street
London N1 8JX

SOLICITORS

Addleshaw Goddard LLP
Milton Gate
60 Chiswell Street
London EC1Y 4AG

CISE LISTING SPONSOR

Appleby Securities (Channel Islands) Limited
PO Box 207
13-14 Esplanade
St Helier
Jersey JE1 1BD

BROKER

N+1 Singer Capital Markets Limited
One Bartholomew Lane
London EC2N 2AX

Cautionary Statement

The purpose of this Annual Report is to provide information to the members of the Company.

The Company and its Directors accept no liability to third parties in respect of this Annual Report save as would arise under English law.

This Annual Report contains certain forward-looking statements with respect to the financial condition, results, operations and businesses of the Company. Forward-looking statements are sometimes, but not always, identified by their use of a date in the future or such words as ‘anticipates’, ‘aims’, ‘due’, ‘will’, ‘could’, ‘may’, ‘should’, ‘expects’, ‘believes’, ‘intends’, ‘plans’, ‘targets’, ‘goal’ or ‘estimates’. These forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that may or may not occur in the future. There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by these forward looking statements, including factors outside the Company’s control. The forward-looking statements reflect the knowledge and information available at the date of preparation of this Annual Report and will not be updated during the year. Nothing in this Annual Report should be construed as a profit forecast.

Bézier - London

Chairman's Statement

I am pleased to present the first annual report and financial statements of Ground Rents Income Fund plc and its subsidiaries ("GRIF" or "The Group"), for the period since its incorporation on 23 April 2012 to 30 September 2013 (17 months).

It has been a busy period for your Group. There have been two share issues and numerous acquisitions to prepare for and complete. In the short time that the Group has been trading, ground rents have attracted the attention of a wide range of investors, all of whom are seeking to benefit from the secure and predictable nature of the income from ground rents, at a time when the returns on cash are low and yields on some fixed interest securities have fallen to levels which give near zero returns if held to redemption.

Ground rent values have risen as a result of the increase in demand for an asset that is in short supply. The Directors have withdrawn from the bidding on a number of potential acquisitions as prices reached levels that were significantly higher than that at which the Company could achieve its target dividend yield. Despite this, many purchases have been completed and it is pleasing to note that the value of the portfolio is already 6 per cent higher than the consideration paid and exceeds the total acquisition cost, when the costs of stamp duty, legal and introductory fees are taken into account.

We have also sought to be creative in the way we make investments and have recently exchanged contracts to acquire the ground rents on properties that have yet to be constructed. While this means that the investment in the asset does not produce income immediately, the Company has only paid a 10 per cent deposit. An advantage of transacting in this way is that we have been able to influence the terms of the leases to be granted when the property is completed. This has allowed us to link the rent reviews to the Retail Prices Index (RPI) and for the review cycle to be shorter than market norms, both of which are expected to enhance the long term value of the investment.

The Company remains focussed on being fully invested by the end of May 2014, the target date set at the second fund raising in May 2013.

Out of a total equity raise of £84.8 million (net of expenses), GRIF had, by 30 September 2013, invested a total of £43.72 million in ground rents and the costs associated with their acquisition. Since the period end, a further £7 million has been invested.

GRIF acquired an initial portfolio of ground rents in August 2012, so although the Company has been in existence for 17 months, it has only been generating income for 13 months. In that time, the Group achieved profits attributable to ordinary shareholders of £1,107,908 and paid dividends of 2.8 pence per share, a gross yield of 2.8 per cent on issue price. The convertible preference shares pay a fixed dividend of 2 per cent. per annum and the first payment was made on 30 September 2013 for the period from issue to 30 September 2013.

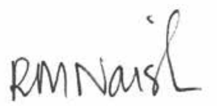
Chairman’s Statement cont.

The ground rents market continues to be very competitive amongst the main large scale investors, with a number of high net worth individuals and family offices entering the sector. This has had the effect of increasing prices and therefore lowering yields, especially for index linked assets during the second half of 2013.

The movement in bond yields in the same time period and the current forward-looking sentiment in the market of potentially slowing inflation, as is being seen in Europe, is expected to curtail further significant upwards movements in pricing for index linked assets and allow the sector to stabilise after a period of divergence between ground rents and bonds yields.

The resurgence of residential construction and development which has been seen in 2013, as evidenced by the performance of the listed house builders, is expected to provide further ground rent product to a congested market. However, this is not expected to be sufficient to change the undersupply dynamic which currently exists.

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 Company’s advisers who have helped us to raise the capital and find suitable acquisitions, collected our income and provided all the administrative support needed to manage a company like ours.



Malcolm Naish
Chairman
30 January 2014

Strategic Report

The Directors present their Strategic Report on the Group for the period ended 30 September 2013.

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) 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 head leaseholder of the property. It represents the underlying interest in a 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, 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. In August 2013, the exercise of warrants resulted in the issue of a further 1.184 million shares at £1.00 per share.

Investment Strategy

The Company 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 Company may also exploit other investment opportunities which provide the Company with ground rent income, but may not have the right to a reversionary value. Reversionary value is the increasing capital value as the result of the approaching date after which the leaseholder loses the right to occupy the property. 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 any contractual future increases in the ground rent, whether or not the owner has the right to insure and manage the property, and the unexpired period of any leases. The current portfolio of ground rents is generally valued on multiples of between 16 and 25, which equate to gross yields of between 6.25 per cent. and 4.0 per cent.

Strategic Report cont.

However, some of the portfolio is valued on multiples of 30 or more, which reflects the proximity to and amount of the next pre-determined rent review.

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

Ground Rents Acquired

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

As at 30 September 2013, the audited total assets of the Company were approximately £86.7 million, of which £44.0 million was represented by investments in ground rents and £40.7 million in cash.

Since 30 September 2013, the Company has invested a further £7 million in ground rents.

Soon after admission to listing on CISE, the Company acquired an established portfolio of ground rents, valued at £9.6 million, which includes:

The Beetham Tower, Manchester, which was designed by Ian Simpson and stands at over 168m high, which makes it the highest building in Manchester and one of the tallest residential blocks in Europe. The Beetham Tower is home to the Hilton Manchester Deansgate Hotel, which takes up the first 23 floors of the building, as well as 216 apartments, which are housed on the remainder of the 47 floors. The residential ground rents are subject to RPI increases every 21 years and the hotel every 5 years.

The Gatehaus development in Bradford, which has won a number of awards including 'Building of the Year' at the Bradford District Design awards, includes 142 apartments, a car park and commercial space. The ground rents are subject to RPI increases every 5 years.

Two phases of the **Masshouse** development in Birmingham, which are in the heart of an area known as "Eastside", Birmingham's learning, heritage and technology quarter, and comprises 340 apartments and

2 commercial units. The ground rents are subject to RPI increases every 10 years.

Other acquisitions made up to 30 September 2013 include:

One Park West, acquired for £2.7 million, is a 17-storey building in central Liverpool, designed by the world renowned Argentinian architect, Cesar Pelli. It is part of Liverpool ONE, a £920 million development of Liverpool's city centre, by the Duke of Westminster's Grosvenor Group. One Park West consists of 326 apartments, offices, restaurants, cafés and car parking. The residential ground rents are subject to RPI increases every 25 years and the commercial every 15 years.

Ladywell Point, Salford, Greater Manchester, comprises three blocks of residential apartments, totalling 262 units. This development, purchased for £2.7 million, is situated within easy access of Manchester city centre and Salford Quays. The ground rent income doubles every 10 years.

The Gateway, Leeds, purchased for £2.4 million, is a major, mixed-use development, located in Leeds city centre at the end of The Calls. It comprises 552 residential apartments, an Etap hotel and retail units. The ground rent income doubles every 25 years.

The Clapham One scheme, in London, acquired for £950,000, is a mixed-use development, consisting of a striking new public library, a state-of-the-art medical centre and 155 stylish one and two bed apartments on two sites. The scheme, located on Clapham High Street, has received a number of awards, including most recently, "Best Apartment Building" in the 2012 Sunday Times British Home Awards. The residential ground rent income doubles every 25 years and the commercial ground rents are subject to RPI increases every 5 years.

City Island, Leeds, acquired for £1.4 million, is an exclusive, new-build, waterside development of 404 luxury one and two bed apartments, duplexes and penthouses. The development is located in the west end of Leeds city centre, adjacent to the Leeds & Liverpool canal and the River Aire. It comprises three blocks of between 15 and 20 storeys. The ground rent income doubles every 50 years.

St. Williams Court, Kings Cross, London, acquired for £950,000, comprises 121 residential apartments and forms part of the on-going redevelopment of Kings Cross station and the surrounding area. The ground rent income is subject to fixed uplifts every 25 years.

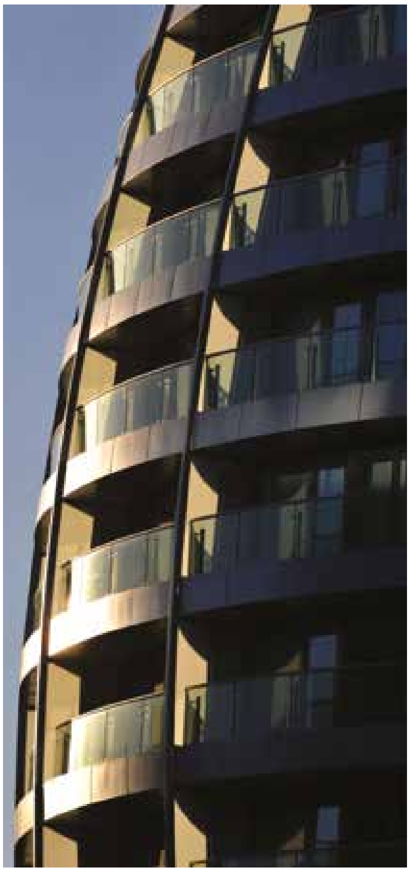
Strategic Report cont.

The Company has also purchased a number of portfolios of ground rents on individual houses, amounting to over 2,200 units, for approximately £10.1 million. The ground rents are subject to a variety of pre-determined rates of increase.

Since 30 September 2013, the Company has acquired additional ground rents, for a total cost of £7 million, including:

Bézier, London, developed by Tudorvale, comprises 150 luxury apartments and located at what is often referred to as 'Silicon roundabout', reflecting the large number of technology firms in the area. The freehold was purchased for £1.45 million, reflecting an initial yield of 4.90%. The ground rent income is subject to fixed uplifts every 25 years.

Gateway Plaza is Barnsley's pioneering regeneration scheme. The mixed-use development comprises 96,000 sq ft of office accommodation, 188 one, two and three-bedroom apartments, a 110-bed Premier Inn hotel, 21,000 sq ft of retail and leisure space and a 548-space car park, all built around a large, modern central plaza. Gatehouse Court, which was bought in conjunction with Gateway Plaza, is a smaller scheme of apartments on the edge of Barnsley. The two assets were purchased for £700,000, reflecting an initial yield of 4.37%. The ground rent will increase in line with the RPI every 25 years.



St Mark's Square, which is being developed by Cathedral Group in partnership with the London Borough of Bromley, is a new residential and leisure quarter, where construction began in April 2013. The wider scheme will comprise a landscaped public square, surrounded by a nine-screen Vue cinema, 25,000 sq ft of cafés and restaurants and a 130-bedroom Premier Inn hotel. The development also includes 200 private and affordable apartments. The Company has exchanged contracts to acquire the private apartments for £830,000, reflecting an initial yield of 4.76%. The Company will take ownership of this asset once construction has reached practical completion. By negotiating the contract to acquire this property prior to the developer granting any leases, the Company has been able to specify that the leases will have ground rents which are reviewed every 5 years in line with RPI, compared with this developer's norm of 25 years. This gives the income a closer correlation to RPI and more frequent revaluations of the investment.

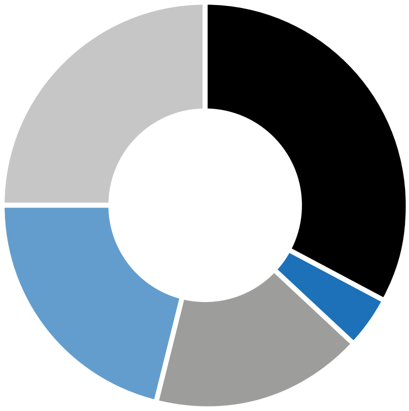
Portfolio Characteristics

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 opposite shows the period of time before the next review date for the ground rents in the portfolio at 30 September 2013.

The chart demonstrates that 33 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.

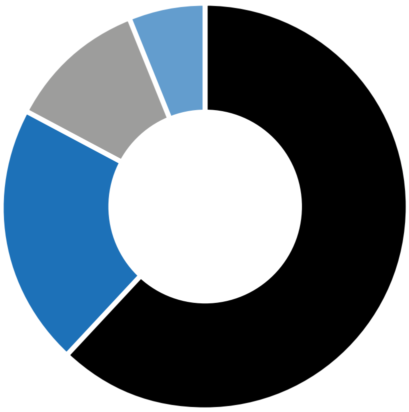
1-4yrs	*33%*	*5-10yrs*	*4%*	*11-15yrs*	*17%*	*16-20yrs*	*21%*	*21+yrs*	*25%*



The chart opposite shows the type of rent review in the portfolio at 30 September 2013.

The chart demonstrates that 94 per cent. of the portfolio is subject to pre-determined rent reviews and that the reviews for 62 per cent. of the portfolio are directly linked to an inflation based index. The doubling and flat 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.

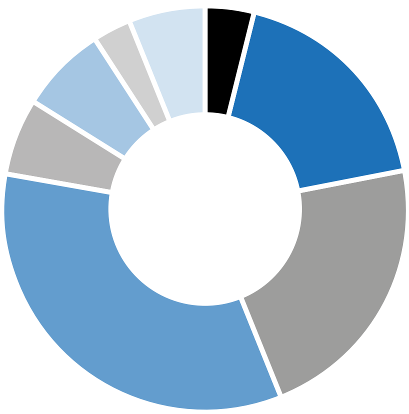
Indexed	*62%*	*Doubling*	*21%*	*Fixed*	*11%*	*Flat*	*6%*



The geographic spread of the portfolio at 30 September 2013 is shown in the chart opposite.

Acquisitions made since the period end have increased the weighting in London, giving greater diversity in the portfolio.

London	*4%*	*Midlands*	*18%*	*North East*	*22%*	*North West*	*34%*
South East	*6%*	*South West*	*7%*	*Wales*	*3%*	*National*	*6%*



Strategic Report cont.

Key Performance Indicators

While the Company is in its acquisition phase, 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 Company has identified investments which are appropriate for the Company and which will allow the Directors to achieve the strategic aims of the Company, 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 2013, the Group had invested the majority of the net proceeds of the issue of the ordinary shares and had begun to invest the net proceeds of the issue of the preference shares.

The Directors monitor the amount of cash awaiting investment and the level of acquisition work-in progress to determine the likelihood of achieving the stated objective of full investment by May 2014.

In order to monitor the performance of the Company 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.

The first dividend on the ordinary shares was paid on 25 January 2013. In the period ended 30 September 2013, the dividend yield on the ordinary shares was 2.8% on issue price. The Directors did not have a target dividend yield in the first accounting period because the Company was still in the investment phase.

The convertible preference shares have a fixed dividend rate of 2.0% per annum. The first dividend on the convertible preference shares was paid on 30 September 2013.

The directors cannot set a target figure for the portfolio vaulation 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 not comply with the REIT regime in the time period set out by HMRC, the directors would ensure that appropriate steps were taken to ensure compliance.

Principal risks and uncertainties

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

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 within the target timetable. 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. The investment adviser has a pipeline of opportunities, which are reported to the Directors on a regular basis and which is sufficiently large enough to give the Directors confidence that they can meet their objective of being substantially invested by May 2014.

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 the 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

Strategic Report cont.

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.

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 no external borrowings. The Company places excess cash of the Group on deposit in interest bearing accounts to maximise returns.

The convertible preference shares are accounted for as debt and are subject to a fixed coupon of 2.0% per annum. until they are converted into ordinary shares, at which point the Company's equity is in a single class of share, subject to a single rate of dividend based on the distributable profits of the Company.

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 adviser, 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.

Allocation of dividend type The Group'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 appropriate distributions 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 and remain focussed on being fully invested by the end of May 2014, the target set at the second fund raising in May 2013.

Recent transactional data which has been made public, and the Directors' experience of the prices which they now have to offer to secure purchases, indicate that purchase prices, measured by the multiples which are being achieved, will be at the higher end of, and may exceed, the expected range. This, in turn, is making it more difficult to acquire ground rents at prices which will enable the Directors to become fully invested by May 2014 at prices which will enable them to achieve the targeted dividend yield and/or the cost of acquisitions may be such that the target dividend yield may not be achieved within the original timeframe envisaged.

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 period ended 30 September 2013, the consideration paid for acquisitions amounted to £41.52 million, in addition to which the costs associated with the acquisitions, including stamp duty, legal and introductory fees amounted to £2.20 million, resulting in a total acquisition cost of £43.72 million.

Due, primarily, to market movements, the portfolio was valued at 30 September 2013 at £44.0 million, an increase of 6.0 per cent. over the consideration paid. As a result of the increase in valuation, all of the costs associated with the acquisitions have been absorbed by the subsequent uplift in valuation and a net surplus of £271,400 has been recognised.

The market for ground rents has continued to harden since the period end. Any further movements in valuation will be reflected in the next independent valuation, which will be performed by Savills as at 31 March 2014, or sooner if the proceeds of the convertible share issue are at least 90% invested before then and the conversion of preference shares into ordinary shares is triggered.

By order of the Board:

Simon Paul Wombwell
Director
30 January 2014

Clapham One - London

Directors' Report

The directors present herewith their report, together with the audited consolidated financial statements for the group and company for the period from incorporation on 23 April 2012 to 30 September 2013.

Group overview

The company was incorporated with the name Aghoco 1105 Plc on 23 April 2012. On 25 June 2012 the directors changed the name of the company to Ground Rents Income Fund plc.

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.

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

Results and Dividends

The profit before taxation for the period was £1,142,447 and the profit for the period after taxation was £1,107,908.

The stated policy of the Company is to pay quarterly dividends.

The dividend amounts which have been paid since incorporation are as follows:

- Interim ordinary dividend for the period to 31 December 2012 of 0.35p per share.
- Interim Property Income Distribution (PID) dividend for the period to 31 March 2013 of 0.6p per share
- Interim PID dividend for the period to 30 June 2013 of 0.7p per share
- Interim PID dividend for the period to 30 September 2013 of 1.15p per share

This results in total dividends of 2.8p per ordinary share for the period. These dividends amount to £1,364,398. The preference share interest amounted to a total of £269,850.

Listing Requirements

Throughout the accounting period ended 30 September 2013, the Group complied with the conditions set out in the CISE Rules for Companies.

Directors' Report cont.

Directors

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

Robert Malcolm Naish (appointed 11/07/2012)
Paul Anthony Craig (appointed 11/07/2012)
Simon Paul Wombwell (appointed 21/05/2012)
Jonathan Stewart Murphy (appointed 19/05/2012, resigned 11/07/2012)
Roger Hart (appointed 23/04/2012, resigned 21/05/2012)
A G Secretarial Limited (appointed 23/04/2012, resigned 21/05/2012)

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 period and these remain in force at the date of this report.

Political donations

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

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 15 to 17 and in note 13 on page 37. 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 made further investment in Ground Rent assets totalling £7 million. Further details of assets acquired are set out in the strategic report on page 9.

Future developments

An indication of likely future developments in the Group can be found on page 17. This information is incorporated into this Directors' Report by reference and is deemed to form part of this Directors' Report.

Independent Auditors

PricewaterhouseCoopers LLP were appointed during the period as the first auditors of the group. PricewaterhouseCoopers LLP have expressed their willingness to continue in office as auditor and a resolution to re-appoint them will be passed 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 auditor is 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 auditor is aware of that information.

This report was approved by the board on 30 January 2014 and signed on its behalf by:

Simon Paul Wombwell
Director

Statement of Directors' Responsibilities

The directors are responsible for preparing the Strategic Report, Directors' 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 elected to prepare the 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 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 and Guernsey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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

We have audited the group financial statements of Ground Rents Income Fund plc for the period ended 30 September 2013 which comprise the consolidated income statement, the consolidated statement of financial position, the consolidated statement of cash flows, the consolidated statement of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Respective responsibilities of directors and auditors
As explained more fully in the Statement of Directors' Responsibilities set out on page 22, 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). 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.

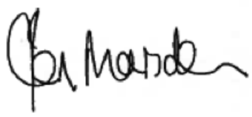
Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes 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. 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. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the financial statements
In our opinion the group financial statements:
- give a true and fair view of the state of the group's affairs as at 30 September 2013 and of its profit and cash flows for the period then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 period for which the group financial statements are prepared is consistent wit the group financial statements.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:
- certain disclosures of directors remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other matter
We have reported separately on the parent company financial statements of Ground Rents Income Fund plc for the period ended 30 September 2013.



Ian Marsden
(Senior Statutory Auditor)
for and on behalf of
PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
30 January 2014

Consolidated Income Statement for the period 23 April 2012 to 30 September 2013

	Notes	23 April 2012 to 30 September 2013 £
Continuing Operations		
Revenue	2	1,881,269
Administrative expenses		(1,080,066)
Net revaluation gain on investment properties		271,400
Operating profit	3	1,072,603
Finance income	5	339,694
Finance costs	6	(269,850)
Profit before income tax		1,142,447
Income tax expense	7	(34,539)
Profit for the period attributable to owners of the parent		1,107,908
Earnings per share		
Basic	14	2.29p
Diluted	14	2.24p

There is no other comprehensive income for the period.

The accompanying notes on pages 28 to 43 form an integral part of the consolidated financial statements.

Consolidated Statement of Financial Position as at 30 September 2013

	Notes	2013
		£
Assets		
Non current assets		
Investment properties - ground rents	8	43,989,864
Total non-current assets		43,989,864
Current assets		
Trade and other receivables	10	1,964,354
Cash and cash equivalents		40,710,485
Total current assets		42,674,839
Total assets		86,664,703
Current liabilities		
Trade and other payables	12	(788,053)
Corporation tax liability		(46,505)
Convertible preference shares	11	(37,780,625)
Total current liabilities		(38,615, 183)
Net assets		48,049,520
Financed by:		
Equity		
Share capital	15	24,713,049
Share premium account	16	19,092,961
Distributable reserve	17	4,243,510
Total equity		48,049,520

The financial statements on pages 24 to 43 were approved and authorised for issue by the board of directors on 30 Jaunary 2014 and signed on its behalf by:

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

The accompanying notes on pages 28 to 43 form an integral part of the consolidated financial statements.

Consolidated Statement of Cash Flows

For the period from 23 April 2012 to 30 September 2013	Notes	2013 £
Cash flows from operating activities		
Cash used in operations	19	(259,575)
Taxation paid		(65,283)
Net cash used in operating activities		(324,858)
Cash flow from investing actvities		
Interest received		301,420
Purchase of ground rent assets		(30,417,557)
Payments to acquire subsidiary undertakings	9	(13,300,907)
Net cash absorbed by investing activites		(43,417,044)
Cash flows from financing activities		
Proceeds of issue of shares	19	86,086,635
Preference shares interest paid		(269,850)
Dividends paid to shareholders		(1,364,398)
Net cash generated from financing activities		84,452,387
Net increase in cash and cash equivalents	20	40,710,485
Net cash and cash equivalents at 23 April 2012		-
Net cash and cash equivalents at 30 September 2013		40,710,485

The accompanying notes on pages 28 to 43 form an integral part of the consolidated financial statements.

Consolidated Statement of Changes in Equity

For the period from 23 April 2012 to 30 September 2013	Share capital £ Note 15	Share premium account £ Note 16	Distributable reserve £ Note 17	Total £
At 23 April 2012				
Comprehensive income				
Profit for the period	-	-	1,107,908	1,107,908
Profit for the period and total comprehensive income	-	-	1,107,908	1,107,908
Transactions with owners				
Issue of share capital	24,121,150	24,121,150	-	48,242,300
Exercise of warrants	591,899	591,899	-	1,183,798
Reserve transfer	-	(4,500,000)	4,500,000	-
Share issue costs	-	(1,120,088)	-	(1,120,088
Dividends paid (note 18)	-	-	(1,364,398)	(1,364,398)
At 30 September 2013	24,713,049	19,092,961	4,243,510	48,049,520

The accompanying notes on pages 28 to 43 form an integral part of the consolidated financial statements.

Notes to the Consolidated Financial Statements for the period from 23 April 2012 to 30 September 2013

1 Accounting policies

(a) Basis of preparation

Ground Rents Income Funds plc is 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, IFRIC 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.

The directors have, at the time of approving the financial statements, a reasonable expectation that the company and the group have adequate resources to continue in operational existence in the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

The accounting policies, which have been applied consistently throughout the period are set out below.

(b) New or amended standards and interpretations in issue but not yet effective

The following new standards, amendments to standards and interpretations that are expected to impact the Group, which have not been applied in these financial statements, were in issue, but are not yet effective:

IFRS 9 "Financial Instruments" is effective for annual reporting periods commencing on or after 1 January 2015 subject to EU endorsement. The standard will eventually replace IAS39 but currently only details the requirement for recognition and measurement of financial assets and financial liabilities.

IFRS 10 "Consolidated financial statements" is effective for annual reporting periods beginning on or after 1 January 2014. This standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within consolidated financial statements. This standard provides additional guidance to assist in determining control where this is difficult to assess.

IFRS 13 "Fair value measurement" is effective for annual periods beginning on or after 1 January 2013. This standard applies to IFRSs that require or permit fair value measurements or disclosures and provides a single source of fair value measurement and disclosure requirements for use across IFRSs.

IFRS 7 (amendment) "Financial instruments: disclosures" is effective for annual periods beginning on or after 1 January 2013, and amends the disclosures required where certain items have been offset.

IAS 32 (amendment) "Offsetting financial assets and liabilities" is effective for annual periods beginning on or after 1 January 2014, and provides clarification on the application of offsetting rules.

The Group continues to assess the impact of adopting these new or amended standards and interpretations in future accounting periods.

(c) Currency

The functional and presentation currency is pound sterling.

(d) 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 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 fixed with no future uplifts. The valuation is also dependent on whether the ownership of the ground rent gives the holder the right to insure the building and appoint a managing agent.

Property valuations often refer to the YP multiple which is the “Years Purchased” and is calculated as the valuation divided by the current ground rent. A 1% change in the YP would increase or decrease the current value of the portfolio which is currently £44 million by £0.4 million.

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.

(e) Basis of consolidation

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

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

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the fair value of the aggregate consideration transferred, at the acquisition date. Acqusition costs incurred are charged to the income statement.

(f) 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.

(g) 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.

(h) 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. Properties are revalued at the balance sheet date by an independent valuation agent. Expenses that are directly attributable to the acquisition of a ground rent are capitalised into the cost of investment. Gains and losses on changes in fair value of Ground Rent Assets are recognised in the income statement. The directors instruct the independent third-party valuers from time to time as the need arises. Gains and losses on changes in fair value are recoanised at the time of each valuation.

(i) 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.

(j) 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.

(k) Deferred tax

Generally, the group is not exposed to deferred tax because it is a Real Estate Investment Trust (REIT). REITs do not pay tax on property income and gains.

Where deferred tax does arise, it is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the group financial statements. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability settled based on its tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date.

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

(l) Cash and cash equivalents

Cash comprises of call deposits held with banks.

(m) 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.

(n) 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.

(o) 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.

(p) 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.

Preference shares are classed as debt. The preference share liability is recorded net of incremental costs directly attributable to the issue of preference shares.

(q) 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. No provision is made in these financial statements for the cost of issuing shares to warrant-holders as the subscription price approximates to the average market price of the ordinary shares over the accounting period.

(r) Convertible preference shares

Convertible Preference Shares are classified within “non-current liabilities”. Expenses of issue are netted off the oustanding balance. Interest is accrued evenly in line with the fixed coupon rate attached to the shares. The interest is recognised as an expense in the consolidated income statement.

2 Segmental information

The company is mainly concerned with the collection of Ground Rent. The company receives some ancilliary income to which it is entitled as a result of its position as property freeholder.

	23 April 2012 to 30 September 2013 £
By activity:	
Ground rent income accrued in the period	1,709,343
Other income falling due within the period	171,926
	1,881,269

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

	23 April 2012 to 30 September 2013 £
This is stated after charging:	
Directors salaries	62,082
Auditors' remuneration - other services required by statute	5,500
Auditors' remuneration - parent company accounts	15,000
Auditors' remuneration - audit of subsidiary accounts	40,000
Costs of acquiring subsidiary undertakings (note 9)	277,036
Management fees	295,944
Professional fees	100,469
Insurance	27,677
Sponsor fees	40,800
Valuation fees	30,000
Registrar fees	28,391
Listing fees	21,076
Advertising and printing costs	6,757
Other operating expenses	129,334
	1,080,066

No direct operating expenses were incurred in relation to investment property in the period.

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.

	23 April 2012 to 30 September 2013 £
Emoluments	62,082
Invoiced by Brooks Macdonald Funds Limited	25,118
	87,200
Highest paid director:	
Emoluments	33,863
	33,863

Monthly average number of employees during the period	**Number**
Administration	3

No retirement benefits are being accrued on behalf of the directors.

5 Finance income

	23 April 2012 to 30 September 2013 £
Interest on bank deposits	339,694

6 Finance costs

	23 April 2012 to 30 September 2013 £
Preference share interest	269,850

The preference share interest represents the amount payable from the issue date on 24 May 2013 to 30 September 2013 of 2% per annum per share. The amount paid on 30 September 2013 was 0.7p per share.

7 Income tax expense

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.

	23 April 2012 to 30 September 2013 £
Analysis of charge in period	
Current tax:	
UK corporation tax on profits of the period	34,539
	34,539

Factors affecting tax charge for period

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

	23 April 2012 to 30 September 2013 £
Profit on ordinary activities before tax	1,142,447
Standard rate of corporation tax in the UK	23.7%
Profit on ordinary activities multiplied by the standard rate of corporation tax	270,760
Effects of:	
Unrealised revaluation surplus not taxable	(64,322)
Property profit not taxable under the REIT regime	(235,853)
Preference share interest paid not deductible for corporation tax	63,954
Current tax charge for period	34,539

Deferred Tax

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

Factors affecting current and future tax charges

The standard rate of corporation tax in the UK changed from 24% to 23% with effect from 1 April 2013. Accordingly, the company's profits for this accounting period are taxed at an effective rate of 23.7%

Further reductions to the UK corporation tax rate were announced in the 2013 budget on 20 March 2013, which proposed to reduce the main rate to 21% from 1 April 2014 and to 20% from 1 April 2015.

8 Investment Properties - Ground rents

	Ground rent assets
	£
Market value	
At 23 April 2012	-
Additions	43,718,464
Surplus on revaluation	271,400
At 30 September 2013	43,989,864

The group's investment in ground rents was revalued at 30 September 2013 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 least attractive ground rents are those which are flat with no future rental increases which attract the lowest YP multiple and the highest yield. The most valuable ground rents assets are those which are RPI linked with reviews every 10 years or less. The valuation also is dependent on other factors such as whether the ownership of the ground rent gives the holder the right to insure and manage the building which can lead to additional income streams.

9 Business Combinations

Acquisition of Ground Rent subsidiaries of Braemar Group PCC Limited

On 13 August 2012, the company acquired the ground rent subsidiraries of Braemar Group PCC Limited.

The consideration to Braemar Group PCC Limited was £1,664,909. This was based on a purchase price of £1,279,793 plus an amount to adjust the purchase price to the fair value of the net assets of the companies being acquired at completion. There was also a certain amount of inter-company debt owed by the companies to Braemar Group PCC Limited and the Company agreed to discharge this liability on completion of the Acquisition Agreement. The consideration was cash paid at the date of transfer of ownership. The acquisition terms include no contingent or deferred consideration arrangements.

Details of the assets acquired and liabilities assumed, recognised at the acquisition date, are shown below:

Recognised amounts of identifiable assets acquired and liabilities assumed

	£
Ground rent assets	9,726,000
Other assets	33,030
Short term trade and other receivables	304,250
Short term trade and other payables	(214,640)
Loans due to the Ground Rent Cell of Braemar Group PCC Limited	(8,183,731)
	1,664,909

The portfolio purchased from Braemar Group PCC Limited contributed revenue of £884,991 and profit before taxation of £699,484 to the Group's results for the period ended 30 September 2013. Additionally there was a net revaluation gain on investment property of £823,919 on this portfolio in the period. The Group commenced its business with the purchase of this portfolio so the results since purchase are the same as the full year results.

The costs of acquisition which have been included in administrative expenses, in respect of the purchase of the Braemar Group PCC portfolio was £150,824.

Acquisition of Louis Group Land Investments Limited

The company also acquired Louis Group Land Investments Limited in the period. On 26 September 2012 the directors changed the company name to Metropolitan Ground Rents Limited. Consideration was £3,452,267 and settled in cash.

Recognised amounts of identifiable assets acquired and liabilities assumed

	£
Ground rent assets	3,475,500
Short term trade and other receivables	24,096
Short term trade and other payables	(47,329)
	3,452,267

Metropolitan Ground Rents Limited contributed revenue of £193,542 and profit before taxation of £184,566 to the Group's results for the period ended 30 September 2013. Additionally there was a net revaluation gain on investment property of £244,714 on this portfolio in the period. Had the company been purchased on the date that the Group commenced trading then it would have contributed income of £251,836 and incurred expenses of £69,430 and the revaluation gain would have been £328,014.

9 Business Combinations (continued)

The acquisition costs incurred in respect of this acquisition were £126,212 which have been included within administration expenses.

A full list of the subsidiaries of the company at 30 September 2013 is given in note 4 of the company accounts on page 48.

The cashflows in relation to the acquisition of subsidiaries are as follows:

	Period ended 30 September 2013 £
Payment for net assets of Braemar Group PCC portfolio	1,664,909
Settlement of intercompany loans owed by Braemar Group PCC portfolio	8,183,731
Payment for Louis Group Land Investments Limited	3,452,267
	13,300,907

The individual companies within the group do not maintain their own bank accounts and all cash transactions are dealt with by the parent company. Hence, there are no post acqusition cash flows to disclose.

10 Trade and other receivables

	30 September 2013 £
Trade receivables	274,566
Other receivables	1,619,670
Prepayments and accrued income	70,118
	1,964,354

Included in other receivables is £1,268,014 held in a client account at the company's solicitors which was used to complete the purchase of a ground rent investment on 1 October 2013. 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 2013 £
Up to 3 months	224,990
Over 3 months	49,576
	274,566

11 Convertible preference shares

	30 September 2013 £
Net proceeds from issue of convertible preference shares	37,780,625

The company issued 38,550,000 convertible preference shares at a price of £1 each on 24 May 2013. Issue costs of £769,375 have been capitalised and deducted from the gross proceeds to arrive at the amount disclosed above. The preference shares have been classified as debt in the consolidated statement of financial position because the directors believe this to be the most appropriate classification taking into account the fixed interest cost. The convertible preference shares are entitled to a fixed cumulative preferential dividend at an annual rate of 2%. The convertible preference shares shall be converted into ordinary shares at a ratio based on the net asset value of each of the respective portfolios at the time of conversion. The preference shares will convert at the earlier of 12 months after issue or following the investment of 90% of the subscription monies.

The market price of the preference shares was at 101.50p at 30 September 2013. The directors consider the market price of the preference shares to be their fair value (note 13).

12 Trade and other payables

	30 September 2013 £
Trade payables	78,364
Other taxes and social security costs	9,320
Other payables	257,334
Accruals and deferred income	443,035
	788,053

13 Financial Instruments

The group's financial instruments comprise cash, convertible preference shares 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 liabilities carries 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 2013		
	Book value £	Fair value £	Fixed interest rate %
Convertible preference shares	37,780,625	38,358,875	2

13 Financial Instruments (continued)

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 2013		
	Book value	Fair value	Fixed interest rate
	£	£	%
Cash at bank and in hand	40,710,485	40,710,485	-

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. The group has no debt at the period end so the gearing ratio is nil. 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.

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 no external borrowings. The Company places excess cash of the group on deposit in interest bearing accounts to maximise returns.

The convertible preference shares are accounted for as debt and are subject to a fixed coupon of 2.0% per annum. until they are converted into ordinary shares, at which point the company's equity is in a single class of share, subject to a single rate of dividend based on the distributable profits of the company.

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.

14 Earnings per share

Basic Earnings per Share

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

	30 September 2013 £
Profit attributable to equity shareholders of the company	1,107,908

Basic earnings per share have been calculated by dividing earnings by the weighted average number of shares in issue throughout the period ended 30 September 2013.

Basic earnings per share	2.29p

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 issued in the period, weighted for the relevant periods.

	30 September 2013 £
Profit attributable to equity shareholders of the company	1,107,908
Preference share interest paid	269,850
Total earnings in the period	1,377,758
	Number
Weighted average number of shares - basic	48,388,352
Effect of warrants	1,035,540
Effect of preference shares	11,983,012
Diluted total shares	61,406,904
Diluted earnings per share	2.24p

15 Share capital

	Nominal value	30 September 2013 Number	30 September 2013 £
Allotted, called up and fully paid:			
Ordinary shares	£0.50 each	49,426,098	24,713,049

	Nominal value	Number	£
Shares issued during the period:			
Ordinary shares	£0.50 each	49,426,098	24,713,049

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. The Company issued 48,242,300 shares at a price of £1 each during the financial period.

Warrants were issued for £nil consideration on the basis of one warrant for every five subscription shares. 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.

16 Share premium account

	2013 £
At 23 April 2012	
Shares issued	24,713,048
Expenses of issue	(1,120,087)
Transfer to distributable reserve (note 17)	(4,500,000)
At 30 September 2013	19,092,961

17 Distributable reserve

	2013 £
At 23 April 2012	
Transfer from share premium (note 16)	4,500,000
Profit for the financial period	1,107,908
Dividends paid since incorporation	(1,364,398)
At 30 September 2013	4,243,510

The Company received shareholder approval on 16 November 2012 to apply to the court for a capital reduction to create a distributable reserve of £4,500,000. This was approved by the court on 18 December 2012.

18 Dividends

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

	2013
	£
Dividends declared by the Company during the period:	
Dividends paid	1,364,398
	1,364,398
Analysis of dividends by type:	
Interim ordinary dividend of 0.35p per share	168,848
Interim PID dividend of 0.6p per share	289,454
Interim PID dividend of 0.7p per share	337,696
Interim PID dividend of 1.15p per share	568,400
	1,364,398
Since the period end, the following dividends have been announced and paid:	
Interim ordinary PID dividend of 1.056p per share	521,940

19 Gross cash flows

	2013
	£
Reconciliation of operating profit to net cash inflow from operating activities	
Profit before income tax	1,142,447
Adjustments for:	
Non-cash revaluation gain	(271,400)
Net finance income	(69,844)
Operating cash flows before movements in working capital	801,203
Movements in working capital:	
Decrease in trade receivables	(1,660,104)
Increase in trade payables	599,326
Net cash used in operations	(259,575)
Proceeds of share issue	
The proceeds from issue of shares can be broken down as follows:	
Issue of ordinary shares on 13 August 2012	48,242,300
Share issue costs associated with issue of ordinary shares	(1,120,088)
Issue of preference shares on 24 May 2013	38,550,000
Share issue costs associated with issue of preference shares	(769,375)
Warrants issued on 13 August 2013	1,183,798
	86,086,635

20 Analysis of changes in net cash

	At 23 April 2012 £	Cash flows £	Non-cash changes £	At 30 September 2013 £
Cash at bank and in hand	-	40,710,485	-	40,710,485
Total	-	40,710,485	-	40,710,485

21 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 period.

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.

Prior to 24 May 2013, these services were provided by BER, on the same terms as the current arrangements with BMF.

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

	£
Commission on placement of Ordinary shares	355,088
Commission on placement of Preference shares	137,349
Advisory fee payable to Brooks Macdonald Funds Limited	84,679
Acquisition fees payable to Brooks Macdonald Funds Limited	79,423
Directors fees payable to Brooks Macdonald Funds Limited	25,118
	681,657

£64,750 was due from Ground Rents Income Fund plc to Brooks Macdonald Funds Limited at the balance sheet date.

21 Related party transactions (continued)

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 period were as follows:

	£
Advisory fee payable to Braemar Estates (Residential) Limited	145,615
Acquisition fees payable to Braemar Estates (Residential) Limited	248,693
Other amounts due to Braemar Estates (Residential) Limited	13,816
	408,124

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

22 Other financial commitments

The Company has a number of ground rent acquisitions in the pipeline. At 30 September 2013, the Company had £1,268,014 of cash held at solicitors for an acquisition which completed shortly after the balance sheet date (note 10).

23 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 made further investment in ground rent assets totalling £7 million. Further details of assets acquired are set out in the strategic report on page 9.

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

We have audited the parent company financial statements of Ground Rents Income Fund plc for the period ended 30 September 2013 which comprise the company balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors
As explained more fully in the Statement of Directors' Responsibilities set out on page 22, the directors are responsible for the preparation of the parent company 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 parent company financial statements in accordance with applicable law and International Standards on Auditing (UK and 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.

Scope of the audit of the financial statements
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 parent 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. 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 annual report and financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the financial statements
In our opinion the parent company financial statements:

- give a true and fair view of the state of the company's affairs as at 30 September 2013,
- 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.

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Strategic Report and Directors' Report for the financial period for which the financial statements are prepared is consistent with the parent company financial statements.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires. us to report to you if, in our opinion:

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

Other matter
We have reported separately on the group financial statements of Ground Rents Income Fund plc for the period ended 30 September 2013.

Ian Marsden
(Senior Statutory Auditor)
for and on behalf of
PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
30 January 2014

Company Balance Sheet

As at 30 September 2013	Notes	2013 £
Fixed Assets		
Investments	4	1,665,010
		1,665,010
Current assets		
Debtors	5	41,920,803
Cash at bank and in hand		40,710,485
		82,631,288
Creditors:		
amounts falling due within one year	6	(38,041,568)
Net current assets		44,589,720
Total assets less current liabilities		46,254,730
Net assets		46,254,730
Capital and Reserves		
Called up share capital	7	24,713,049
Share premium account	8	19,092,961
Distributable reserves	9	2,448,720
Total shareholders' funds		46,254,730

The Company financial statements were approved and authorised for issue by the board of directors on 30 January 2014 and signed on its behalf by:

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

The accompanying notes from pages 46 to 50 form an integral part of the company financial statements.

Notes to the Company Financial Statements for the period from 23 April 2012 to 30 September 2013

1 Accounting policies

(a) Basis of preparation

These financial statements are prepared on the going concern basis, under the historical cost convention as modified by the revaluation of investment properties 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) Currency

The functional and presentation currency is pound sterling.

(d) Investments in subsidiary companies

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

(e) Cash at bank and in hand

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

(f) 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 immediatley written off when identified.

(g) Creditors

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

(h) Preference shares

Convertible preference shares are classified within “Creditors: amounts falling due within one year”. Expenses of issue are netted off the oustanding balance. Interest is accrued evenly in line with the fixed coupon rate attached to the shares. For further information about the terms and conversion of the preference shares, see note 10 to the consolidated financial statements.

(i) Share capital

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

(j) 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. No provision is made in these financial statements for the cost of issuing shares to warrant-holders as the subscription price approximates to the average market price of the ordinary shares over the accounting period.

(k) 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.

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 period. Ground Rents Income Fund plc reported a loss after tax for the financial period of £686,882. Auditors' remuneration for audit of the parent company financial statements was £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 accounts.

3 Dividends

Details of the company's dividends paid are set out in note 18 of the group accounts.

4 Investments

	Investments in subsidiary undertakings
	£
Cost	
At 23 April 2012	-
Additions	1,665,010
Disposals	-
At 30 September 2013	1,665,010

Full information about the acquisition of subsidiaries in the period is provided in note 9 of the consolidated financial statements.

Where possible, the directors have changed the year ends of the subsidiary companies to ensure they are coterminous with Ground Rents Income Fund plc. Where this has not been possible for the period ended 30 September 2013, the directors intend to change the year ends of the following subsidiaries so that they will have coterminous year ends at 30 September 2014:

	Current year end
Postbox Ground Rents Limited	31 March 2013
Azure House Ground Rents Limited	31 March 2013
Ebony House Ground Rents Limited	31 March 2013
Enclave Court Ground Rents Limited	31 March 2013
Hill Ground Rents Limited	31 March 2013
Metropolitan Ground Rents Limited	31 March 2013
Yorkshire Ground Rents Limited	31 March 2013
Halcyon Wharf Ground Rents Limited	31 March 2013
North West Houses Ground Rents Limited	31 March 2013

The directors have used the management accounts of the above companies to prepare the consolidated accounts of Ground Rents Income Fund plc at 30 September 2013.

Details of the subsidiary undertakings of the company at 30 September 2013 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
Postbox Ground Rents Limited	Ordinary £1	Ground Rents	Guernsey
Azure House 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
Hill Ground Rents Limited	Ordinary £1	Ground Rents	UK
Metropolitan Ground Rents Limited	Ordinary £1	Ground Rents	UK
TMG003 Limited	Ordinary £1	Ground Rents	Guernsey
XQ7 Ground Rents Limited	Ordinary £1	Ground Rents	UK
Yorkshire Ground Rents Limited	Ordinary £1	Ground Rents	Guernsey
Halcyon Wharf Ground Rents Limited	Ordinary £1	Ground Rents	UK
Gateway Leeds Ground Rents Limited	Ordinary £1	Ground Rents	Guernsey
Banbury Ground Rents Limited	Ordinary £1	Ground Rents	UK
Manchester Ground Rent Company Limited	Ordinary £1	Ground Rents	UK
North West Ground Rents Limited	Ordinary £1	Ground Rents	Guernsey
GRIF029 Limited	Ordinary £1	Ground Rents	UK
Midlands Ground Rents Limited	Ordinary £1	Holding Company	Guernsey
North West Houses Ground Rents Limited	Ordinary £1	Ground Rents	UK
Clapham One Ground Rents 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
Nikal Humber Quay Residential Limited	Ordinary £1	Ground Rents	UK
East Anglia Ground Rents Limited	Ordinary £1	Ground Rents	UK
Consolata House Limited	Ordinary £1	Ground Rents	UK
Greenhouse (Leeds) Management Company Limited	Ordinary £1	Ground Rents	UK
OPW Ground Rents Limited	Ordinary £1	Ground Rents	UK
Trinity Land and Investments Limited	Ordinary £1	Ground Rents	UK
GRIF030 Limited	Ordinary £1	Ground Rents	UK
GRIF Student Ground Rents Limited	Ordinary £1	Ground Rents	UK
GRIF032 Limited	Ordinary £1	Ground Rents	UK
GRIF041 Limited	Ordinary £1	Ground Rents	UK
GRIF035 Limited	Ordinary £1	Ground Rents	UK

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

5 Debtors

	30 September 2013 £
Trade debtors	378
Amounts owed by subsidiary undertakings	41,798,626
Other debtors	44,003
Prepayments and accrued income	77,796
	41,920,803

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 2013 £
Trade creditors	64,750
Corporation tax	21,940
Accruals and deferred income	174,253
Non-equity preference shares	37,780,625
	38,041,568

See note 11 of the consolidated financial statements for further information about the terms and conversion date of the convertible preference shares.

7 Share capital

	At 30 September 2013		
	Nominal value	Number	£
Allotted, called up and fully paid:			
Ordinary shares	£0.50 each	49,426,098	24,713,049
			24,713,049
Shares issued during the period:			
Ordinary shares	£0.50 each	49,426,098	24,713,049

The Company issued 48.2 million shares at a price of 100 pence each during the financial period. Warrants were issued for nil consideration on the basis of one warrant for every five subscription shares.

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 upto and including 31 August 2022. 1,183,798 additional ordinary shares were issued to warrant holders in August 2013.

8 Share premium account

	2013
	£
At 23 April 2012	-
Shares issued	24,713,048
Expenses of issue	(1,120,087)
Transfer to distributable reserve	(4,500,000)
At 30 September 2013	19,092,961

9 Distributable reserve

	2013
	£
At 23 April 2012	-
Transfer from share premium	4,500,000
Loss for the financial period	(686,882)
Dividends paid since incorporation (note 18)	(1,364,398
At 30 September 2013	2,448,720

The Company received shareholder approval on 16 November 2012 to apply to the court for a capital reduction to create a distributable reserve of £4,500,000. This was approved by the court on 18 December 2012.

10 Reconciliation of movements in shareholders' funds

	2013
	£
At 23 April 2012	-
Loss for the financial period	(686,882)
Dividends	(1,364,398)
Shares issued	48,306,010
At 30 September 2013	46,254,730

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 21 to the group accounts on page 42.

12 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 made further investment in ground rent assets totalling £7 million. Further details of assets acquired are set out in the strategic report on page 9.