

GROUND RENTS INCOME FUND PLC

Annual Report and
Financial Statements

For the year ended 30 September 2021

Schroders
capital

50

years in
Real Estate

About Us

Ground Rents Income Fund plc (the “Company”) invests in long-term, income-generating assets across the United Kingdom.

Company summary

The Company is a closed-ended real estate investment trust incorporated on 23 April 2012. The Company has been listed on The International Stock Exchange (“TISE”) and traded on the SETSxq platform of the Stock Exchange since 13 August 2012.

At 30 September 2021 the Company had 96,746,497 shares in issue and had 38 active subsidiaries and seven dormant subsidiaries which, together with the Company, form the Group (“GRIO”). The Company is a Real Estate Investment Trust (“REIT”). Accordingly, it will distribute at least 90% of its distributable profits by way of dividends.

The Company’s Alternative Investment Fund Manager (“AIFM”), appointed in May 2019, is Schroder Real Estate Investment Management Limited (“the Manager”, “SREIM” or “Schroders”).

Investment objective

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

The Company will give investors the opportunity to invest, through the Company, in a portfolio of ground rents. The Company will seek to acquire a portfolio of assets with the potential for income generation from the collection of ground rents. These investments also have the potential for capital growth, linked to contractual increases in ground rents over the long-term.

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

The Group intends that no single ground rent property should represent more than 25% of the gross asset value of the Group at the time of investment. The Company has the ability to gear up to 25% loan to gross asset value.

Investment strategy

The Group’s strategy is to invest in a diversified portfolio of residential and commercial freeholds and head leases offering the potential for income generation from ground rents that are hedged against inflation and for capital growth from active asset management.

The residential ground rents sector is currently subject to uncertainty relating to leasehold and building safety reform. The Investment Manager’s current strategy is focused on mitigating the risks and consequences associated with this.

In other parts of the real estate market there is strong demand for investments offering similar, annuity-style cash flows and we expect this demand to continue. The Company’s portfolio benefits from the following characteristics:

- Highly-diversified, long-term portfolio of approximately 19,000 units across 400 assets with a low default risk
- Predictable revenue with upward-only rental increases, of which 71% of the ground rent income is indexed-linked, predominantly to the Retail Price Index (“RPI”)
- Long-term income with weighted average lease duration of 375 years
- 46% of the portfolio ground rent income is due to be reviewed over the next five years. Assuming future RPI inflation of 2.7% per annum, ground rent income should increase by approximately 18% over the next five years, or by an annualised figure of 3.3%



Portfolio at a Glance

Top 10 properties by value

Property	Location	Valuation at 30 September 2021 (£million)	(%)	Property type
1 Lawrence Street Student Village	York	8.3	7.0	Student
2 One Park West	Liverpool	3.5	2.9	Residential
3 Wiltshire Leisure Village	Royal Wootton Bassett	3.4	2.8	Residential
4 Masshouse Plaza	Birmingham	3.3	2.8	Residential
5 Rathbone Market	London	3.2	2.7	Residential
6 First Street	Manchester	2.9	2.5	Student
7 The Gateway	Leeds	2.6	2.2	Residential
8 Richmond House	Southampton	2.5	2.1	Student
9 Ladywell Point	Salford	2.5	2.1	Residential
10 Brewery Wharf	Leeds	2.1	1.8	Residential
		34.3	28.9	

Number of investment units

19,000+

Total investment property value

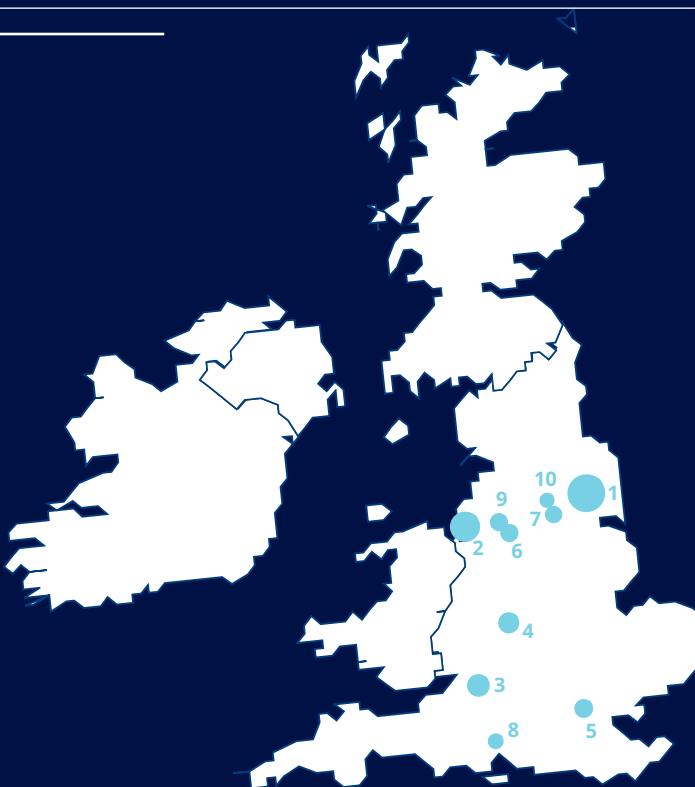
£119.4 million

Percentage of the portfolio value comprised of top ten properties

28.9%

Percentage of the ground rent income to be reviewed in the next five years

46.2%



Contents

Overview

- IFC About Us
- 1 Portfolio at a Glance

Strategic Report

- 2 Chair's Statement
- 5 Investment Manager's Review
- 11 Sustainability Report
- 14 Business Model

Governance

- 21 Board of Directors
- 23 Directors' Report
- 26 Audit and Risk Committee Report
- 28 Management Engagement Committee Report
- 29 Directors' Remuneration Report
- 31 Statement of Directors' Responsibilities

Financial Statements

- 32 Independent Auditors' Report
- 37 Consolidated Statement of Comprehensive Income
- 38 Consolidated Statement of Financial Position
- 39 Consolidated Statement of Cash Flows
- 40 Consolidated Statement of Changes in Equity
- 41 Notes to the Consolidated Financial Statements
- 54 Company Statement of Financial Position
- 55 Company Statement of Cash Flows
- 56 Company Statement of Changes in Equity

57 Notes to the Company Financial Statements

Other Information

- 65 AIFMD Disclosures
- 66 Annual General Meeting - Recommendations
- 67 Notice of Annual General Meeting
- 68 Explanatory Notes to the Notice of Annual General Meeting
- 69 Glossary
- 70 Shareholder Information
- IBC Corporate Information

Annual Statement by the Chair of the Board of Directors



Overview

There has been a high level of activity over the year implementing the Company's strategy to deliver more sustainable shareholder returns against the backdrop of challenging operating and regulatory environments. The activity included finalising the sale of Beetham Tower in Manchester, as well as working with the Investment Manager and other service providers to improve operational efficiencies and increase portfolio liquidity.

We have also commenced a share-buyback programme and re-based the dividend to a more sustainable level from which we intend to deliver future dividend growth. At a portfolio level, we are delivering best-in-class residential asset management for our leaseholders, which currently includes overseeing the resolution of complex building safety issues.

The challenging market conditions, fuelled by regulatory uncertainty, contributed to the Company's Net Asset Value ("NAV") falling by 2.8% to £99.7 million. Dividends of £3.8 million (or 3.96 pence per share ("pps")) were paid, which, along with the repurchase of 260,000 shares, resulted in a NAV total return of 1.3%. Whilst the NAV was positively impacted by the reversal of the £2.9 million provision in connection with Beetham Tower, the reversal was offset by an uncovered dividend and falling values due to asset specific factors and weaker market sentiment.

Income and dividends

Ground rent collection has remained in line with pre-pandemic collection rates but ancillary income has fallen. This fall is due to a challenging insurance market that has restricted commissions, and due to lower aggregated consent fees due to subdued activity levels in the residential apartment market. When considering these factors, together with operating expenses related to managing leasehold and building safety reform, your Board decided that the dividend should be reduced from 3.96 pps to 3.00 pps per annum, a reduction of 24%. This reduction is effective from, and including, the quarterly dividend payable in December 2021.

At this reduced level we expect the dividend to be fully covered by recurring earnings during the full year ending September 2022. Our projections include allowances for dealing with leasehold reform; for the frictional costs relating to delivering operational improvements; and for resolving ongoing building safety issues, in compliance with Government requirements. However, with 46% of our current ground rent income due to be reviewed in the next five years (of which 94% benefits from fixed or inflation-linked increases), your Board aims to adopt a progressive dividend policy over time.

Investment objective and strategy

The Company's investment objective remains the provision of secure, long-term, inflation-protected returns through investment in long-dated UK residential and commercial ground rents.

The strategy to consistently achieve this objective is focused on delivering more sustainable shareholder total returns achieved by enhanced risk management, extracting operational efficiencies, whilst demonstrating fair value and best-in-class residential asset management to leaseholders. Importantly, we are also working to ensure that our shareholders' interests are fairly represented as part of the Government's residential leasehold and building safety reforms, outlined in more detail below.

Initiatives to optimise shareholder total returns include the ongoing share-buyback programme; working with suppliers to improve service levels; and consideration of potential asset disposals. As part of reviewing disposals, we are working with our service providers to ensure that more demanding due diligence requirements (relating particularly to insurance, legal and building safety issues) are put in place to improve liquidity and optimise price realisation. Taken in aggregate, your Board believes that these initiatives should bolster the current share price rating, and deliver increased shareholder value ahead of the Continuation Vote due to take place before August 2023.

Your Board and the Investment Manager are also considering whether the strategy might be expanded to include other complementary asset types offering similar defensive, inflation-protected cash flows. Any significant proposed changes to the Company's strategy will be undertaken in consultation with shareholders.

Key strategic challenges

I have set out below, at a high level, some of the key strategic challenges addressed by the Board and the Investment Manager during the year as your Board considers these to be of significant strategic importance in the context of a review of the year. The Investment Manager's report addresses these topics (leasehold and building safety reform, Competition and Markets Authority activity in the sector, service providers and our operational platform, and environmental, social and governance activities) in further detail.

Leasehold reform

The Company has long argued for fair and sustainable leasehold reform. For example, since 2017, an asset management programme has been in place to remove doubling ground rents from within our portfolio. The programme, called 'Project Pacific', offers better terms to the affected leaseholders.

The Company is a signatory to the Government's *Public Pledge for Leaseholders*. We also provide information, on the Company's website, about our policies relating to the fair treatment of leaseholders, which includes not seeking possession for ground rent arrears via assured tenancy mandatory grounds (Housing Act 1988).

The Government's leasehold reform agenda has progressed over the financial year and, in January 2021, the Secretary of State published a statement, explaining the Government's intention to legislate on two key elements. Firstly, the Government confirmed its intention to ban the creation of all future residential ground rents. Secondly, and in relation to calculating enfranchisement premiums payable to landlords, the Government has proposed excluding 'marriage value', prescribing capitalisation rates and capping the ground rent assumed in the enfranchisement calculation. These outline proposals are areas of concern for the sector generally and other than specific 'marriage value' issues, they are areas of concern for the Company. Depending on the final legislation, the sector envisages that the proposals could represent the

inequitable treatment of extant landlord rights, leading to a likely depreciation in value.

As noted, the Government's proposed exclusion of marriage value from enfranchisement calculations should not impact the Company's portfolio. However, if enacted, the proposals to prescribe capitalisation rates (if below 2017 market rates) or capping the treatment of ground rent at 0.1% of the property's freehold value (for example: on a long-lease apartment worth £250,000, the annual ground rent would be capped at £250, dependant on future asset capital value movements), could facilitate a one-time transfer of wealth from private, corporate and institutional shareholders, with legitimate interests in this sector, across to leaseholders who would usually be individual members of the general public.

We are therefore working closely with other institutional owners and industry bodies, such as the Royal Institution of Chartered Surveyors ("RICS") and the British Property Federation ("BPF") to communicate these concerns effectively to Government. We have also sought initial legal advice on whether the proposed legislation represents an unlawful infringement of landlords' rights guaranteed by Article 1 of the First Protocol to the Human Rights Act 1988 (also known as "A1P1"), for which compensation would potentially be payable by the Government to affected landlords.

We will keep shareholders updated on the progress of this important legislation and the steps being taken by the Company to protect our shareholders' interests.

Building safety reform

The Investment Manager is progressing remediation projects to address complex building safety issues and, as far as is reasonably practicable, has taken steps to protect leaseholders from the financial implications of the building safety crisis. This protection includes pursuing third parties, such as original developers and contractors, and making qualifying applications to both the Government's Building Safety Fund and Waking Watch Relief Fund. To date, £8.1 million has been received into building service charge accounts from the above-mentioned two funds in respect of 11 properties within the portfolio.

Initiating and undertaking these protection initiatives is an important piece of work as, whilst the cost should not fall on the Company, it should be recognised that the work involved in resolving these issues impacts cash flow and/or liquidity due to the professional and building work involved. For example, over the past year, the discounts for façade related remediation costs applied to the portfolio valuation have increased from £136,000 to £6.1 million (on a like-for-like basis, excluding Beetham Tower). The Investment Manager's activities during the year have partially mitigated these discounts, but there is more work to do. The Board is also pleased with the extensive progress made to satisfy more demanding consequential insurance due diligence requirements, which has been reflected in the premiums offered this year at renewal to leaseholders.

As the scale of the cladding crisis has become clearer, policymakers are increasingly focused on a 'polluter pays' principle to remedying cladding and building defects. The rationale behind this principle is that those who built residential properties with defective cladding and/or deficient fire safety features, and where those same developers granted leases now considered onerous, then these organisations should ultimately pay the remediation cost.

Further information on this topic can be found in the Investment Manager's Report, but this principle would help to protect the Company and its leaseholders from the costs of remediation required due to the building safety crisis. We await further details from Government on the

proposals and continue to engage with them (via the RICS and the BPF) in order to ensure that all stakeholders are fairly considered in any proposed legislation.

Competition and Markets Authority ("CMA")

The CMA has, since June 2019, been investigating potential breaches of consumer law in the leasehold housing market and as a consequence has since identified six main concerns, including ground rents that may initially be high and increase significantly over time, as well as the sales practices of developers in relation to leasehold houses.

During the year, the CMA announced that it secured undertakings from three parties, including Aviva Investors REaLM Ground Rent Fund and related entities ("Aviva"), a large institutional owner of residential ground rents, that included removing from its portfolio all ground rent reviews that provide for doubling more frequently than every 20 years, including those that may have since been varied to refer to a different type of review.

The Company has five residential properties where the original leases provide for ground rents that double more frequently than every 20 years (for at least part of the lease term) that may be of the kind addressed by Aviva-style undertakings. The apartments at these properties that have not taken up the abovementioned Project Pacific and retain a rent review that doubles more frequently than every 20 years make up 2.6% of the Company's ground rent income and 1.9% or £2.2 million of the portfolio valuation.

After careful consideration with the Investment Manager and advisers, we intend providing all affected leaseholders (at the abovementioned five residential properties) with an improved/additional offer that reflects the individual circumstances of those leases which your Board believes fairly balances the interests of leaseholders and the Company's shareholders.

We will continue to closely monitor the CMA's investigations and announcements.

Service providers and operational platform

As already noted, a key strategic focus for your Board and the Investment Manager is delivering enhanced operational efficiencies and improved portfolio liquidity. Positive outcomes should support shareholder returns by reducing operational risk and optimised pricing of future asset disposals. Concurrently, the Board and Investment Manager have reviewed extant contracts to ensure that all key suppliers are aligned with the Company's objectives.

For example, following a formal tender process, Rendall and Rittner ("R&R"), the property manager will be retained on better terms designed to improve the Company's operational platform. We particularly noted R&R's stable and respected management team resulted in them being awarded 'RESI Manager of the Year 2021', a strong rating among consumers, and a culture of valuing its staff evidenced by its platinum accreditation as an 'Investor in People'. The outcomes include improved use of technology, more clearly defined Key Performance Indicators ("KPIs"), improved leaseholder engagement and significant alignment with our evolving Environmental, Social and Governance ("ESG") requirements. We will also shortly consolidate legal services received by the Company into a single, lead legal adviser. The process of transferring to a new adviser should help us address, inter alia, more demanding due diligence requirements when selling assets, as well as improved service standards and speed of response when required.

Environmental, Social and Governance

We define ESG factors as the environmental stewardship, social responsibility, and good governance practices that, when actively

Annual Statement by the Chair of the Board of Directors

continued

managed, measured and disclosed, will ensure sustainable business performance and accountability to all stakeholders.

The built environment is generally accepted to be responsible for 40% of global carbon emissions. Positive action is therefore needed to reduce this output, and, where possible, we are working closely with our suppliers to improve the energy, water and waste management of existing buildings. This work includes procuring green energy, switching to low-energy lighting, and providing better and more efficient recycling.

Delivering positive change in relation to environmental factors can take more time compared to a commercial property portfolio due to the nature of residential ground leases, where leaseholders retain most of the economic interest in their buildings, and often the management responsibilities (combined with legislation preventing landlords from unilaterally carrying out improvement works) increasing decision-making time and capability required.

The Company does however have greater ability to effect positive change in relation to social and governance factors. For example, in response to the Covid-19 pandemic, we have implemented a more flexible revenue collection process including, giving leaseholders more time to pay, and increasing the flexibility of the arrears collection process. Where appropriate, we also encourage leaseholders experiencing genuine financial hardship to engage with our property managers who have appropriate and supportive policies in place.

Finally, and arguably most importantly, the Company is working hard to support leaseholders impacted by the building safety crisis. Although in most cases these costs are the leaseholders' responsibility, we are, as noted above, taking steps to protect leaseholders from the financial implications of the building safety crisis, by making qualifying applications to both the Government's Building Safety Fund and Waking Watch Relief Fund where relevant.

Looking forward, the Board will work with the Investment Manager and other key service providers to more clearly define policies and procedures relating to ESG considerations. More details can be found in the Sustainability Report on pages 11 to 13.

Share buybacks

In July 2021, the Company announced a share-buyback programme due to the prevailing share price offering attractive value for shareholders. Since then (and including post year-end activity) when the timing and price were deemed appropriate, the Company has acquired 716,000 shares at an average price of 75.1 pence per share. The share buyback programme has incrementally enhanced the NAV per share and provided some support to the share price rating.

Board succession

In line with best practice, in 2019 the Company began an orderly succession process, supported by an independent non-executive director recruitment partner, Trust Associates, with the aim that the Board should comprise fully independent directors, each with a tenure of less than nine years. This process began with the appointment of Bill Holland in September 2019, taking on the role of non-executive director, and serving Chair of the Audit and Risk Committee.

As an extension of the same process, I was recruited to join the Board in February this year, and succeeded Malcolm Naish as Chair, when he retired at the March 2021 Annual General Meeting. Paul Craig, who had also served as a director of the Company since its initial public offering nine years ago, stood down in September this year in line with best practice. The Board and, we trust, the shareholders, are grateful to Malcolm and to Paul for their service to the Company over a long period of time.

We have subsequently appointed two independent non-executive directors of the Company with effect from 27 September 2021, Jane Vessey and Katherine Innes Ker, who each bring extensive and relevant experience to help your Board and Investment Manager deliver the strategy.

The Investment Manager

Following recent changes in the Investment Manager's team, the Board remains pleased with the performance of Schroders as the Alternative Investment Fund Manager, managing a significant workload associated with leasehold reform and building safety, in addition to the normal day-to-day investment management of the portfolio. The Board is confident that the very well managed team at Schroders have the necessary experience, expertise, skills and resources to deliver the strategy, notwithstanding the significant headwinds that I have described at length in my report.

The Board has also appreciated the significant contribution made by the wider team at Schroders in dealing with the challenging situation at Beetham Tower, which demanded a significantly increased number of Board Meetings and considerable input from both the Board and the Investment Manager. Although this significant problem was inherited by Schroders, and not of their making, your Board believed, and Schroders agreed, that the negative impact on shareholder returns did not support the payment of any additional fees payable to Schroders for this extra workload, now concluded.

Outlook

The Company is operating in a challenging environment with a high level of regulatory and media scrutiny. Whilst the Government's leasehold reform programme and emerging building safety 'polluter pays' principle both still lack clarity, we are focussed on protecting shareholders' interests as well as delivering best-in-class residential asset management.

The regulatory uncertainty means that residential ground rent asset values are heavily discounted compared with historic prices and against other real estate assets offering similar characteristics. The differential is reflected in the current high spread between the portfolio gross initial yield of 4.1% and long-dated, inflation-linked gilt real yield of -2.3%. Until there is greater certainty about regulatory change, such a differential is likely to persist, but could support a recovery in values, should there be an outcome on leasehold reform that fairly balances the interests of both landlords (and their shareholders) and residential leaseholders.

The importance of resolution of the Beetham Tower litigation and related issues should not be under-estimated, given that it also eliminates and protects the Group from further significant expenditure and/or accounting provisions.

Notwithstanding the range of headwinds that I have described, rising inflation expectations and an accommodative monetary policy have historically been supportive towards long-term, inflation-linked, heavily collateralised assets such as a ground rent portfolio. These economic circumstances should benefit the Company's underlying cash flows, with 71% of the portfolio's ground rent income having some form of inflation linkage.

Barry Gilbertson

Chair

Ground Rents Income Fund plc

16 December 2021

Investment Manager's Report



Performance

The Company's NAV was £99.7 million or 103.1 pence per share ("pps") as at 30 September 2021, which compares with £102.6 million or 105.7 pps at the start of the financial year. This reflected a NAV decline of 2.6 pps or -2.5%, and a NAV total return of +1.3%, which includes dividends paid over the year of £3.8 million or 3.96 pps.

The movement in NAV over the financial year is set out in the table below:

	£ million	Pence per share ('pps')
NAV as at 30 September 2020	102.6	105.7
Portfolio valuation	-4.7	-4.9
Realised gains on disposal	0.3	0.4
Net revenue (excluding NWGR costs)	3.1	3.3
NWGR litigation expenses	-0.5	-0.5
Reversal of the provision for NWGR remedial works	2.9	3.0
Dividends paid	-3.8	-4.0
NAV as at 30 September 2021 (excluding share buyback)	99.9	103.0
Share buyback	-0.2	0.1
NAV as at 30 September 2021	99.7	103.1

The independent portfolio valuation as at 30 September 2021 of £119.4 million represented a decrease of £4.7 million or -3.9% compared to 30 September 2020. The NAV benefited from a reversal of the £2.9 million provision relating to Beetham Tower in Manchester, but was negatively impacted by the Company's independent valuer reflecting weaker market sentiment towards the sector, with discounts for façade related remediation costs increasing from £136,000 to £6.1 million (on a like-for-like basis, excluding Beetham Tower).

Whilst the Company is taking a prudent approach to façade related issues which is having a negative impact, the expectation is that the remediation costs will not be incurred by the Company as the ultimate liability sits with leaseholders. We are however working to support leaseholders by applying for Government funding to carry out the works into service charge accounts and we expect valuation discounts to reduce as works are completed.

During the financial year ancillary income fell 38% to £751,139 (2020: £1.2 million) due to a challenging insurance market, and lower consent fees due to the building safety crisis and Covid-19 leading to a weaker apartment transactional market. Consent fees also fell following a market benchmarking exercise in 2020 to ensure all fees payable by leaseholders are fair and reasonable.

Despite this difficult backdrop, ground rent collection has remained in line with pre-pandemic levels. As at 1 December 2021, 93.8% of total ground rent income due for the financial year ending 30 September 2021 has been collected, which compares to 93.1% last year and 91.6% for the year ending 30 September 2019 (pre-pandemic). This reflects our active oversight of the credit control process and the beneficial characteristics of the portfolio in times of economic distress.

Dividend cover over the year was 154% or 82% excluding one-off property gains (profit on sale of investment properties) and non-recurring costs and the provision release relating to Beetham Tower. Following a reduction in the quarterly dividend to 3.0 pps (annualised), which takes effect from, and including, the quarterly dividend payable in December 2021, the dividend is expected to be fully covered by recurring earnings during the full year ending September 2022.

The below information expands on that provided in the Chair's statement about the key strategic issues; leasehold and building safety reform, Competition and Markets Authority activity in the sector, service providers and our operational platform and environmental, social and governance activities.

Leasehold and building safety reform

Leasehold reform

In January 2021 the Government committed to comprehensive reform of the residential leasehold system with two pieces of legislation. Firstly, the Leasehold Reform (Ground Rent) Bill 2021-22 (the "Bill") introduces legislation banning the creation of all future ground rents on residential long leases. The Bill received its second reading in the House of Commons on 29 November 2021 and is expected to be enacted in 2022.

Secondly, the Government aims to bring forward a bill on wider leasehold reform in the third session of this Parliament, effective Spring 2022. This is expected to include proposals to:

- Reform the process of enfranchisement valuation used to calculate the premium payable by a leaseholder to their landlord when they seek to buy their freehold or extend their lease, including:
 - Abolishing marriage value as part of the premium calculation;
 - Capping the treatment of ground rent in the premium calculation at 0.1% of the property's freehold value; and
 - Prescribing the capitalisation rates for the premium calculation.
- Give leaseholders of flats and houses the same right to extend their leases for 990 years at zero ground rent;
- Enable leaseholders, where they already have a long lease, to buy out the ground rent without having to extend the lease term; and
- Introduce an online calculator to simplify and standardise the calculations and processes.

The proposed abolition of marriage value does not impact the Company's portfolio. However, if enacted, the proposals to prescribe capitalisation rates, or cap the treatment of ground rent in the premium calculation at 0.1% of the property's freehold value, may negatively impact the Company when leaseholders seek to enfranchise in the future, including the investment market's view when pricing assets.

In relation to the Government introducing legislation that prescribes capitalisation rates, the risk is that these are determined with reference to

Investment Manager's Report **continued**

today's valuations, which have already been negatively impacted by leasehold reform uncertainty. Legal advice obtained by the Company in conjunction with other institutional owners explains that such legislation could create "shadow blight", that would enable leaseholders to acquire freeholds at an unfair discount. We have also sought initial legal advice on whether the proposed legislation represents an unlawful infringement of landlords' rights for which compensation would potentially be payable by the Government to affected landlords.

To support its leasehold reform agenda, the Government has launched two new bodies. Firstly, a working group has been established in conjunction with the RICS to consider the calculation of enfranchisement premiums; and secondly the Commonhold Council, an advisory panel to help homeowners gain more control over their homes, comprising leasehold groups and industry experts. The Council is to be chaired by Building Safety Minister Lord Greenhalgh, and includes the BPF and UK Finance.

We welcome the creation of both bodies, and remain aligned with other institutional investors who want to work collaboratively with Government to promote transparency and fairness in the residential sector, whilst also protecting our shareholders interests.

Building safety reform

In his new role as Housing Secretary, Michael Gove MP has explained how, in relation to the building safety crisis, he is, 'unhappy with the principle of leaseholders having to pay at all', and has therefore paused the Government's plans for leaseholders to have to contribute to the cost of fire safety remediation works. This includes a Government-backed leaseholder loan scheme for remediation works on residential buildings under 18 metres. He is looking afresh at funding for both low and high-rise residential buildings and promised further details in due course.

Whilst the full scale and cost of the building safety crisis is still unclear, there are signs of a more pragmatic approach to managing risk. For example, four leading experts, including Dame Judith Hackitt, the Chair of the Independent Review of Building Regulations and Fire Safety following the Grenfell Tower tragedy, recently advised the Government that, 'there has been a disproportionate reaction to the level of risk in medium and lower-rise buildings'. The Housing Secretary has subsequently announced that the Government's fire safety 'advice note' for low-rise blocks is to be withdrawn by Christmas 2021. The advice note, published in January 2020, left many homeowners unable to sell their homes due to issues with External Wall Surveys and their findings.

To date, the Government has announced £5.1 billion in funding for the remediation of unsafe residential buildings. This includes the Building Safety Fund ("BSF") (£4.5 billion), the Social Sector Cladding Remediation Fund (£400 million) and the Private Sector Cladding Remediation Fund (£200 million). Included within the BSF is also the Waking Watch Relief Fund ("WWRF") (£30 million), which pays for the costs of installing a fire alarm system in eligible buildings with unsafe cladding. Whilst this illustrates the Government's commitment to resolving the crisis, the funding undershoots the housing select committee's estimate of the total cost of remedying the crisis of up to £15.0 billion.

As noted by the Chair, there is increased emphasis on a 'polluter pays' principle for cladding and other fire safety costs. As part of this, the Government recently announced two industry levies designed to recoup taxpayers' building safety subsidies. These levies are targeted at residential developers and should not directly impact the Company.

In April 2021, the Fire Safety Act 2021 was introduced and improves fire safety in multi-occupancy residential buildings, whilst the Building Safety

Bill ("BSB") is currently making its way through Parliament and aims to improve the whole building control system following the Grenfell Tower tragedy.

The BSB proposes three new 'gateway' points at Design, Construction and Completion to ensure safety is considered at every stage of the development of 'higher risk', residential buildings (generally defined as those at least 18 metres in height or with at least seven storeys and at least two residential units). Gateway 1 came into effect in August 2021, under which planning permission is now subject to a detailed fire safety strategy. At each stage the regulator will assess building safety compliance.

Under the proposed BSB legislation, the Government has also established the Building Safety Regulator ("BSR") within the Health & Safety Executive ("HSE"). The BSR is designed to protect all stakeholders in high-rise residential buildings by overseeing the safety and performance of buildings, improving the competence of the built environment industry and building control professionals, and leading the implementation of the new regulatory framework for high-rise buildings. The HSE is preparing to carry out these functions once the BSB reforms become law.

The BSR will also require new 'duty-holders' to manage fire and building safety strategy once 'higher risk' buildings are occupied, including an accountable person and a building safety manager. Residents will also be required to support management of safety risks. There is also to be a 'Golden Thread' of information about how a property has been designed and built, and how to maintain and operate it, to underpin safety measures into the future, along with a new registration regime for building inspectors and a national regulator for construction products.

Market overview

The UK economy has experienced a strong recovery over the financial year, with UK Gross Domestic Product ("GDP") growth of 7% expected for calendar year 2021. The easing of pandemic restrictions has led to a surge in household consumption driven by pent-up demand and excess savings, as well as improved business sentiment. These factors, together with extraordinary levels of government and central bank support, have raised asset values and led to a sharp increase in activity levels across real estate occupier and investment markets.

Demand for real estate offering long-dated, inflation-linked cash flows, also remains strong, supported by the unprecedented global fiscal and monetary stimulus deployed to tackle the pandemic. Whilst the UK base rate remains at a record low of 0.1% and is only expected to rise to around 1.0% by the end of 2022, central bank concerns of higher inflation and labour shortages feeding into wage negotiations has caused a recent rise in bond yields. Whilst factors such as rising energy costs and supply chain disruption may lead to more persistent inflation, this is still expected to subside in 2022 with interest rates remaining at historic lows. These conditions should support values for assets offering annuity income characteristics.

In the ground rent market, transactional activity has remained low throughout the year, and has remained relatively weak since the Government announced its leasehold reform agenda in 2017. Whilst there are fewer buyers, a steady number of transactions have taken place over the year with investors targeting good quality assets with low ground rents (as a percentage of freehold value) and assets without any building safety issues.

Portfolio activity

Beetham Tower, Manchester

In August 2021, and following a lengthy process, Beetham Tower in Manchester was sold to a private investor for a nominal consideration. The buyer is expected to deliver a long-term repair solution for the building. The sale released the Company and subsidiaries from all current litigation and freeholder obligations relating to Beetham Tower.

Resolving the complex repair issues and related litigation at Beetham Tower was a strategic priority for the Company and required significant work by Schroders with the Board. Although inherited by Schroders, with much of the work outside the scope of our appointment, we agreed to not seek any additional fees, in part due to the negative impact on shareholder returns of owning the property since its acquisition in 2012.

Building safety

Building safety is of paramount importance and, as noted above, is the biggest challenge facing the residential real estate market. During the year we have continued to evolve and improve our approach to managing these complex issues in order to protect our leaseholders in their homes, as well as limit the negative impact on our shareholders.

Following a comprehensive review of the portfolio, 22 of the Company's 51 potentially 'higher risk' properties (defined as those at least 18 metres in height or with at least seven storeys and at least two residential units) were confirmed as needing external wall remediation. These comprised seven in the Managed Estate and 15 in the Non-Managed Estate.

Within the Managed Estate (which comprises approximately 20% of the Company's portfolio units and ground rent income), five of the seven buildings are subject to BSF applications. Having identified the remediation required, BSF and WWRF funding totalling £2.4 million has been secured across four of the five buildings and we continue to progress with Government funding applications on all five in order to complete remediation and protect all stakeholders. The two remaining buildings fall out of scope of current Government funding and we are considering remediation requirements.

Within the Non-Managed Estate (which comprises the remaining 80% of the Company's portfolio units and ground rent income), four properties have been remediated – three completed by the original developer and one through BSF funding – and the relevant Residential Management Companies continue to progress with remediation of the remaining 11, including nine ongoing Government funding applications.

Across the portfolio, we are aware of £8.1 million of Government funding having been received into building service charge accounts across 11 of the properties. Building safety remediation at four properties has also already been completed.

Our work during the year has partially mitigated the building safety discounts noted above and we continue to work collaboratively with leaseholders, Government and other stakeholders to remediate affected developments.

Operational platform

A key strategic focus is de-risking the Company's assets into a more sustainable and profitable portfolio. This should also support shareholder returns by improving asset liquidity and therefore maximising pricing of any such asset disposals that may be considered in the future.

To achieve this, we aim to partner with suppliers who are aligned on strategy and objectives to improve the Company's operational platform

and help us address future challenges and opportunities. Following a formal tender process:

- The incumbent property manager has been retained on terms aimed at improving the service provided to leaseholders and the Company by measures including systems integration, streamlining processes and procedures, and leveraging the property manager's sustainability credentials to support delivery of the Company's ambitions (see the Sustainability Report on pages 11 to 13 for further information);
- Legal counsel will be consolidated with an established firm with residential ground rent, building safety and regulatory expertise. The adviser's technology credentials should also help us better manage and monitor live legal work across the portfolio and address increased due diligence requirements, such as those from insurers or as part of the disposal strategy; and
- A new registrar has also been appointed on more favourable terms.

2022 insurance renewal

The insurance market continues to be challenging for residential real estate. Fewer insurers are willing to underwrite residential risk and those remaining are offering more restricted cover at higher premium rates and require more demanding due diligence that follows the concept of the 'Golden Thread' of building information. This lack of competition has meant the Company's insurance requirement needing to be provided by a greater number of insurers. Insurance market restrictions may be reaching a high point, however, with premium rate increases slowing and tentative increases in underwriter capacity.

The Company's policy is due for renewal on 31 December, and we have carried out extensive work to fulfil insurers' more demanding information requirements in order to determine the most appropriate risk ratings and obtain comprehensive policy coverage on competitive terms. Claims have also reduced significantly in the year which has helped negotiations. Buildings which require façade remediation and other measures will continue to attract a "Fire Safety Rating" and these have been individually underwritten to reflect the unique characteristics of each property. The insurance cover in respect of property damage and other risks is provided by a panel of insurers rather than a single underwriter and our insurance broker has worked to gain competitive terms, with the Company's policy wording remaining one of the broadest levels of cover available.

The extensive workload to meet insurers' requirements, and ultimately protect our leaseholders, their homes and our shareholders, incurred additional costs totalling £110,000 for specialist external surveying support in the year. We are seeking to recover these costs in full from relevant third parties. The information, and our operational platform to provide it, will assist our delivery of best-in-class residential asset management and improve portfolio liquidity.

Competition and Markets Authority

In June 2021, the CMA announced that it secured undertakings from Aviva, a large institutional owner of residential ground rents, and Persimmon, a housing developer, that formally commit both parties to make changes for the benefit of residential leaseholders. Aviva undertook, among other things, to offer to leaseholders to remove from its portfolio ground rent reviews that provide for doubling more frequently than every 20 years. Persimmon is to offer the owners of leasehold houses built after 1 January 2000 the option to buy the freehold of their property at a discount, better reflecting what they expected when they originally bought their house, and to make repayments to certain homeowners who have already purchased their freeholds. Where Persimmon does not currently own the freehold, it will take reasonable steps to assist leaseholders buy their freehold from the current landlord.

Investment Manager's Report **continued**

In September 2021, the CMA secured undertakings from Countryside Properties ("Countryside"), a developer that sold leasehold homes, a number of which included ground rent reviews that double more frequently than every 20 years. In some cases, Countryside had sold these freehold ground rents to third party investors.

Where Countryside remained the freeholder, it has undertaken (among other things) to offer to remove ground rent reviews that provide for doubling more frequently than every 20 years. Where Countryside had sold the ground rent interest, it has undertaken to pay undisclosed compensation to the current freeholder, subject to the freeholder undertaking to the CMA to remove the relevant ground rent review clauses. This approach is consistent with the 'polluter pays' principle mentioned above; where those who create a problem should ultimately pay to resolve it.

The CMA has written to at least three further investment groups seeking undertakings and is awaiting their responses. In line with its prioritisation principles, the CMA is not currently taking enforcement against the Company.

The Company has five residential properties where the original leases provide for ground rents that double more frequently than every 20 years (for at least part of the lease term) that may be of the kind addressed by Aviva style undertakings. These five properties originally provided for 392 apartments within the Company's 19,000 unit portfolio with such doubling rents but this has since decreased to 252 because of a 36% take up of Project Pacific, which was introduced in 2017 and offers residential leaseholders the opportunity to convert their existing doubling rent review mechanism to the lesser of inflation, as measured by RPI, or doubling while retaining their existing review cycle.

The 252 apartments that have not taken up Project Pacific and that retain a rent review that doubles more frequently than every 20 years make up 2.6% of the Company's ground rent income and 1.9% or £2.2 million of the portfolio valuation. All five properties were built by developers who have since fallen into administration.

After careful consideration with the Board and advisers, we are implementing changes to provide all leaseholders at the abovementioned five residential properties with an improved offer that reflects the circumstances of those leases which your Board believes fairly balances the interests of leaseholders and the Company's shareholders.

Real estate portfolio

As at 30 September 2021, the portfolio comprised approximately 19,000 units across 400 assets valued at £119.4 million. The portfolio produces ground rent income of £4.9 million per annum, reflecting a gross income yield of 4.1% or an average Years Purchase ("YP") of 24.5.

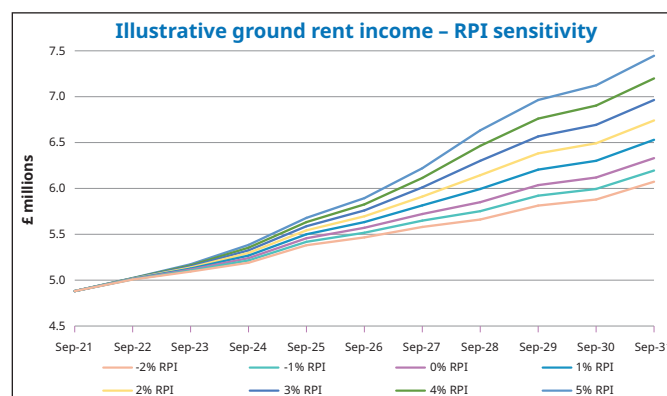
The portfolio's weighted-average lease term as at 30 September 2021 was 375 years, with 93.4% of ground rent income subject to upwards only increases, primarily index-linked reviews. This is set out in the table below:

Review mechanism	Ground Rent Income (£000)	Ground Rent Income (%)	Valuation at 30 September 2021 (£m)	Valuation at 30 September 2021 (%)
Index linked	3,486	71.4	92.3	77.3
Doubling	742	15.2	15.6	13.1
Fixed	330	6.8	7.2	6.0
Flat	323	6.6	4.3	3.6
	4,881	100.0	119.4	100.0

The rent review profile is shown in the table below, with 46.2% of the ground rent income due for review over the next five years:

Years to next review	Ground Rent Income (£000)	Ground Rent Income (%)	Valuation at 30 September 2021 (£m)	Valuation at 30 September 2021 (%)
0-5	2,253	46.2	61.7	51.7
5-10	1,300	26.6	30.2	25.3
10-15	789	16.2	18.1	15.2
15-20	97	2.0	2.5	2.0
Over 20	119	2.4	2.6	2.2
Flat (no review)	323	6.6	4.3	3.6
	4,881	100.0	119.4	100.0

The chart below demonstrates the forecast income performance based on various levels of RPI. RPI inflation over the 10 years to and including October 2021 was 2.7% per annum.



Assuming future RPI inflation of 2.7% per annum, ground rent income should increase approximately 2.8% over the next year, 10 basis points ahead of forecast RPI. On the same basis, ground rent income should increase approximately 18% over the next five years or an annualised figure of 3.3%; 60 basis points ahead of the RPI inflation assumption.

As noted previously, RPI is due to be aligned with the Consumer Prices Index including owner occupiers' housing costs ("CPIH") no earlier than February 2030. CPIH is a measure of consumer price inflation that includes a measure of the costs associated with owning, maintaining, and living in one's own home.

The portfolio comprises residential apartments, houses and commercial units with median ground rents as summarised below:

Unit type	Median Ground Rent (%)	Ground rent (£000)	Ground rent (%)	Valuation (£m)	Valuation (%)
Apartments	250	3,386	69.4	78.1	65.5
Houses	111	525	10.8	13.0	10.8
Residential subtotal	250	3,911	80.2	91.1	76.3
Student	401	826	16.9	24.3	20.3
Commercial	340	144	2.9	4.0	3.4
	250	4,881	100.0	119.4	100.0

The top 10 assets by value represent 28.9% of the total portfolio valuation as summarised below:

Property	Location	Valuation at 30 September 2021 (£ million)	% of portfolio (%)	Property type
Lawrence Street Student Village	York	8.3	7.0	Student
One Park West	Liverpool	3.5	2.9	Residential
Wiltshire Leisure Village	Royal Wootton Bassett	3.4	2.8	Residential
Masshouse Plaza	Birmingham	3.3	2.8	Residential
Rathbone Market	London	3.2	2.7	Residential
First Street	Manchester	2.9	2.5	Student
The Gateway	Leeds	2.6	2.2	Residential
Richmond House	Southampton	2.5	2.1	Student
Ladywell Point	Salford	2.5	2.1	Residential
Brewery Wharf	Leeds	2.1	1.8	Residential
Total		34.3	28.9	

The geographic spread of the portfolio as at 30 September 2021 is shown in the chart below:

Location	Ground rent (£000)	Ground rent (%)	Valuation (£m)	Valuation (%)
North East	1,436	29.4	35.1	29.4
North West	1,415	29.0	33.4	28.0
London	602	12.3	13.8	11.6
Midlands	580	11.9	14.5	12.1
South West	508	10.4	14.0	11.7
South East	270	5.6	6.8	5.7
Wales	70	1.4	1.8	1.5
	4,881	100.0	119.4	100.0

Sustainability

Active management of energy consumption and greenhouse gas emissions, as well as water and waste aspects, is a key component of responsible asset and building management and we are working closely

with the Company's suppliers to improve the performance of existing assets. Improving the performance of environmental aspects can positively impact operating costs, in addition to mitigating environmental impacts and helping to future-proof the portfolio against future legislation. We are continually assessing the opportunities for improvement and this includes procuring green energy, switching to low-energy lighting, and providing better communal waste and recycling facilities. This includes delivering improvements to common areas in the managed estate as well as seeking to influence improvements on the non-managed estate.

Owing to the constraints with respect to residential ground leases, particularly in relation to capital projects delivering environmental improvements, the Company has greater ability to deliver positive change in relation to social and governance issues. This is particularly relevant in relation to leasehold reform which was driven by concerns regarding unfair practices in the ground rent sector. As noted above, we have consistently sought to deliver a high standard of service and value to leaseholders and have long argued for fair and sustainable leasehold reform.

Further details of the Company's and Schroders' approach to sustainability are included in the Sustainability Report.

Finance

The Company holds a five-year, £25 million facility with Santander UK Plc comprising a £12.5 million term loan and a £12.5 million revolving credit facility ("RCF").

The interest payable on the term facility is fixed at 2.68% per annum, while the RCF attracts a rate of 1.85% above 3-month LIBOR per annum, subject to a cap of 1.0% on £5.5 million of the total £12.5 million. The total 'all in' interest rate is approximately 2.43% per annum.

At 30 September 2021, £19.5 million was drawn on the Company's revolving credit facility and term loan combined. The Loan to Value ("LTV") on the charged pool of assets is 30.6% versus a covenant of 50%, and £5.5 million of the facility remains undrawn. The Company has £68.0 million of uncharged assets as per the independent portfolio valuation and the Group level LTV based on gross assets is 16.3% against a restriction of 25%.

Post the period end the Santander facility has transitioned from using the London Interbank Offered Rate ("LIBOR"), which is due to be discontinued, to the Sterling Overnight Index Average ("SONIA") for interest payments due post December 2021. There should be minimal impact on the Company from this change.

Lender	Facility	Loan drawn £ million	Maturity	Interest rate (%) ¹	Loan to Value ("LTV") ratio (%) ²	LTV ratio covenant (%)	Interest cover ratio (%) ³	ICR ratio covenant (%)	Forward looking ICR ratio (%) ⁴
Santander	£25.0 million total	£19.5m	Jan-25	2.43%	30.6	50	415.9	270	416.0

¹Total 'all in' interest rate based on the LIBOR rate applicable to the RCF as at the Interest Payment Date ("IPD") of 10 November 2021, inclusive of non-utilisation fee.

²Loan balance divided by Santander secured portfolio bank valuation.

³For the quarter preceding the IPD, ((rental income received less void holding costs)/interest payable).

⁴For the four quarters following the IPD, ((forecast rental income receivable less void holding costs)/interest payable).

Investment Manager's Report **continued**

Outlook

Against the backdrop of continued uncertainty relating to leasehold and building safety reform, we remain focused on executing the Company's strategy to deliver more sustainable shareholder total returns and deliver best-in-class residential asset management for our leaseholders. Whilst we expect greater clarity on some aspects of reform over the next financial year, with positive steps such as the 'polluter pays' principle, current legislative proposals present a significant risk and we will continue to ensure shareholders interest are fairly represented as part of this reform process.

At a portfolio level, we will continue to focus on resolving the complex building safety issues to protect leaseholders and secure a recovery in values as remediation discounts are hopefully reduced. We will also improve the Company's operational platform and portfolio liquidity by completing the tendering of service providers, leveraging their technology capabilities, and learning from our experience of meeting more demanding insurance due diligence requirements. Finally, we will work with the Board to clearly define policies and procedures relating to ESG considerations.

Chris Leek

Investment Manager

Schroder Real Estate Investment Management Limited

16 December 2021

Sustainability Report

Ground Rents Income Fund plc (“the Company”) 2021 Environmental, Social and Governance (“ESG”) Report

Introduction

The Board and the Investment Manager, Schroder Real Estate Investment Management Limited, believe that corporate social responsibility is key to long-term future business success and that a successful sustainable investment programme should deliver enhanced returns to investors, improvements in the built environment for tenants and tangible positive impacts to local communities, the environment and wider society.

Environmental and social changes are key factors that the Board and Investment Manager must understand to protect the Company’s assets from depreciation and optimise the portfolio’s value potential.

Through its construction, use and demolition, the built environment accounts for more than one-third of global energy use and is the single largest source of greenhouse gas emissions in many countries. The industry’s potential to cost-efficiently reduce emissions and the consumption of depleting resources, combined with the political imperative to tackle issues such as climate change, means the real estate sector will remain a prime target for policy action. This presents new challenges and opportunities for the real estate industry with profound implications for both owners and occupiers. In addition, the Covid-19 pandemic has clearly showed that our built environment must create positive change for the people and the places that it serves. Investors, leaseholders, residents, and the wider public are demanding it. We must work to redefine real estate’s role in tackling the problems we face as a society and our ESG framework provides a consistent approach to addressing societal ESG challenges.

Further information on the Investment Manager’s Sustainable Investment Real Estate with Impact approach and its Sustainability Policy: Real Estate with Impact can be found here:

<https://www.schroders.com/en/uk/realestate/products—services/sustainability/>

Approach to ESG

The nature of residential ground leases, where leaseholders retain most of the economic interest in their buildings and often the management responsibilities, combined with legislation preventing landlords from unilaterally carrying out improvement works, means delivering ESG related improvements can take more time than for a commercial portfolio. It also means that clear communication with leaseholders is critical and we provide our leaseholders and the directors of our residential management companies with regular updates on best practice relating to all aspects of property management. Going forward the Board, the Investment Manager, and the management companies, will continue to focus on providing information to leaseholders to encourage increased spending on ESG related improvements and making progress towards reaching zero-carbon targets.

Environmental

Active management of energy consumption and greenhouse gas emissions, as well as water and waste aspects, is a key component of responsible asset and building management and we are working closely with our suppliers to improve the performance of our existing assets. Improving the performance of environmental aspects can positively impact operating costs and increase the value of the leaseholders’ properties, in addition to mitigating environmental impacts and helping to future-proof the portfolio against future legislation. The Investment Manager is continually assessing the opportunities for improvement and this includes procuring green energy, switching to low-energy lighting,

and providing better communal waste and recycling facilities. This includes delivering improvements to common areas in the managed estate as well as seeking to influence improvements on the non-managed estate.

Renewable Electricity Tariffs

Renewable, or “green” energy, which comes from sources like the sun, wind and sea, offers an opportunity to operate our assets in a way that supports a low carbon economy, reducing Greenhouse Gas (“GHG”) emissions and contributing to a cleaner and healthier society.

The Investment Manager has the objective of procuring 100% renewable electricity for landlord-controlled supplies by 2025. Since 2020, the Company has instructed its managing agents to ensure all landlord-procured electricity supplies are on certified renewable tariffs. As at 30 September 2021, 100% of the Company’s landlord-controlled electricity supplies were provided under green tariffs.

Low Energy Lighting

Replacing inefficient lighting systems with modern low-energy LED systems, where feasible, offers an opportunity to reduce energy consumption, reduce operational costs for both power and maintenance (due to their expanded lifespan) and remove potentially harmful chemicals associated with inefficient traditional lighting such as fluorescent lamps which often contain mercury. At Castlegate, Manchester, the basement car park at the building required new lighting to replace a failed and costly existing system. We carried out an examination of long-term cost and energy savings that could be achieved by switching to a low-energy LED system using wireless motion detection providing energy savings, and estimated cost reduction in use by up to 80%. Over a four-year period, the project will not only pay for itself but will deliver an additional £15,000 in savings on energy consumption, which will benefit leaseholders.

Heating and Hot Water

It is understood that heating and hot water for buildings make up around 40% of the UK’s total energy demand and 20% of its total GHG emissions¹, so to meet the UK’s legally binding commitment to net-zero GHG emissions by 2050 the built environment must move away from the traditional source of space and hot water heating – natural gas – and towards low carbon sources and technologies. At The Greenhouse, Leeds, when the existing heating system failed and required replacement, the Company instructed that a replacement system should have higher efficiency credentials, and a low-carbon air source heat pump system was installed.

Social and Governance

Owing to the constraints with respect to residential ground leases mentioned above, particularly in relation to capital projects delivering environmental improvements, the Company has greater ability to deliver positive change in relation to social and governance issues. This is particularly relevant in relation to leasehold reform which was driven by concerns regarding unfair practices in the ground rent sector. The Company has consistently sought to deliver a high standard of service and value to leaseholders and has long argued for fair and sustainable leasehold reform. For example, since 2017, an asset management programme has been in place to eradicate (or reduce the damaging effect of) doubling ground rents from within our portfolio. The programme, called ‘Project Pacific’, offers better terms to affected leaseholders, although the offer has not always been taken up by those leaseholders.

The Company is a signatory to the Government’s Public Pledge for Leaseholders. We also provide information, on the Company’s website,

¹CCC (2016) Next steps for UK heat policy

Sustainability Report **continued**

about our policies relating to the fair treatment of leaseholders, which includes not seeking possession for ground rent arrears, via assured tenancy mandatory grounds (Housing Act 1988), under any circumstance.

Response to the Covid-19 Pandemic

In response to the Covid-19 pandemic, we have implemented a more flexible revenue collection processes including, for example, extending the length and increasing the flexibility of the arrears process. Where appropriate we also encourage leaseholders experiencing genuine financial hardship to engage with our property managers who have appropriate policies in place to support leaseholders, such as by offering extended payment terms.

Following the Government's imposition of Covid-19 Emergency Protocols, the Investment Manager called for meetings with Property Managers to discuss the Company's response, with the primary considerations being:

- To ensure compliance with the emergency directives as required;
- Not to take any measures which would exacerbate difficulties being experienced by residents or leaseholders;
- Rapid and sensible implementation of on-site precautionary measures, designed to reassure in difficult and uncertain times;
- A frequent communications directive was issued between the Company, Property Managers and residents. Regular weekly progress meetings were arranged and communications to residents via residents' portal, posters and notice boards were upgraded; and
- Weekly analysis meetings looking at cash flows and collections together with a review of current situation and likely changes proposed by Government.

Messages to residents were carefully designed to be factual, accurate and timely, and were kept up-to-date to ensure alignment with changes to the Government advice.

Response to the Building Safety Crisis

The Company is also working hard to support leaseholders impacted by the building safety crisis. Although in most cases these are the leaseholders' responsibility, we are taking steps to protect leaseholders from the financial implications of the building safety crisis, by making qualifying applications to both the Government's Building Safety Fund and the Waking Watch Relief Fund where relevant.

Governance

Good governance is at the heart of the Company's operations on a day-to-day basis. The Directors are committed to maintaining high standards of corporate governance. The Directors intend that the Company should comply with best practice standards, and believe it to be appropriate and relevant for the business.

Board meetings and attendance

The Board meets at least four times each year. Additional meetings are also arranged as required and regular contact between Directors, the Investment Manager and the Company Secretary is maintained throughout the year.

Representatives of the Investment Manager and Company Secretary attend each Board meeting and other advisers also attend when requested to do so by the Board.

ESG is maintained as an agenda item as part of formal Board meetings to ensure oversight of ESG risks and opportunities relating to the Company and the portfolio of assets held by the Company. The Company's Board reviews the objectives and progress of the sustainability programme at least annually. The Investment Manager's process includes oversight on

sustainability by its Investment Committee and Group Investment Risk Committee.

Compliance with legislation

The Investment Manager continues to monitor requirements and guidance in relation to managing and reporting environmental, as well as health and safety, matters and developments in legislation at all stages of the investment lifecycle. Compliance is supported through appropriate devolution of responsibility to key personnel involved in the day-to-day operation of buildings, including asset, property and facilities' managers.

Industry initiatives

Industry participation

Schroders as the Investment Manager supports, and collaborates with, several industry groups, organisations and initiatives including the United Nations Global Compact and Net Zero Asset Managers Initiative (of which it is a founding member). Further details of Schroders' industry involvement are listed at pages 44 to 47 of Schroders 2020 Annual Sustainable Investment Report: (<https://publications.schroders.com/view/1010922180/44/>).

The Investment Manager is a member of a number of industry bodies including the European Public Real Estate Association (EPRA), INREV (European Association for Investors in Non-Listed Real Estate Vehicles), British Council for Offices and the British Property Federation. It was a founding member of the UK Green Building Council in 2007 and in 2017 became a member of the Better Buildings Partnership and a Fund Manager Member of the Global Real Estate Sustainability Benchmark (GRESB).

Employee policies and corporate responsibility

Employees

The Company is an externally managed real estate investment trust and had no employees throughout this reporting period. The Investment Manager is part of Schroders plc which has responsibility for the employees that support the Company. Schroders believes diversity of thought and an inclusive workplace are key to creating a positive environment for their people. The Investment Manager's real estate team have a sustainability objective within their annual objectives.

Further information on Schroders' principles in relation to people, including diversity and inclusion, gender pay gap, values, employee satisfaction survey, wellbeing and retention can be found on the dedicated Schroders webpage here: <https://www.schroders.com/en/working-here/our-people/>.

Corporate responsibility

Schroders' commitment to corporate responsibility is to ensure that its commitment to act responsibly, support clients, deliver value to shareholders and make a wider contribution to society is embedded across its business in all that it does.

Full information on Schroders' Corporate Responsibility approach including its economic contribution, environmental impacts and community involvement, can be found at: <http://www.schroders.com/en/about-us/corporate-responsibility/>

Slavery and human trafficking statement

The Company is not required to produce a statement on slavery and human trafficking pursuant to the Modern Slavery Act 2015 as it does not satisfy all the relevant triggers under the Act.

The Investment Manager is part of Schroders plc, whose statement on Slavery and Human Trafficking has been published in accordance with the Modern Slavery Act 2015 (the 'Act'). It sets out the steps that Schroders plc and other relevant group companies ('Schroders' or the 'Group') have made during 2020 and plans for 2021 to prevent any form of modern slavery and human trafficking from taking place in our business, supply chain and investments.

Schroders' Slavery and Human Trafficking Statement can be found here:
<https://www.schroders.com/en/sustainability/corporate-responsibility/slavery-and-humantrafficking-statement/>

Business Model

Company's business

The Company's business model is to carry on business as a real estate investment trust. It has been approved by HM Revenue and Customs as an investment trust in accordance with section 1158 of the Corporation Tax Act 2010, by way of a one-off application and it is intended that the Company will continue to conduct its affairs in a manner which will enable it to retain this status.

The Company is incorporated and domiciled in the UK and is an investment company within the meaning of section 833 of the Companies Act 2006. The Company is not a close company for taxation purposes.

The Articles of Association contain provisions for a continuation vote at specified intervals. The next continuation vote is to be put forward at the Annual General Meeting in 2023.

As at the date of this Report, the Company had 45 subsidiaries, details of which are set out in note 5 to the Company's financial statements on pages 58 and 59.

Purpose, values and culture

The Company's purpose is to deliver its investment objective and strategy (as set out on the inside front cover).

The Company's culture is driven by its values:

Responsibility – recognising the importance of the Company's role as steward, ESG considerations are integrated into the investment process to the benefit of a range of stakeholders including shareholders, residents and local communities.

Rigour – high quality research and detailed analysis form the basis of all investment decisions.

Relationships – building long-term relationships with the Company's service providers, in a way that encourages collaboration and fosters deep understanding of the Company's business, is a priority for the Company.

As the Company acts through its service providers, its culture is represented by the values and behaviour of the Board and third parties to which it delegates. The Board aims to fulfil the Company's investment objective by encouraging a culture of constructive challenge with all key suppliers and openness with all stakeholders. The Board is responsible for embedding the Company's culture in the Company's operations.

The Board recognises the Company's responsibilities with respect to corporate and social responsibility and engages with its service providers to safeguard the Company's interests. As part of this ongoing monitoring, the Directors receive reporting from service providers on matters such as their anti-bribery and corruption policies; Modern Slavery Act 2015 statements; diversity policies; and greenhouse gas and energy usage reporting. The Management Engagement Committee reviews the Company's service providers. Its report is on page 28.

Portfolio

The Group's portfolio of ground rents includes freeholds and head leaseholds of residential and commercial properties located throughout the United Kingdom. The Group generates income primarily from the collection of such ground rents, approximately 71% of which rise in line with inflation. It generates additional income from other commercial relationships and fees for performing specific obligations under individual leases.

Management

Schroders performs specific duties in line with the AIFM Agreement including, but not limited to, recommending purchases and sales of freeholds (and head leases), and overseeing the collection of ground rents from approximately 19,000 individual units and where appropriate insurance premiums.

Schroders also undertakes active asset management activities across the portfolio including overseeing managing agents and engaging with leaseholders and tenants' associations, with a detailed focus on Health & Safety and risk management. In addition to this Schroders oversees property management matters ranging from issuing service charge budgets and year end accounts, to more complex situations such as assisting managing agents and Residents Management Companies in the management of remedying building defects. Further details of the Manager's duties are described on page 17.

Oversight

The Board of the Company oversees the activities of the Manager and monitors the Group's risks and investment performance as described later in this section.

Income

The ground rents and other income sources generate income which is paid out as dividends to shareholders, in line with REIT conditions.

Investment objective and strategy

Details of the Group's investment objective and strategy may be found on the inside front cover.

The Board has appointed the Manager to implement the investment strategy and to manage the Group's assets in line with the appropriate restrictions placed on it by the Board, set out further below.

Diversification and asset allocation

Details of the Group's policy in relation to diversification and asset allocation are set out on the inside front cover.

Borrowing

The Group utilises gearing with the objective of improving shareholder returns. Details of the Group's policy in relation to borrowing are set out in note 1 on page 41.

Investment restrictions and spread of investment risk

The Group invests and manages its assets with the objective of spreading risk and in accordance with its published investment policy. The Group ensures that the objective of spreading risk has been achieved by investing in a diversified portfolio of ground rents including freeholds and head leases of residential and commercial properties located in the United Kingdom. The Investment Manager's report describes how the objective of spreading risk has been achieved through a diversified portfolio of properties.

Promotion

The Company promotes its shares to a broad range of investors which have the potential to be long-term supporters of the investment strategy. The Company seeks to achieve this through its Manager and its corporate broker which promote the shares of the Company through regular contact with both current and potential shareholders.

Promotion is focused via three channels:

- Discretionary fund managers. The Manager promotes the Company via both London and regional sales teams. This market is the largest channel by a significant margin.

- Execution-only investors. The Company promotes its shares via engaging with platforms and through its web page. Volume is smaller but platforms have experienced strong growth in recent times and are an important focus for the Investment Manager.
- Institutional investors. These activities consist of investor lunches, one-on-one meetings, regional road shows and attendances at conferences for professional investors. In addition, the Company's shares are supported by the Investment Manager's wider marketing of investment companies targeted at all types of investors; this includes maintaining close relationships with adviser and execution-only platforms, advertising in the trade press, maintaining relationships with financial journalists and the provision of digital information on Schroders' website.

The Board also seeks active engagement with investors and meetings with the Chair are offered to professional investors where appropriate.

Key performance indicators

The Board measures the development and success of the Group's business through achievement of the Group's investment objective, set out on the inside front cover, which is considered to be the most significant key performance indicator for the Group. Comment on performance against the investment objective can be found in the Investment Manager's Review.

The Board continues to review the Group's ongoing charges to ensure that the total costs incurred by shareholders in the running of the Group remain competitive when measured against its peers. An analysis of the Group's costs, including management fees, Directors' fees and general expenses, is submitted to each Board meeting. The management fee is reviewed at least annually.

Corporate and social responsibility

Board diversity

As at 30 September 2021, the Board comprised two men and two women. The Board's approach to diversity is that candidates for Board vacancies are selected based on their skills and experience, which are matched against the balance of those of the overall Board, taking into account the specific criteria for the role being offered.

Candidates are not specifically selected on the grounds of their gender but this is taken into account in terms of overall balance, skillset and experience. Further information about the Board and their biographical details can be found on pages 21 and 22.

Responsible investment policy

The Company's and the Manager's approach to responsible investment, including in relation to environmental, social and governance ("ESG") issues, is set out in the sustainability report on page 11.

Key Information Document ("KID")

KIDs for the Company's ordinary shares and warrants were published by the Investment Manager in July 2021, in accordance with the Packaged Retail and Insurance-Based Investment Products Regulations. The calculation of figures and performance scenarios contained in the KIDs have been neither set nor endorsed by the Board nor the Investment Manager.

The Board's commitment to stakeholders – section 172 Companies Act 2006 statement

The Directors take their responsibilities under section 172 of the Companies Act seriously and are committed to engaging with and understanding the views of, the Company's stakeholders and to taking those views into account in the Board's decision-making process. This statement outlines this engagement and the impact on decision-making where appropriate, and cross-refers to the decisions made by the Board during the year, detailed elsewhere in this Report.

Key stakeholders

The Board has identified its key stakeholders, which are as follows:

Shareholders – Without investors, who are willing to commit capital in return for consistent income returns by investing in a diversified portfolio of ground rents including freeholds and head leases of residential, retail and commercial properties as per the Company's investment objective and purpose, the Company would not exist.

Service providers – As an externally managed investment trust, the Board is reliant on service providers who have a direct working or contractual relationship with the Company. This includes, but is not limited to, the Investment Manager, Depositary, corporate broker, auditors, tax advisors and property valuers.

Lenders – Borrowing allows the Company's shareholders to maximise returns in favourable markets at a low cost. They have a financial interest in the success of the Company.

Residents – The Company has a diverse range of residents occupying space across the portfolio.

Local communities – Our assets are located across the United Kingdom in a range of urban and suburban environments. The buildings and their occupiers are part of the fabric of local communities.

The environment – The Company is committed to using resources such as energy, water and materials in a sustainable manner for the prevention of greenhouse gas emissions and climate change mitigation.

Engagement with key stakeholders and impact on decisions

As detailed in 'Promotion' on page 14, the Company engages with its shareholders. The Board considered feedback by shareholders when making decisions relating to the dividend, and when considering asset purchases, and when considering whether to extend funding to North West Ground Rents Limited.

As detailed in "Purpose, Values and Culture" on page 14, the Board engages with service providers, and receives regular reporting, either directly, or through the Investment Manager or Company Secretary, on performance and other matters. The effect of such engagement, if relevant, is detailed in the Chair's Statement, Investment Managers' Review, Audit and Risk Committee Report and Management Engagement Committee Report.

Active and constant engagement with leaseholders either directly by the Investment Manager or through property managers or agents, takes place to gather intelligence as to what is important to them. Understanding changing needs, both at an individual company level, as well as on a sectoral and broader economic level, is a key tenet informing both individual asset management investment decisions as well as the longer-term strategic direction of the Company.

In terms of local communities and the environment, the Board expects the Investment Manager to engage with local communities, councils and individuals. Further information on the Manager's approach to these matters is set out in the Investment Manager's Review and the Sustainability Report on pages 5 to 13.

Four interim dividends were declared in respect of the year ended 30 September 2021.

In respect of dividend payments, the Directors considered the long term consequences of paying up from the Company's distributable reserves, noted the financial position of the Company, and determined that the payment of the four interim dividends was in the best interests of its stakeholders.

In light of the outsourced business model (set out further in the Directors' Report on pages 23 to 25), the impact of the Company's operations on occupiers, local communities and the environment is through the impact of its service providers, in particular, the Manager and managing agents.

The Investment Manager's Review on pages 5 to 10, sets out the key decisions which were taken during the year. Following the Covid-19 pandemic, the Manager also worked closely with tenants to help manage their safety and wellbeing and help manage cash flow.

Principal risks and uncertainties

The Board is responsible for the Group's system of risk management and internal control and for reviewing its effectiveness. The Board has adopted a detailed matrix of principal risks affecting the Group's business as a REIT and has established associated policies and processes designed to manage and, where possible, mitigate those risks, which are monitored by the Audit and Risk Committee on an ongoing basis. This system assists the Board in determining the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives. The principal risks, emerging risks and the monitoring system are also subject to robust assessment at least annually. The last assessment took place in December 2021.

Although the Board believes that it has a robust framework of internal control in place this can provide only reasonable, and not absolute, assurance against material financial misstatement or loss and is designed to manage, not eliminate, risk. Actions taken by the Board and, where appropriate, its committees, to manage and mitigate the Group's principal risks and uncertainties are set out in the table below.

Emerging risks and uncertainties

During the year, the Board also discussed and monitored risks that could potentially impact the Group's ability to meet its strategic objectives. The main emerging risk monitored was political and regulatory risk, specifically leasehold reform, which could adversely impact the value of the Group's portfolio. Political and regulatory risk

also includes Brexit and the Board continues to monitor developments from the UK's departure from the European Union and to assess the potential consequences for the Group's future activities, but believes that the Group's business model's lack of exposure to foreign exchange currency rates, positions the Group to be suitably insulated from Brexit related risks.

Sustainability risk includes how climate change could affect the Company's investments, and potentially shareholder returns or the safety of residents. The Board notes the Manager has integrated ESG considerations, including climate change, into the investment process. The Board chose to upgrade this from an emerging to a principal risk at its review of risks and uncertainties on 13 December 2021.

The Board also reviewed the risks arising from the Covid-19 pandemic and how it impacted the Company's principal risks and uncertainties. The Board considers that the pandemic has not affected the Company's cash flows to date, although it continues to monitor this. The Board notes the Manager's investment process is unaffected by the pandemic. Covid-19 also affected the Company's service providers, who implemented business continuity plans in line with government guidelines. All service providers continue to operate on a business as usual basis. The "change" column below highlights at a glance the Board's assessment of any increases or decreases in risk during the year after mitigation and management. The arrows show the risks as increased or decreased, and dashes show risks as stable.

Risk	Mitigation and management	Changes
<p>Accounting, legal and regulatory Leasehold reform legislation is proposed by the UK Government that, amongst other things, enables leaseholders to enfranchise based on a calculation that is dilutive to investors.</p>	<p>The Company is actively engaged with Government via the RICS and the BPF in order to ensure that all stakeholders are carefully considered in any proposed legislation.</p> <p>This includes emphasising the requirements of Article 1 of Protocol No. 1 of the European Convention on Human Rights to provide appropriate compensation to investors in this sector.</p>	
<p>Strategic An inappropriate investment strategy, or failure to implement the strategy, could lead to underperformance and the share price being at a larger discount, or smaller premium, to NAV. This fall in values would be amplified by the Group's external borrowings</p>	<p>The Board seeks to mitigate these risks by:</p> <ul style="list-style-type: none"> - Diversification of its ground rents portfolio through its investment restrictions and guidelines which are monitored and reported on by the Investment Manager; - Determining borrowing policy, and ensuring the Investment Manager operates within borrowing restrictions and guidelines; - Receiving from the Investment Manager timely and accurate management information including performance data, attribution analysis, business plans and financial projections; - Monitoring the implementation and results of the investment process with the Investment Manager; and - Reviewing marketing and distribution activity and considering the use of a discount control mechanism as necessary. 	

Risk	Mitigation and management	Changes
<p>Valuation/liquidity The market for onward sale of the Group's freeholds is small and this may result in the volatility of the price achieved when selling or valuing assets.</p>	<p>The Group does not seek to trade its assets actively.</p> <p>External valuers provide independent valuation of all assets at least half-yearly.</p> <p>Members of the Audit and Risk Committee meet with the external valuers to discuss the basis of their valuations and their quality control processes on an annual basis.</p>	<p>—</p>
<p>Accounting, legal and regulatory In order to continue to qualify as a REIT, the Group must comply with the requirements of the REIT regime. Breaches of the TISE Listing Rules, the Companies Act or other regulations with which the Group is required to comply, could lead to a number of detrimental outcomes.</p>	<p>The Board monitors compliance through reports from the Investment Manager.</p> <p>Deloitte conduct an annual healthcheck for the Company Annual external audit covers review of investment trust status Confirmation of compliance with relevant laws and regulations by key service providers.</p> <p>Shareholder documents and announcements, including the Group's published annual report are subject to stringent review processes.</p> <p>Procedures have been established to safeguard against disclosure of inside information.</p>	<p>—</p>
<p>Asset In light of recommendations from Dame Judith Hackitt's Independent Review of Building Regulations and Fire Safety, and the government's recent consultation 'Building a safer future: proposals for reform of the building safety regulatory system' (the 'Hackitt Review'), heightened regulatory requirements are recommended to protect the Company and consumers.</p>	<p>The Investment Manager reviewed and updated fire strategy decisions in the managed estate.</p> <p>Fire safety management policies and procedures, risk assessments, and fire records were improved in keeping with the "Golden Thread" principle of the Hackitt Review.</p> <p>Maintenance regimes improved to increase testing and planned preventative maintenance.</p> <p>The Investment Manager continues to work closely with Department for Levelling Up, Housing and Communities, local fire authorities and fire safety experts to ensure fire safety and address any remedial actions following Grenfell Tower learnings.</p> <p>The Investment Manager engages in regular correspondence with the directors of residents management companies and their managing agents, in the non-managed estate. There is a partnership between the Company and Hampshire Fire and Rescue Service to provide highlevel advice and assistance in formulating and implementing policy.</p> <p>Implementation of formal building façade policy in response to recent DLUHC advice.</p> <p>Implementation of revised policy with respect to fire risk assessments.</p> <p>Increased interaction with non-managed estate highlighting best practice.</p>	<p>—</p>
<p>Asset The properties ultimately owned by the Group are unable to be used, or deteriorate in value, as a result of structural defects or unforeseen circumstances.</p>	<p>Insurance is maintained to cover against certain events. The Investment Manager has a monitoring programme in place to mitigate against certain types of asset risk. Other than in exceptional circumstances, leaseholders are responsible for the costs of repair of issues with the fabric of buildings.</p> <p>Enhanced due diligence process in place with specific focus on building facades, warranties and defective lease clauses (including inherent defects).</p>	<p>—</p>

Risk	Mitigation and management	Changes
<p>Custody Assets are not safely held or are lost through exposure to Depositary, or other counterparty, or through cyber hacking.</p>	<p>The depositary reports on the safe custody of the Group's assets, including cash and portfolio holdings, which are independently reconciled with the Investment Manager's records.</p> <p>Review of audited internal controls reports covering custodial arrangements is undertaken.</p> <p>An annual report from the depositary on its activities, including matters arising from custody operations is reviewed.</p>	<p>—</p>
<p>Service provider The Group has no employees and has delegated certain functions to a number of service providers.</p> <p>Failure of controls and poor performance of any service provider could lead to disruption, reputational damage or loss.</p>	<p>Service providers are appointed subject to due diligence processes and with clearly documented contractual arrangements detailing service expectations.</p> <p>Regular reports are provided by key service providers and the quality of services provided are monitored.</p> <p>Review of annual audited internal controls reports from key service providers, including confirmation of business continuity arrangements.</p> <p>Details of disaster recovery arrangements are obtained from key service providers.</p> <p>Retender of property management arrangements for managed estate.</p> <p>Engagement with non-managed estate service providers.</p>	<p>—</p>
<p>Cyber The Company's service providers are all exposed to the risk of cyber attacks. Cyber attacks could lead to loss of personal or confidential information, unauthorised payments, or inability to carry out operations in a timely manner.</p>	<p>Service providers report on cyber risk mitigation and management at least annually, which include confirmation of business continuity capability in the event of a cyber attack.</p>	<p>—</p>
<p>Sustainability Sustainability considerations are not fully considered or understood in the acquisition and asset management process leading to future issues (negative effect on price, valuation, or saleability of assets, ability to insure an asset, future costs of compliance with legislation).</p>	<p>The Investment Manager has integrated sustainability considerations, including climate change, into the acquisition and asset management processes.</p> <p>Where possible, risks are insured (such as subsidence, flooding, and fire).</p>	<p>↑</p>

Risk assessment and internal controls

Risk assessment includes consideration of the scope and quality of the systems of internal control operating within key service providers, and ensures regular communication of the results of monitoring by such providers to the Audit and Risk Committee, including the incidence of significant control failings or weaknesses that have been identified at any time and the extent to which they have resulted in unforeseen outcomes or contingencies that may have a material impact on the Group's performance or condition. No significant control failings or weaknesses were identified from the Audit and Risk Committee's ongoing risk assessment which has been in place throughout the financial year and up to the date of this report.

Viability statement

The Directors have assessed the viability of the Company over a five year period, taking into account the Company's position at 30 September 2021 and the potential impact of the principal risks and uncertainties it faces for the review period. A period of five years has been chosen as the Board believes that this reflects a suitable time horizon for strategic planning, taking into account the investment policy, liquidity of investments, potential impact of economic cycles, nature of operating costs and dividends.

In their assessment the Directors have considered each of the Group's principal risks and uncertainties detailed on pages 17 to 20, and in particular the impact of a significant fall in the value of the Group's investment portfolio. The Directors have also considered the Group's income and expenditure projections and the £12.5 million term loan repayable on 10 January 2025, and the £12.5 million revolving credit facility which expires on the same date. The Directors know of no reason that an equivalent facility will not be in place by the expiry of this credit facility.

Based on the Group's processes for monitoring operating costs, the share price discount, the Investment Manager's compliance with the investment objective, asset allocation, the portfolio risk profile, gearing, counterparty exposure, liquidity risk and financial controls, the Directors have concluded that there is a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the five year period to 30 September 2026. In reaching this decision, the

Board has taken into account the Company's next continuation vote, to be put forward at the AGM in 2023. The Directors have no reason to believe that such a resolution will not result in the continuation of the Company.

Going concern

The Directors have examined significant areas of possible financial risk and have reviewed cash flow forecasts and compliance with the debt covenants, in particular the LTV covenant and Interest Cover ratio. They have not identified any material uncertainties which would cast significant doubt on the Group's ability to continue as a going concern for a period of not less than 12 months from the date of the approval of the financial statements. The Directors have satisfied themselves that the Group has adequate resources to continue in operational existence for the foreseeable future.

After due consideration, the Board believes it is appropriate to adopt the going concern basis in preparing the financial statements.

By order of the Board

Schroder Investment Management Limited
Company Secretary

16 December 2021

Board of Directors



Barry Gilbertson

Independent Non-executive Chair

Date of appointment: 10 February 2021

Experience

Barry is a consultant with a focus on real estate, strategy and risk, with more than 45 years' experience advising on property, including formerly as an adviser to the Bank of England and as President of the Royal Institution of Chartered Surveyors (2004-2005). Barry is a former partner in PricewaterhouseCoopers LLP (formerly Coopers & Lybrand) and former non-executive consultant to Knight Frank LLP. He has held advisory appointments with the United Nations and the UK Government.

Barry's previous public company independent non-executive directorships include Custodian REIT, Granite REIT and RONA Incorporated. Barry has chaired or served on various committees in these companies, including Audit (and Risk), Governance, Nominations, Strategy and Remuneration.

Barry served on the Council of The University of Bath from 2014 to 2020, previously serving on the Finance Committee and chairing the new Remuneration Committee (from 2018 to 2020); holds Visiting Professor appointments at two UK universities and was awarded Honorary Membership of four international professional bodies. Among his voluntary roles, Barry is Chairman of The City of Bath UNESCO World Heritage Site.

Committee membership

Audit and Risk Committee, Management Engagement Committee

Current remuneration

£45,000 per annum



Bill Holland

Independent Non-executive Director

Date of appointment: 1 September 2019

Experience

Bill was a senior partner in KPMG's real estate practice and was responsible for the audit of a wide range of property companies and funds encompassing investors, developers, housebuilders and surveyors in the listed and private sectors.

In his 32 year career with KPMG, he spent 25 years specialising in the real estate sector, the last 19 years as partner. He also sat on the finance committees of the British Property Federation and INREV and on a working committee of The Association of Real Estate Funds.

He is also a director and audit committee chair of CLS Holdings plc and Urban & Civic plc, and a governor at Winchester College, chairing the estate committee and sitting on the finance committee.

Committee membership

Audit and Risk Committee (chair), Management Engagement Committee

Current remuneration

£35,000 per annum

Board of Directors **continued**



Jane Vessey

Independent non-executive director

Date of appointment: 27 September 2021

Experience

Jane is an experienced fund manager and investment director, with almost twenty years' experience, bringing a professional investor's perspective to the Board. Jane also brings social housing experience to the Board from her role as Vice-Chair of Greenoak Housing Association where she sits on the Finance, Audit and Risk Committee and Assets and New Business Committee, and her previous role on the board of another housing association. She is an independent non-executive director at Northern Trust Global Investments and is Chair of Margetts Fund Management. Jane has chaired or served on various committees within these companies, including Risk and Audit and Remuneration committees.

Jane continues to work in the investment industry providing services to investment management companies including leading training courses at the Investment Association. She is a visiting lecturer at a number of business schools including King's College London and Cranfield School of Management, teaching courses on all aspects of asset management.

Committee membership

Audit and Risk Committee, Management Engagement Committee

Current remuneration

£30,000 per annum



Katherine Innes Ker

Independent non-executive director

Date of appointment: 27 September 2021

Experience

Katherine, an experienced non-executive director, brings broad commercial experience, corporate finance, mortgage lending, house building and residential construction industry experience to the Board.

Katherine is Chair of the Mortgage Advice Bureau plc, Senior Independent Director and Chair of the Remuneration Committee of building products company Forterra plc and non-executive director of the house builder Vistry Group PLC.

Katherine was a non-executive director at Go-Ahead Group PLC until November 2020, a non-executive director of Taylor Wimpey plc from 2001 to 2011, chairing the Remuneration Committee from 2004 to 2011, and non-executive director of Bryant Group plc prior to its acquisition by Taylor Woodrow. She was also a non-executive director at St Modwen Properties PLC from 2010-2013. Other appointments include Gigaclear Limited until 2018 and Colt Telecom Group SA until 2015. Katherine has a degree in Chemistry and a PhD in Molecular Biophysics from Oxford University.

Committee membership

Audit and Risk Committee, Management Engagement Committee

Current remuneration

£30,000 per annum

Directors' Report

The Directors submit their report and the audited consolidated financial statements for the Company and its subsidiaries for the year ended 30 September 2021.

Dividend policy

The stated policy of the Company is to pay quarterly interim dividends and details of the interim dividends paid during the year are set out in Note 16 of the notes to the Group consolidated financial statements.

In accordance with the Directors' policy of paying all dividends as interim dividends, the Directors do not recommend payment of a final dividend. In line with best practice, a resolution on the Company's dividend policy will be put to shareholders at the Company's annual general meeting.

Listing requirements

Throughout the year ended 30 September 2021, the Group complied with the conditions set out in the TISE Rules for Companies. The Directors monitor the compliance at Board meetings and take advice from the Group's TISE Listing sponsor where required.

Directors and their interests

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

Malcolm Naish (resigned 31 March 2021)

Paul Craig (resigned 16 September 2021)

Bill Holland

Barry Gilbertson (appointed 10 February 2021)

Katherine Innes Ker (appointed 27 September 2021)

Jane Vessey (appointed 27 September 2021)

Further information about the Directors of the Company and their biographical details can be found on pages 21 and 22. There are no arrangements providing for compensation for loss of office or employment (through resignation, purported redundancy or otherwise) that occur because of a takeover bid.

Share capital

As at the date of this report, the Company had 96,290,497 ordinary shares of 50 pence each in issue. During the financial year under review, 260,000 shares were bought back, and subsequent to the year-end, a further 456,000 shares were repurchased. No shares are held in treasury. Accordingly the total number of voting rights in the Company at the date of this report is 96,290,497. The total number of warrants outstanding was 4,423,876. Full details of the Company's share capital are set out in note 15 on page 51 and details of the powers of the Board in relation to the issuing or buying back by the Company of its shares may be found in the Explanatory Notes to the Notice of AGM on page 68. All shares rank equally with respect to voting, dividends and any distribution on winding up.

Substantial share interests

The Company has received notifications of the below interests in 5% or more of the voting rights attaching to the Company's issued share capital at the year end:

	Number of shares	% of total voting rights
Schroders plc (held on behalf of Cazenove Capital clients)	16,450,000	17.00%
IntegraLife (UK) Limited	11,697,725	12.09%
Integrated Financial Arrangements Ltd	11,641,072	12.03%
Quilter Plc	8,935,025	9.24%
CG Asset Management	7,844,226	8.11%
NW Brown Group Limited	5,948,586	6.15%
Close Group	5,181,115	5.36%

There have been no changes to the above holdings since the year end to the date of publication of this report.

Political donations

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

Future developments

The Strategic Report on pages 2 to 20 sets out the likely future developments in the business of the Company and the Group.

Key service providers

The Investment Manager

The Company is an alternative investment fund as defined by the AIFM Directive and Schroder Real Estate Investment Management Limited ("Schroders") was appointed as the Investment Manager in accordance with the terms of an alternative investment fund manager ("AIFM") agreement on 19 May 2019. The AIFM agreement, which is governed by the laws of England and Wales, can be terminated by either party on 12 months' notice or on immediate notice in the event of certain breaches or the insolvency of either party, subject to an initial three year term. As at the date of this report no such notice had been given by either party.

Schroders is authorised and regulated by the FCA and provides portfolio management, risk management, accounting and company secretarial services to the Company under the AIFM agreement. The Investment Manager also provides general marketing support for the Company and manages relationships with key investors, in conjunction with the Chair, other Board members or the corporate broker as appropriate. The Investment Manager has delegated company secretarial services to another wholly owned subsidiary of Schroders plc, Schroder Investment Management Limited. The Investment Manager has appropriate professional indemnity insurance cover in place.

The Schroders Group manages £716.9 billion (as at 30 September 2021) on behalf of institutional and retail investors, financial institutions and high net-worth clients from around the world, invested in a broad range of asset classes across equities, fixed income, multi-asset and alternatives.

The Investment Manager is responsible for operating the Group's system of internal control and reviewing its effectiveness. Such a system is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and can provide only reasonable but not absolute assurance against material misstatement or loss. The Audit and Risk Committee reviews annually the Investment Manager's approach to internal control to ensure it is working effectively.

Directors' Report continued

The management fee payable in respect of the year ended 30 September 2021 amounted to £987,499 (2020: £1,112,582). Further details of the amounts payable to the Investment Manager are set out in Note 19 to the financial statements on page 52.

The Board has reviewed the performance of the Investment Manager and continues to consider that it has the appropriate depth and quality of resource to deliver the Group's investment objectives over the longer term. Thus, the Board considers that Schroders' continued appointment under the terms of the AIFM agreement, details of which are set out above, is in the best interests of shareholders as a whole.

Depository

INDOS Financial Limited which is authorised and regulated by the Financial Conduct Authority, carries out certain duties of a depository specified in the AIFM Directive including, in relation to the Company, as follows:

- safekeeping of the assets of the Group which are entrusted to it;
- cash monitoring and verifying the Group's cash flows; and
- oversight of the Group and the Manager.

The Company, the Manager and the Depository may terminate the depository agreement at any time by giving three months' notice in writing. The depository may only be removed from office when a new depository is appointed by the Company.

Corporate Governance

The Board is committed to high standards of corporate governance, which meet the statutory and regulatory requirements for companies listed in Guernsey on The International Stock Exchange ("TISE") and has implemented a framework for corporate governance which it considers to be appropriate for a REIT. In this respect, the Board has chosen to incorporate the principles of corporate governance contained in the UK Corporate Governance Code (the "UKCG Code"), noting that it is not required to fully comply with or adhere to the UKCG Code. The UKCG Code is published by the UK Financial Reporting Council and is available to download from www.frc.org.uk.

Compliance statement

The TISE Listing Rules require the Company to report against a code of corporate governance, or explain the reasons for not doing so. This Corporate Governance Statement, together with the Chair's Statement on page 2, the Investment Manager's Report on page 5, Statement of Directors' Responsibilities on page 31 and the viability and going concern statements set out on page 20, indicate how the Company has complied with the UKCG Code's principles of good governance and its requirements on internal control.

The Board believes that the Company has, throughout the year under review, complied with all relevant provisions set out in the UKCG Code, save in respect of the appointment of a senior independent Director, the decision not to carry out a board evaluation during the year, and the absence of a nomination or remuneration committee, where departure from the UKCG Code is considered appropriate given the Company's size and adoption of a fully outsourced model. The Board has considered whether a senior independent Director should be appointed. As the Board comprises entirely non-executive Directors, the appointment of a senior independent Director is not considered necessary. However, the Chair of the Audit and Risk Committee effectively acts as the senior independent Director and is available to Directors and/or shareholders if they have concerns which cannot be resolved through discussion with the Chair. The Strategic Report and Directors' Report provide further details on the Company's internal controls (including risk management), governance and diversity policy.

Operation of the Board

Chair

The Chair is an independent non-executive Director who is responsible for leadership of the Board and ensuring its effectiveness in all aspects of its role. The Chair's other significant commitments are detailed on page 21.

Role and operation of the Board

The Board is the Company's governing body; it sets the Group's strategy and is collectively responsible to shareholders for its long-term success. The Board is responsible for appointing and subsequently monitoring the activities of the Manager and other service providers to ensure that the investment objectives of the Group continue to be met. The Board also ensures that the Manager adheres to the investment parameters set by the Board and acts within the parameters set by it in respect of any gearing.

A procedure has been adopted for Directors, in the furtherance of their duties, to take independent professional advice at the expense of the Company.

The Chair ensures that all Directors receive relevant management, regulatory and financial information in a timely manner and that they are provided, on a regular basis, with key information on the Company's policies, regulatory requirements and internal controls. The Board receives and considers reports regularly from the Manager and other key advisers and ad hoc reports and information are supplied to the Board as required.

The Board is satisfied that it is of sufficient size with an appropriate balance of diverse skills and experience, independence and knowledge of the Company, its sector and the wider REIT sector, to enable it to discharge its duties and responsibilities effectively and that no individual or group of individuals dominates decision making.

Training and development

On appointment, Directors receive a full, formal and tailored induction. Directors are also regularly provided with key information on the Company's policies, regulatory and statutory requirements and internal controls. Changes affecting Directors' responsibilities are advised to the Board as they arise. Directors also regularly participate in relevant training and industry seminars.

Conflicts of interest

Directors are required to disclose all actual and potential conflicts of interest to the Board as they arise for consideration and approval. The Board may impose restrictions or refuse to authorise such conflicts if deemed appropriate.

Directors' and officers' liability insurance and indemnity

Directors' and officers' liability insurance cover was in place for the Directors throughout the year under review.

The Company's articles of association provide, subject to the provisions of UK legislation, an indemnity for Directors in respect of costs which they may incur relating to the defence of any proceedings brought against them arising out of their positions as Directors, in which they are acquitted or judgement is given in their favour by the court. This is a qualifying third-party indemnity and was in place throughout the year under review and to the date of this report.

Directors' attendance at meetings

Four Board meetings are usually scheduled each year to deal with matters including: the setting and monitoring of investment strategy; approval of borrowings and/or cash positions; review of investment performance, the level of discount of the Company's shares to underlying NAV per share and sales, marketing and PR activities of the Company; and services provided by third parties. Additional meetings of the Board are arranged as required.

The number of meetings of the Board and its committees held during the financial year and the attendance of individual Directors is shown below. Whenever possible all Directors attend the AGM.

Director	Board ¹	Audit Committee	Management Engagement Committee
Barry Gilbertson ²	10 of 10	3 of 3	0 of 0
Bill Holland	17 of 17	4 of 4	1 of 1
Katherine Innes Ker ³	1 of 1	1 of 1	0 of 0
Jane Vessey ⁴	1 of 1	1 of 1	0 of 0
Malcolm Naish ⁵	8 of 8	2 of 2	1 of 1
Paul Craig ⁶	16 of 16	3 of 3	1 of 1

1 Four quarterly meetings were held during the year and the remainder of the meetings were to consider issues relating to Covid-19 and the North West Ground Rents litigation.

2 Appointed on 10 February 2021

3 Appointed on 27 September 2021

4 Appointed on 27 September 2021

5 Resigned on 31 March 2021

6 Resigned on 16 September 2021

Shareholders

Shareholder relations are given high priority by both the Board and the Investment Manager. The Company communicates with shareholders through its web pages and the annual and half year reports, which aim to provide shareholders with a clear understanding of the Company's activities and its results.

The chairs of the Board and its committees attend the AGM and are available to respond to queries and concerns from shareholders.

It is the intention of the Board that the annual report and notice of the AGM be issued to shareholders so as to provide at least 21 clear days' notice of the AGM. Shareholders wishing to lodge questions in advance of the AGM are invited to do so by writing to the company secretary at the address given on the inside back cover.

The Company has adopted a policy which ensures that shareholder complaints and other shareholder communications addressed to the company secretary, the Chair or the Board are, in each case, considered by the Chair and the Board.

Board committees

In order to assist the Board in fulfilling its governance responsibilities, it has delegated certain functions to committees. The roles and responsibilities of these committees, together with details of work undertaken during the year under review, are outlined over the next few pages.

The reports of the Audit and Risk Committee and Management Engagement Committee are incorporated and form part of the Directors' Report.

By order of the Board

Schroder Investment Management Limited
 Company Secretary

16 December 2021

Audit and Risk Committee Report

The responsibilities and work carried out by the Audit and Risk Committee during the year under review are set out in the following report. The duties and responsibilities of the committee may be found in the terms of reference which are set out on the Company's webpages, www.groundrentsincomefund.com. Membership of the committee is as set out on pages 21 and 22. The Board has satisfied itself that at least one of the committee's members has recent and relevant financial experience and that the committee as a whole has competence.

The committee discharged its responsibilities by:

- considering its terms of reference;
- evaluating its effectiveness and performance against its terms of reference;
- reviewing the operational controls maintained by the Manager, depositary and registrar;
- reviewing the half year and annual report and financial statements;
- Reviewing the related year end audit plan and engagement letter;
- meeting with the valuer;
- reviewing the need for an internal audit function;
- considering the whistleblowing processes of its service providers;
- reviewing the independence of the external auditor;
- evaluating the external auditor's performance; and
- reviewing the principal risks faced by the Company and the system of internal control.

Annual report and financial statements

During its review of the Group's financial statements for the year ended 30 September 2021, the committee, having deliberated on the Company's principal risks and uncertainties, considered the following significant issues, including consideration of principal risks and uncertainties in light of the Group's activities, and issues communicated by the auditor during its reporting:

Issue considered	How the issue was addressed
- Internal controls and risk management	- Consideration of several key aspects of internal control and risk management operating within the Manager, depositary and registrar, including assurance reports on their controls.
- Valuation and existence of investments	- Review of portfolio holdings and assurance reports on controls from the Manager and depositary. Meeting with valuer of the portfolio to discuss findings.
- The accounting treatment of North West Ground Rents Limited	- Consideration of the accounting treatment of North West Ground Rents Limited.
- Credit indebtedness of Group controlled entities	- Consideration of IFRS 9 in estimating the expected credit loss for certain Group financial assets
- The effect of Covid-19 on the going concern and longer term viability of the Company	- Consideration of the effect of Covid-19 which would affect the ability of the Company to continue as a going concern and its viability for the five-year period chosen by the Board.
- Recognition of ground rent and other income	- Consideration of income received against forecast.
- Compliance with the real estate investment trust qualifying rules in S1158 of the Corporation Tax Act 2010	- Consideration of the Manager's report confirming compliance and review of minimum distribution calculation.
- Calculation of the investment management fee	- Consideration of methodology used to calculate the fee, matched against the criteria set out in the AIFM agreement.
- Overall accuracy of the annual report and financial statements	- Consideration of the draft annual report and financial statements and the letter from the Manager in support of the letter of representation to the auditor.

Recommendations made to, and approved by, the Board

As a result of the work performed, the committee has concluded that the annual report and financial statements for the year ended 30 September 2021, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position, performance, business model and strategy, and has reported on these findings to the Board. The Board's conclusions in this respect are set out in the Statement of Directors' Responsibilities on page 31.

Internal control

The UK Corporate Governance Code requires the Board to conduct, at least annually, a review of the adequacy of the Company's systems of internal control and to report to shareholders that it has done so. The Audit and Risk Committee, on behalf of the Board, also regularly reviews a detailed 'Risk Matrix' identifying significant strategic, investment-related, operational and service provider-related risks and ensures that risk management and all aspects of internal control are reviewed at least twice per year.

The Company's system of internal controls is substantially reliant on the Investment Manager's and other key service providers' own internal controls and internal audit processes due to the relationships in place. Although the Board believes that the Company has a robust framework of internal controls in place, this can provide only reasonable and not absolute assurance against material financial misstatement or loss and is designed to manage, not eliminate, risk. No significant issues were identified from the internal controls review or raised by the external auditor.

Internal audit

The Audit and Risk Committee considered the need for an internal audit function and concluded that this was not required due to the Company's outsourced business model. Key service providers, including the Investment Manager, had robust internal audit arrangements in place and the Audit and Risk Committee received a report from the Investment Manager's internal audit team on its activities during the year.

Auditor appointment

PricewaterhouseCoopers LLP have indicated their willingness to continue to act as auditor. Accordingly, resolutions to re-appoint PricewaterhouseCoopers LLP as auditor to the Company, and to authorise the Directors to determine their remuneration will be proposed at the AGM. This is the fifth year that Daniel Brydon, the senior statutory auditor, has conducted the audit of the Company's financial statements.

PricewaterhouseCoopers LLP has provided audit services to the Company since it was appointed on 23 April 2012.

There are no contractual obligations restricting the choice of independent auditor.

External auditor remuneration, independence and effectiveness

Annually, the Audit and Risk Committee considers the remuneration and independence of the external auditor. The Committee recommends the remuneration of the external auditor to the Board and keeps under review the ratio of audit to non-audit fees, where any have been incurred, to ensure that the independence and objectivity of the external auditor are safeguarded.

Effectiveness of the independent audit process

The Audit and Risk Committee evaluated the effectiveness of PricewaterhouseCoopers LLP prior to making a recommendation on its appointment at the forthcoming Annual General Meeting. As part of the evaluation, the Committee considered feedback from the Investment Manager on the audit process and the year-end report from the auditor, which details the auditor's compliance with regulatory requirements, on safeguards that have been established and their own internal quality control procedures. The Audit and Risk Committee had discussions with the audit partner on audit planning, accounting policies and audit findings, and met the audit partner both with and without representatives of the Investment Manager present. The Chair of the Audit and Risk Committee also had informal discussions with the audit partner during the course of the year. The Audit and Risk Committee is satisfied with the effectiveness of the audit.

Provision of non-audit services

The committee has reviewed the FRC's Guidance on audit committees and has formulated a policy on the provision of non-audit services by the Company's auditor. The auditor may, if required, provide certain non-audit services and this will be judged on a case-by-case basis.

The auditor has not provided any non-audit services to the Company during the year (2020: none).

Bill Holland

Audit and Risk Committee Chair

16 December 2021

Recommendations made to, and approved by, the Board:

- That PricewaterhouseCoopers LLP be re-appointed as auditor.

Management Engagement Committee Report

The management engagement committee is responsible for (1) the monitoring and oversight of the Manager’s performance and fees, and confirming the Manager’s ongoing suitability, and (2) reviewing and assessing the Company’s other service providers, including reviewing their fees. All Directors are members of the committee. Barry Gilbertson is the chair of the committee. Its terms of reference are available on the Company’s webpages, www.groundrentsincomefund.com.

Approach

Oversight of the Manager

The committee:

- reviews the Manager’s performance, over the short- and long-term, against the peer group and the market.
- considers the reporting it has received from the Manager throughout the year, and the reporting from the Manager to the shareholders.
- assesses management fees on an absolute and relative basis, considering peer group and industry figures, as well as the structure of the fees.
- reviews the appropriateness of the Manager’s contract, including terms such as notice period.
- assesses whether the Company receives appropriate administrative, accounting, company secretarial and marketing support from the Manager.

Oversight of other service providers

The committee reviews the performance and competitiveness of the following service providers on at least an annual basis:

- Depositary and custodian
- Corporate broker
- Registrar
- Lender

The committee also receives a report from the Company Secretary on ancillary service providers, and considers any recommendations.

The committee noted the Audit and Risk Committee’s review of the auditor’s effectiveness.

Application during the year

The committee undertook a detailed review of the Manager’s performance and agreed that it has the appropriate depth and quality of resource to deliver the Company’s investment objective.

The committee also reviewed the terms of the Investment Management agreement and agreed they remained fit for purpose.

The committee reviewed the other services provided by the Manager and agreed they were satisfactory.

The annual review of each of the service providers was satisfactory.

The committee noted that the Audit and Risk Committee had undertaken a detailed evaluation of the Manager, registrar, and depositary and custodian’s internal controls.

Recommendations made to, and approved by, the Board:

- That the ongoing appointment of the Manager on the terms of the AIFM agreement was in the best interests of shareholders as a whole.
- That the Company’s service providers’ performance remained satisfactory.

Directors' Remuneration Report

Introduction

The following remuneration policy is subject to a binding vote every three years. The next vote will take place at the AGM in 2024. The below Directors' Remuneration Report is subject to an annual advisory vote. An ordinary resolution to approve this report will be put to shareholders at the forthcoming AGM.

At the AGM held on 31 March 2021, 77.40% of the votes cast (including votes cast at the Chair's discretion) in respect of approval of the remuneration policy were in favour, while 22.64% were against. 20,000 votes were withheld. The vote to increase the cap on director remuneration, to facilitate director recruitment, retention and board succession also attracted a vote for (including votes cast at the Chair's discretion) of 75.50%, a vote against of 24.53%. 11,500 votes were withheld. The Board notes the significant number of votes cast against these resolutions and has engaged with the shareholders responsible for these and they have advised that they were unhappy that the Company was paying an uncovered dividend and that share buybacks would be welcomed. The Board has taken action to address both of these concerns.

At the AGM held on 31 March 2021, 99.98% of the votes cast (including votes cast at the Chair's discretion) in respect of approval of the remuneration report were in favour, while 0.02% were against. 20,000 votes were withheld.

Directors' remuneration policy

The determination of the directors' fees is a matter dealt with by the Board.

It is the Board's policy to determine the level of directors' remuneration having regard to amounts payable to non-executive directors in the industry generally, the role that individual directors fulfil in respect of board and committee responsibilities, and time committed to the Company's affairs, taking into account the aggregate limit of fees set out

in the Company's articles of association. The aggregate limit of directors' fees is currently £150,000.

The Chair of the Board and the chair of the Audit and Risk Committee each receives fees at a higher rate than the other directors to reflect their additional responsibilities. Directors' fees are set at a level to recruit and retain individuals of sufficient calibre, with the level of knowledge, experience and expertise necessary to promote the success of the Company in reaching its short and long-term strategic objectives.

Any director who performs services which in the opinion of the directors are outside the scope of the ordinary duties of a director, may be paid additional remuneration to be determined by the directors, subject to the previously mentioned fee cap.

The Board and its committees exclusively comprise non-executive directors. No director past or present has an entitlement to a pension from the Company, and the Company has not, and does not intend to, operate a share scheme for directors or to award any share options or long-term performance incentives to any director. No director has a service contract with the Company, however directors have a letter of appointment. Directors do not receive exit payments and are not provided with any compensation for loss of office. No other payments are made to directors other than the reimbursement of reasonable out-of-pocket expenses incurred in attending to the Company's business.

Implementation of policy

The terms of directors' letters of appointment are available for inspection at the Company's registered office address during normal business hours and during the AGM at the location of such meeting.

The Board did not seek the views of shareholders in setting this remuneration policy. Any comments on the policy received from shareholders would be considered on a case-by-case basis.

As the Company does not have any employees, no employee pay and employment conditions were taken into account when setting this

Fees paid to directors

The following table sets out the gross amounts paid by the Company to directors for their services in respect of the year ended 30 September 2021 and the preceding financial year, excluding the impact of taxes and National Insurance contributions. Directors' remuneration is all fixed; they do not receive any variable remuneration. The performance of the Company over the financial year is presented on page 5, under the heading "Performance". The information in the below table has been audited.

Director	Fees		Taxable benefits		Total		Change in annual fee over two years ended 30 September 2021
	2021 £	2020 £	2021 £	2020 £	2021 £	2020 £	
Malcolm Naish ¹	15,000	30,000	-	-	15,000	30,000	(50.0%)
Paul Craig ²	24,013	25,000	-	-	24,013	25,000	(3.9%)
Bill Holland	27,500	27,500	-	-	27,500	27,500	-
Barry Gilbertson ³	18,800	-	-	-	18,800	-	100.0%
Katherine Innes Ker ⁴	328	-	-	-	328	-	100.0%
Jane Vessey ⁴	328	-	-	-	328	-	100.0%
Total	85,969	82,500	-	-	85,969	82,500	4.2%

¹Malcolm Naish retired as chairman on 31 March 2021.

²Paul Craig resigned as director on 16 September 2021.

³Barry Gilbertson was appointed as a director on 10 February 2021, and as Chair on 31 March 2021.

⁴Katherine Innes Ker and Jane Vessey were appointed as directors on 27 September 2021.

Directors' Remuneration Report **continued**

remuneration policy and no employees were consulted in its construction.

Directors' fees are reviewed annually and take into account research from third parties on the fee levels of directors of peer group companies, as well as industry norms and factors affecting the time commitment expected of the directors.

New directors are subject to the provisions set out in this remuneration policy.

Directors' annual report on remuneration

This report sets out how the directors' remuneration policy was implemented during the year ended 30 September 2021.

Consideration of matters relating to directors' remuneration

Directors' remuneration was last reviewed by the Board in September 2021. Following this review, the Board agreed that directors' fees should be increased to £30,000 for each director (effective 27 September 2021), £35,000 per year for the Audit and Risk Committee Chair, and £45,000 for the Chair of the Board (effective 1 October 2021). These had not been increased since the Company was launched in 2012.

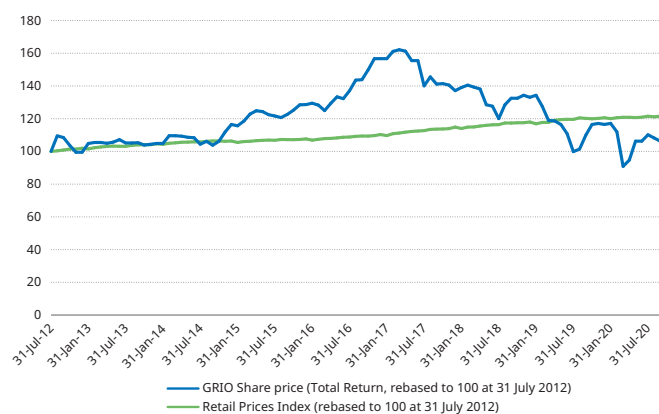
Expenditure by the Company on remuneration and distributions to shareholders

The table below compares the remuneration payable to directors to distributions made to shareholders during the year under review and the prior financial year. In considering these figures, shareholders should take into account the Company's investment objective.

	Year ended 30 Sep 2021 £'000	Year ended 30 Sep 2020 £'000	Change %
Remuneration payable to directors	86	83	4.2
Distributions paid to shareholders			
Dividends	3,841	3,871	(0.8)
Total distributions paid to shareholders	3,841	3,871	(0.8)

Ten year share price and Retail Prices Index total returns

The graph below compares the Company's share price total return with the Retail Prices Index, which is considered to be an appropriate index by which to assess the Company's relative performance.



Directors' share interests

The Company's articles of association do not require directors to own shares in the Company. Directors' interests in the Company's shares are shown below. Where directors are not mentioned below, they do not yet own shares in the Company.

	Ordinary shares at 30 Sep 2021 £'000	Ordinary shares at 30 Sep 2020 £'000
Barry Gilbertson	13,513	nil
Bill Holland	13,614	nil

There have been no changes notified since the year end.

On behalf of the Board

Barry Gilbertson
Chair

16 December 2021

Statement of Directors' Responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group and the Company financial statements in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006.

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 Company and of the profit or loss of the Group for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable International Accounting Standards in conformity with the requirements of the Companies Act 2006 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

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

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

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

Directors' confirmations

In the case of each Director in office at the date the Directors' Report is approved:

- So far as each Director is aware, there is no relevant audit information of which the Group's and Company's auditors are unaware.
- Each Director has taken all the steps that they ought to have taken in their duty as a Director in order to make themselves aware of any relevant audit information and to establish that the Group's and Company's auditors are aware of that information.

By order of the Board

Barry Gilbertson
Chair

16 December 2021

Independent Auditors' Report to the Members of Ground Rents Income Fund plc

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the Group's and of the Company's affairs as at 30 September 2021 and of the Group's profit and the Group's and Company's cash flows for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: Consolidated and Company Statements of Financial Position as at 30 September 2021; Consolidated Statement of Comprehensive Income, Consolidated and Company Statements of Cash Flows, and Consolidated and Company Statements of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Our audit approach

Overview

Audit scope

- The Group includes 38 statutory entities, excluding dormant entities, all of which are included within scope to support the Group and Company audit opinion. All components are managed by the same finance team and operate entirely within the UK.

Key audit matters

- Valuation of investment properties (Group)

Materiality

- Overall Group materiality: £1,223k (2020: £1,285k) based on 1% of total assets.
- Overall Company materiality: £828k (2020: £872k) based on 1% of total assets.
- Performance materiality: £917k (Group) and £621k (Company).
- For income statement line items we applied a lower specific materiality of £176k (2020: £170k) for the Group and £58k (2020: £107k) for the Company. For 2021 this is based on 5% of profit/loss before tax excluding revaluation loss and exceptional items.

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Key audit matters

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

This is not a complete list of all risks identified by our audit.

The North West Ground Rents Limited legal case and the Impact of Covid-19, which were key audit matters last year, are no longer included because of the sale of the Beetham Tower asset, which released the Group from all known litigation and freeholder obligations in relation to North West Ground Rents Limited, and the reduced impact of Covid-19 on the operations of the Group and Company in this year compared to last. Otherwise, the key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
<p>Valuation of investment properties (Group) Refer to page 43 (Accounting policies) and note 8 (Notes to the Consolidated Financial Statements).</p> <p>The valuation of the investment property portfolio is inherently subjective and is underpinned by a number of assumptions. The valuation of the Group's investment properties is the key component of the net asset value and underpins the Group's result for the year. The closing investment property valuation at 30 September 2021 was £119,380k, which led to a revaluation loss for the year of £4,732k (2020: loss of £537k), which is accounted for within 'Net revaluation loss on investment properties' and is a significant component of the result for the year.</p> <p>The Group's property portfolio has been independently valued by Savills Advisory Services Limited ('Savills' or the 'Valuer') in accordance with the RICS Valuation – Professional Standard ('RICS').</p> <p>In determining a property's valuation, the Valuer takes into account property-specific information such as the current rental income, the rent review mechanism and the time to the next rent review. They apply assumptions for Years Purchase (YP) multiples and estimated market rent increases, which are influenced by prevailing market yields and comparable market transactions, to arrive at the final valuation. The Valuer's final report was unqualified, as despite the Covid-19 pandemic, the valuer concluded that the market had shown resilience to the market abnormality.</p> <p>Our audit paid particular attention to the impact of the Government's ongoing reforms of the residential leasehold sector, and the impact of fire safety issues on specific valuations.</p> <p>The existence of significant estimation uncertainty, coupled with the fact that only a small percentage of difference in individual property valuations, when aggregated, could result in a material misstatement on the income statement and balance sheet, warrants specific audit focus in this area.</p>	<p>Experience of the Valuer and relevance of their work We read the Valuer's report and held direct discussion with Savills' valuation team. We confirmed that the approaches used were consistent with the RICS guidelines and suitable for use in determining the carrying value for the purpose of the financial statements. We assessed the Valuer's qualifications and expertise and read their terms of engagement with the Group, to determine whether there were any matters that might have affected their objectivity or imposed scope limitations upon them.</p> <p>Data provided to the Valuer We performed testing, on a sample basis, to satisfy ourselves of the accuracy of the property information supplied to the Valuer by management. This data included annual rental income, the rent review mechanism and the rent review cycle. This data was agreed to supporting evidence, such as the original lease.</p> <p>Assumptions and estimates used by the Valuer We attended meetings with the Valuer independently of the manager, at which the valuations and the key assumptions therein were discussed. Our work covered the valuation of every property in the Group.</p> <p>We challenged management's expert on the consistency of the application of the key assumptions used in the valuations, including the YP multiple, and ensured the responses reflected the particular characteristics of each property.</p> <p>This challenge also considered whether the review methodology for the properties required any adjustment given the market effects of Covid-19, residential leaseholder reform and fire safety issues.</p> <p>Our testing which involved the use of our internal real estate valuation specialists, qualified chartered surveyors with appropriate market knowledge, indicated that the estimates and assumptions used were appropriate in the context of the Group's property portfolio and reflected the circumstances of the market at 31 September 2021.</p>

How we tailored the audit scope

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

The Group includes 38 statutory entities, excluding dormant entities, all of which are included within scope to support the Group and Company audit opinion. All components are managed by the same finance team and operate entirely within the UK.

Materiality

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

Independent Auditors' Report to the Members of Ground Rents Income Fund plc continued

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

	Group and Company overall materiality	Group and Company specific materiality for income statement account balances
<i>Overall materiality</i>	Group: £1,223k (2020: £1,285k) Company: £828k (2020: £872k)	Group: £176k (2020: £170k) Company: £58k (2020: £107k)
<i>How we determined it</i>	1% of total assets	5% of profit/loss before tax excluding revaluation loss and exceptional items
<i>Rationale for benchmark applied</i>	The key measure of the Group and Company's performance is the valuation of investment properties and the balance sheet as a whole. Given this, consistent with the prior year, we set an overall Group materiality level based on total assets.	In addition to the overall materiality, a specific materiality was applied to income statement account balances. In 2021, this was determined on the basis of 5% profit/loss before tax excluding revaluation loss and exceptional items. A specific materiality was considered as the most appropriate method to ensure sufficient coverage across the income statement.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between £1k and £457k. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% of overall materiality, amounting to £917k for the Group financial statements and £621k for the Company financial statements.

In determining the performance materiality, we considered a number of factors – the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls – and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with those charged with governance that we would report to them misstatements identified during our audit above £61k (Group audit) (2020: £64k) and £41k (Company audit) (2020: £43k) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the Group's and the Company's ability to continue to adopt the going concern basis of accounting included:

- we obtained management's forecasts and information;
- we evaluated and assessed the process by which the Group's future cash flow forecasts were prepared;
- we obtained the terms of the Group's financing facility and the covenants in place in relation to this facility, and determined that the Group cash flow forecasts show compliance with all covenant conditions for at least 12 months from the date of the approval of financial statements;
- we agreed the opening position of the Group's cash flow forecasts to the September 2021 management accounts. We also agreed the gross debt and cash per the September 2021 management accounts to the Group's bank statements; and
- we evaluated the appropriateness of the severe but plausible cash flow forecast used in management's determination of the going concern basis of preparation, which included an assessment of any key assumptions underpinning the cash flows throughout the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

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

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

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

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 30 September 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to the REIT regime and UK tax legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the

Independent Auditors' Report to the Members of Ground Rents Income Fund plc continued

Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to improve financial performance, and management bias in accounting estimates and judgements. Audit procedures performed by the engagement team included:

- reviewing relevant meeting minutes, including those of the Board of Directors;
- auditing the tax computations to ensure compliance with tax legislation;
- designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing of expenses;
- challenging assumptions and judgements made by management in their significant accounting estimates (due to risk of management bias) in particular around the valuation of investment properties (see related key audit matter);
- discussions with the Audit and Risk Committee and management including consideration of known or suspected instances of noncompliance with laws and regulations or fraud; and
- identifying and testing journal entries, in particular journal entries posted with unusual account combinations.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

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

16 December 2021

Consolidated Statement of Comprehensive Income

For the year ended 30 September 2021

	Note	2021 £	2020 £
Continuing operations			
Revenue	2	5,693,787	6,066,125
Operating expenses	3	495,092	(6,775,027)
Profit on sale of investment properties		340,774	315,270
Net revaluation loss on investment properties	8	(4,731,925)	(537,301)
Operating profit/(loss)		1,797,728	(930,933)
Analysed as			
Operating (loss)/profit before exceptional items		(605,414)	3,520,937
Disposal/litigation costs	3	(496,858)	(1,551,870)
Release of provision for remedial works not required	20	2,900,000	-
Provision for remedial works	3 & 20	-	(2,900,000)
Operating profit/(loss)		1,797,728	(930,933)
Finance income	5	618	16,469
Finance expenses	6	(605,440)	(671,739)
Net finance expense		(604,822)	(655,270)
Profit/(loss) before tax		1,192,906	(1,586,203)
Taxation	7	-	-
Profit/(loss) after tax and total comprehensive profit/(loss)		1,192,906	(1,586,203)
Earnings/(loss) per share			
Basic	13	1.23p	(1.64p)
Diluted	13	1.18p	(1.64p)

The accompanying notes on pages 41 to 53 form an integral part of the consolidated financial statements.

Consolidated Statement of Financial Position

As at 30 September 2021

	Note	2021 £	2020 £
Assets			
Non-current assets			
Investment properties	8	119,380,000	124,190,000
		119,380,000	124,190,000
Current assets			
Trade and other receivables	9	1,833,250	1,852,415
Interest rate derivative contracts		35,961	14,158
Cash and cash equivalents		1,090,027	2,435,758
		2,959,238	4,302,331
Total assets		122,339,238	128,492,331
Liabilities			
Non-current liabilities			
Financial liabilities measured at amortised cost	11	(19,111,112)	(18,991,454)
Provision for liabilities	20	-	(2,900,000)
		(19,111,112)	(21,891,454)
Current liabilities			
Trade and other payables	10	(3,513,957)	(4,042,765)
Total liabilities		(22,625,069)	(25,934,219)
Net assets		99,714,169	102,558,112
Equity			
Share capital	15	48,373,248	48,503,248
Capital redemption reserve	15	130,000	-
Retained earnings		50,018,015	55,641,067
Profit/(loss) for the financial year		1,192,906	(1,586,203)
Total equity		99,714,169	102,558,112
Net asset value per ordinary share			
Basic	14	103.1p	105.7p
Diluted	14	102.9p	105.5p

The financial statements on pages 37 to 40 were approved and authorised for issue by the Board of Directors and signed on its behalf by:

Barry Gilbertson
Director

Bill Holland
Director

Ground Rents Income Fund plc
Company registered number: 08041022

Date 16 December 2021

The accompanying notes on pages 41 to 53 form an integral part of the consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 30 September 2021

	Note	2021 £	2020 £
Cash flows from operating activities			
Cash generated from operations	17	2,779,236	2,671,395
Interest paid on bank loan and bank charges		(507,585)	(536,077)
Net cash generated from operating activities		2,271,651	2,135,318
Cash flows from investing activities			
Interest received		618	16,445
Receipts from the sale of investment properties		418,849	347,203
Purchase of investment properties	8	-	(1,861,466)
Net cash generated from/(used in) investing activities		419,467	(1,497,818)
Cash flows from financing activities			
Bank loan receipts		-	4,000,000
Bank loan payments		-	(4,000,000)
Debt issue costs		-	(417,387)
Purchase of interest rate cap		-	(50,650)
Net cash used in share buyback	17	(195,392)	-
Dividends paid to shareholders	16	(3,841,457)	(3,870,559)
Net cash used in financing activities		(4,036,849)	(4,338,596)
Net decrease in cash and cash equivalents	18	(1,345,731)	(3,701,096)
Net cash and cash equivalents at the beginning of the year		2,435,758	6,136,854
Net cash and cash equivalents at the end of the year		1,090,027	2,435,758

The accompanying notes on pages 41 to 53 form an integral part of the consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 30 September 2021

	Note	Share capital £	Capital redemption reserve £	Share premium account £	Retained earnings £	Total equity £
At 1 October 2019		48,503,248	-	45,884,305	13,627,321	108,014,874
Comprehensive loss						
Loss for the year		-	-	-	(1,586,203)	(1,586,203)
Total comprehensive loss		-	-	-	(1,586,203)	(1,586,203)
Transactions with owners						
Share premium account reduction	15	-	-	(45,884,305)	45,884,305	-
Dividends paid	16	-	-	-	(3,870,559)	(3,870,559)
At 30 September 2020		48,503,248	-	-	54,054,864	102,558,112
Comprehensive profit						
Profit for the year		-	-	-	1,192,906	1,192,906
Total comprehensive profit		-	-	-	1,192,906	1,192,906
Buyback of ordinary shares	15	(130,000)	130,000	-	(195,392)	(195,392)
Dividends paid	16	-	-	-	(3,841,457)	(3,841,457)
At 30 September 2021		48,373,248	130,000	-	51,210,921	99,714,169

The accompanying notes on pages 41 to 53 form an integral part of the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 30 September 2021

1 Accounting policies

Ground Rents Income Fund plc (the "Company") is a closed-ended investment company registered in England and Wales as a public company limited by shares. The Company's registered address is 1 London Wall Place, London, EC2Y 5AU. The consolidated financial statements of the Company comprise the Company and its subsidiaries (together referred to as the "Group").

Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 ("IFRS") and the applicable legal requirements of the Companies Act 2006.

Basis of preparation

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties and derivative financial instruments, which have been measured at fair value. The functional and presentational currency is sterling.

The accounting policies applied to the results, assets, liabilities and cash flows of the entities included in the consolidated financial statements are consistent with those of the previous year other than as set out below.

Going concern

The Directors have examined significant areas of possible financial risk including: the non-collection of rent as a result of the Covid-19 pandemic, the potential resulting falls in property valuations, and the future implications of potential leasehold reform. The Investment Manager has prepared detailed forward-looking cash flow forecasts with downside analysis and third party debt headroom and covenant calculations, in particular the Loan to Value covenant and Interest Cover ratios.

The Board and Investment Manager are closely monitoring the potential ongoing impact the Covid-19 pandemic may have on Group rental collection, which has remained strong during the year and to the date of this report. The Company's dividend policy is reviewed regularly to ensure the Company's liquid resources will be sufficient to cover any working capital requirements, while conforming to the requirement to distribute dividends in accordance with REIT regulations. Further details can be found within the Chair's statement on pages 2 to 4 and the Directors' Report on pages 22 to 25.

The Group holds a loan facility with Santander. Half of the facility is a £12.5 million fixed rate loan attracting a total interest rate of 2.68% per annum. The Group also holds a £12.5 million revolving credit facility ("RCF") with Santander. As at the year end, the undrawn capacity was £5.5 million. The RCF is an efficient and flexible source of funding at an interest rate of 1.85% per annum plus three month LIBOR which can be repaid and redrawn as often as required.

In addition to the matters described above, in arriving at their conclusion the Directors have also considered:

- The ongoing successful implementation of business continuity plans by the Investment Manager and key suppliers throughout the continued period of the Covid-19 pandemic to date which has ensured that the Group's day-to-day business operations have been able to be efficiently maintained;
- The Group's consolidated liquidity position, and undrawn debt facility with Santander, at the year end. This sum is deemed to provide more than sufficient headroom for the Group to meet its liabilities as they fall due (the nature and timing of the majority of the Group's expenses can be predicted with reasonable accuracy). As at 13 December 2021, cash held was £1.5 million and the undrawn RCF remained at £5.5 million – the combined total being £7 million, thereby still giving more than adequate headroom in view of the Group's cost base;
- Forward-looking compliance with third party debt covenants and in particular Loan to Value covenants and Interest Cover ratios;
- Recent rent and service charge collection statistics;
- Ongoing REIT compliance in view of distribution requirements; and
- The requirement for the Directors to propose a Wind-up Resolution, to be proposed at the Annual General Meeting in 2023.

No matters or any material uncertainties have been identified which would cast significant doubt on the Group's ability to continue as a going concern for a period of not less than twelve months from the date of the approval of the Annual Report and Consolidated Financial Statements.

The Directors have therefore satisfied themselves that the Group has adequate resources to continue in operational existence for the foreseeable future.

After due consideration, the Board considers it is appropriate to adopt the going concern basis in preparing the Group consolidated financial statements and Company financial statements, the performance of which is intrinsically linked to that of the Group.

Notes to the Consolidated Financial Statements **continued**

For the year ended 30 September 2021

1 Accounting policies continued

Adoption of new and revised standards

During the year, the Group adopted the following standards:

IFRS 3 – Business Combinations

Amendments to IFRS 3 Business Combinations, effective for financial years commencing on or after 1 January 2020, provides a revised framework for evaluating a business and introduces an optional 'concentration test'. The amendment will impact the assessment and judgements used in determining whether future property transactions represent an asset acquisition or business combination. As a result of the amendment it is expected that future transactions are more likely to be treated as an asset acquisition. There is no material impact on the financial statements of the Group.

New standards and interpretations not yet adopted by the Group

Amendment to IFRS 16 – Leases – Covid-19 related rent concessions

As a result of the Covid-19 pandemic, rent concessions have been granted to lessees by landlords. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. However, due to the nature of the Group's rental income profile, this would not be expected to have a material impact on the rental income profile or the financial statements of the Group.

IFRS 17 – Insurance contracts

This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. No material impact on the financial statements of the Group is expected.

Amendments to IAS 37 – Provisions, contingent liabilities and contingent assets

The amendments apply to costs a company can include when assessing whether a contract will be loss-making. This would not be expected to have a material impact on the financial statements of the Group.

There are no other standards or interpretations yet to be effective that would be expected to have a material impact on the financial statements of the Group.

Use of estimates and judgements

The preparation of financial statements in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006, requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses.

Estimates

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making estimates about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The most significant estimates made in preparing the consolidated financial statements relate to the carrying value of investment properties, as disclosed in note 8, which are stated at fair value. Fair value is inherently subjective because the valuer makes assumptions which may not prove to be accurate. The Group uses external professional valuers to determine the relevant amounts.

Another significant estimate is the IFRS 9 expected credit loss. IFRS 9 requires an impairment review to be made for certain financial assets held on a Group's balance sheet using a forward-looking expected credit loss model. Where any impairment is required to be made, appropriate recognition is required in the Consolidated Statement of Comprehensive Income together with appropriate disclosure in the notes to the consolidated financial statements. Within the Company financial statements, all intercompany loans are considered to be such financial assets and must therefore be assessed at each reporting period for potential impairment, with appropriate disclosures.

Judgements

There are no significant judgements made by management in the application of IFRS, with no corresponding material impact on the financial statements of the Group.

Basis of consolidation

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

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

1 Accounting policies continued

Revenue

Revenue represents the value of ground rent income due in the year together with any supplementary income earned in the year, including insurance income, tenant fees, lease restructure premiums and other income. The policy is in line with IFRS 15 – Revenue from contracts with customers, and reflects the nature, amount, timing and uncertainty of revenue under freehold and head leasehold contracts.

Rental income, including fixed rental uplifts, from investment property leased out under operating leases is recognised as revenue on a straight-line basis over the lease term, apart from:

- Any rent adjustments based on open market estimated rental values or indexed-linked rent reviews which are recognised, based on management estimates, from the rent review date in relation to unsettled rent reviews; and
- Contingent rents, being those lease payments that are not fixed at the inception of the lease, which are recognised in the period they are earned and as defined by the lease.

Finance income and expenses

Finance income comprises interest receivable on bank deposits. Finance expenses comprise interest payable and transaction costs incurred in connection with the borrowing of funds under the loan facilities. Finance income and expenses are recognised in the Consolidated Statement of Comprehensive Income on an accruals basis in the period to which they relate.

Loan arrangement fees are capitalised and deducted from the amount outstanding on the loan. They are expensed to the Consolidated Statement of Comprehensive Income over the period of the loan facility. This loan amortisation is included within finance expenses in the consolidated financial statements.

Taxation

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

Deferred tax

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

Exceptional items

The Group's Consolidated Statement of Comprehensive Income separately identifies exceptional items. Such items are those that in the Directors' judgement are one-off in nature and need to be disclosed separately by virtue of their size or incidence. In determining whether an item should be disclosed as an exceptional item, the Directors consider quantitative as well as qualitative factors such as frequency, predictability of occurrence and significance. This is consistent with the way in which the financial performance is managed by the Manager and reported to the Directors. Disclosing exceptional items separately provides additional understanding of the performance of the Group.

Investment properties

Investment properties are carried in the Consolidated Statement of Financial Position at their open market value. The Directors have applied the fair value model in IAS 40 – Investment Property. Investment properties are revalued at the Consolidated Statement of Financial Position date by an independent valuer. The fair value also reflects estimated future cash flows and anticipated cash outflows where cladding-linked fire safety issues may arise. Expenses that are directly attributable to the acquisition of an investment property are capitalised into the cost of investment. Gains and losses on changes in fair value of investment properties are recognised in the Consolidated Statement of Comprehensive Income. The Directors instruct the independent valuers biannually and, in addition, on acquisition of investment properties as the need arises. Gains and losses on changes in fair value are recognised at the time of each valuation.

Cash and cash equivalents

Cash comprises call deposits held with banks.

Capital management

The capital managed by the Group consists of cash held across different bank accounts in several banking institutions. The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maximise the interest return on funds which have yet to be invested while ensuring there is enough free cash to meet day-to-day liabilities. In order to maintain or adjust the capital structure the Directors have the option to adjust the dividends paid to shareholders, return cash to shareholders, sell assets or delay purchase of individual assets. The Group monitors capital through cash and dividend forecasts which are prepared and reviewed on a quarterly basis. Following the Santander loan refinancing in January 2020, the Group has fully drawn down the £12.5 million fixed rate debt facility and has a £12.5 million RCF facility, of which £7 million is drawn down, which both expire in January 2025. Associated costs are capitalised and amortised over the duration of the loan.

Notes to the Consolidated Financial Statements **continued**

For the year ended 30 September 2021

1 Accounting policies *continued*

Derivative financial assets and liabilities

Derivative financial assets and liabilities comprise an interest rate cap for hedging purposes, as an economic hedge. This has been initially recognised at cost and subsequently revalued to fair value, with the revaluation gains or losses recognised in the Consolidated Statement of Comprehensive Income.

Financial assets and liabilities

Non-derivative financial assets and liabilities comprise trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables. These are initially recognised at fair value and subsequently measured at amortised cost and discounted as appropriate. On initial recognition and at each period end the Group calculates the expected credit loss for non-derivative assets based on lifetime expected credit losses under the IFRS 9 simplified approach.

Deferred income

Deferred income arises because ground rents are usually billed annually in advance. Deferred income is classified in the deferred income account within payables and released to the Consolidated Statement of Comprehensive Income over the period to which it relates.

Provisions

A provision is recognised in the Consolidated Statement of Financial Position when the Group has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

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.

Share buyback

Shares repurchased are recognised on the trade date and the nominal value of shares repurchased is credited to the capital redemption reserve in the Consolidated Statement of Changes in Equity. Acquisition costs including share premium and broker fees are charged to retained earnings.

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.

Dividend distribution

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

2 Segmental reporting

The Directors are of the opinion that the Group is engaged in a single segment of business, being the collection of ground rent from its investment properties. The Group receives some ancillary income to which it is entitled as a result of its position as property freeholder or head leaseholder. Schroders acts as adviser to the Board of Directors, who then make management decisions after considering its recommendations. As such, the Board is considered to be the chief operating decision maker. A set of consolidated IFRS information is provided to the Board on a quarterly basis.

	2021 £	2020 £
By activity		
Ground rent income	4,942,648	4,855,924
Other income	751,139	1,210,201
	5,693,787	6,066,125

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.

3 Operating expenses

	2021 £	2020 £
Directors' salaries (note 4)	94,460	93,772
Auditors' remuneration – see below	169,950	145,000
Management fees	987,499	1,112,582
Professional fees excluding exceptional items	374,352	600,398
Insurance	24,612	49,517
Sponsor fees	52,511	65,014
Valuation fees	47,502	47,262
Registrar fees	63,864	72,216
Listing fees	11,765	19,168
Public relations and printing costs	25,426	29,020
Other operating expenses	56,109	89,208
Operating expenses before exceptional items	1,908,050	2,323,157
Litigation costs	496,858	1,551,870
(Release of provision)/provision for remedial works	(2,900,000)	2,900,000
Total operating expenses	(495,092)	6,775,027

The provision for remedial works was reversed during the year as it is no longer required. Please see note 20 for further details.

No direct operating expenses were incurred in relation to investment property in the year (2020: £nil).

Services provided by the Company's auditors comprise:

	2021 £	2020 £
Fees payable to the auditors for the audit of parent company and consolidated financial statements	89,610	76,500
Fees payable to the auditors for other services:		
– The audit of the Group's subsidiaries	80,340	68,500
	169,950	145,000

No non-audit services were provided by the Company's auditors during the year (2020: £nil).

4 Directors' emoluments

The Directors are the only officers of the Company and there are no other key personnel. The average number of Directors during the year was 3 (2020: 3). The Directors' annual remuneration for services is set out in the Directors' Remuneration Report on pages 29 to 30. The total charge for Directors' fees is shown in note 3 and is inclusive of employer's National Insurance Contributions. There were no post-employment benefits, other long-term benefits, termination benefits or share-based payments accrued or paid out in the year (2020: none).

5 Finance income

	2021 £	2020 £
Interest on bank deposits	618	16,469

6 Finance expenses

	2021 £	2020 £
Loan interest	466,835	498,437
Amortisation of loan arrangement fees and bank charges	160,408	136,810
Net change in fair value of financial instruments	(21,803)	36,492
	605,440	671,739

Total capitalised loan arrangement fees of £0.4 million at the year end date are to be amortised over the period to January 2025. See note 11 for further details.

Notes to the Consolidated Financial Statements **continued**

For the year ended 30 September 2021

7 Taxation

The Company applied to HMRC to join the 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 is compliant with the rules of the REIT regime in order to achieve these potential benefits. No tax charge arose in the year (2020: £nil). For the current year ended 30 September 2021, the Group did not have any non-qualifying profits and accordingly there is no tax charge in the year.

	2021 £	2020 £
Profit/(loss) before taxation	1,192,906	(1,586,203)
Standard rate of corporation tax in the UK	19%	19%
	£	£
Profit/(loss) before taxation multiplied by the standard rate of corporation tax	226,652	(301,379)
Effects of:		
Unrealised revaluation loss not tax deductible	899,066	109,397
Property (profit)/loss not tax deductible under the REIT regime	(1,125,718)	191,982
Total tax charge for year	-	-

Deferred tax

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

Factors affecting current and future tax charges

The Government has proposed that the corporation tax standard rate will increase to 25% for the financial year beginning 1 April 2023. If there were any non-qualifying profits and gains for the Company, these would be subject to corporation tax at the standard rate.

8 Investment properties

	£
Fair value	
At 1 October 2019	122,893,000
Additions	1,861,466
Disposals	(27,165)
Net revaluation loss recognised in Consolidated Statement of Comprehensive Income	(537,301)
At 30 September 2020	124,190,000
Disposals	(78,075)
Net revaluation loss recognised in Consolidated Statement of Comprehensive Income	(4,731,925)
At 30 September 2021	119,380,000

Fair value hierarchy

Non-financial assets carried at fair value, as is the case for investment property held by the Group, are required to be analysed by level depending on the valuation method adopted under IFRS 13 'Fair Value Measurement'.

The fair value hierarchy has the following levels:

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

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

Level 3: Inputs for the asset or liability that are not based on observable market data (that is unobservable inputs).

8 Investment properties continued

All investment property held by the Group is classified as Level 3.

There have been no transfers between levels of the fair value hierarchy during the year.

Key assumptions within the basis of fair value are:

The value of each of the properties has been assessed in accordance with the relevant parts of the Royal Institution of Chartered Surveyors' ("RICS") Valuation – Global Standards 2020, incorporating the IVSC International Valuations Standards (the "Red Book Global Standards"), which is consistent with IFRS 13 measurement requirements. The RICS Red Book provides two definitions of fair value. The one appropriate for the IFRS basis of accounting is as follows:

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

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

The Group's investment property was revalued at 30 September 2021 by Savills. The valuer has confirmed to the Directors that the fair value as set out in the valuation report has been primarily derived using comparable recent market transactions on an arm's length basis.

The valuer within Savills is a RICS Registered Valuer. The valuation of ground rent investment properties takes into account external factors such as interest rates and the availability of other fixed rate investments in the market.

The valuation of a ground rent investment property is principally dependent on the aggregate income generated, and the potential for this to increase in future through rent reviews. The most valuable ground rent investment property assets are those which are RPI-linked with reviews every 10 years or less. Other types of ground rents are 'doubling' where the rent doubles at a fixed time interval and 'fixed increases' where the uplifts are fixed and detailed in the lease. The least attractive ground rents are those which are flat with no future rental increases which attract the lowest Years Purchase (YP) multiple and the highest yield.

Cladding issues have become a more significant problem in the ground rent investment market and can result in delays and caution in a prospective transaction at market or fair value. The valuer has reflected this by including a discount against the fair value of assets where management have identified fire safety issues may arise.

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

Valuation Category – type of rent review

As at and for the year ended 30 September 2021	Indexed	Doubling	Fixed increases	Flat
Cost (£)	76,306,000	12,986,000	6,464,000	5,688,000
Fair value (£)	92,260,000	15,618,000	7,227,000	4,275,000
Gross rent roll (£)	3,486,000	742,000	330,000	323,000
Rental yield on purchase price	4.6%	5.7%	5.1%	5.7%
Rental yield on fair value	3.8%	4.8%	4.6%	7.6%
As at and for the year ended 30 September 2020	Indexed	Doubling	Fixed increases	Flat
Cost (£)	76,894,000	13,289,000	6,464,000	5,756,000
Fair value (£)	92,174,000	18,841,000	7,589,000	5,586,000
Gross rent roll (£)	3,506,000	757,000	330,000	327,000
Rental yield on purchase price	4.6%	5.7%	5.1%	5.7%
Rental yield on fair value	3.8%	4.0%	4.3%	5.9%

All categories of ground rent investment properties have been valued by Savills using available market comparisons.

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

+/- effect on valuation	Indexed	Doubling	Fixed increases	Flat
Impact on fair value of 1 YP change (£)	3,486,000	742,000	330,000	323,000

The average YP across the portfolio is 24.5 (2020: 25.2).

Notes to the Consolidated Financial Statements **continued**

For the year ended 30 September 2021

9 Trade and other receivables

	2021 £	2020 £
Trade receivables	665,948	654,035
Other taxes and social security costs	22,842	–
Other receivables	1,105,098	1,130,606
Prepayments and accrued income	39,362	67,774
	1,833,250	1,852,415

The fair value of trade and other receivables is equal to the book value.

The ageing analysis of trade receivables is as follows:

	2021 £	2020 £
Up to 3 months	252,596	208,989
Over 3 months	413,352	445,046
	665,948	654,035

Management consider the trade receivables to be fully collectable due to the secure nature of the receipts. The Directors believe all financial assets that are neither past due nor impaired to be fully recoverable as the amounts are represented by either cash held at a secure client account at the Company's solicitors or other trading amounts which are considered fully recoverable and of good quality. Therefore no expected credit loss by ageing is presented above. Accordingly, the provision for doubtful debts at 30 September 2021 was £nil (2020: £nil).

10 Trade and other payables

	2021 £	2020 £
Trade payables	52,019	245,770
Other taxes and social security costs	–	193,856
Other payables	135,940	45,992
Accruals	1,373,000	1,636,701
Deferred income	1,952,998	1,920,446
	3,513,957	4,042,765

11 Financial liabilities measured at amortised cost

	2021 £	2020 £
Bank loans repayable over one year	19,500,000	19,500,000
Capitalised loan arrangement fees net of amortisation	(388,888)	(508,546)
	19,111,112	18,991,454

In January 2020, the existing loan facility with Santander UK plc was amended and split into two facilities totalling £25 million. Of the total amount drawn of £19.5 million, £12.5 million is held as a term loan and matures on 10 January 2025 and carries a fixed interest rate of approximately 2.68% per annum, payable quarterly. The remaining £7 million is held within a coterminous £12.5 million Revolving Credit Facility ("RCF"), which carries an interest rate per annum of 1.85% plus three month LIBOR, payable quarterly.

An additional fixed fee of 0.74% per annum is payable on amounts undrawn under the RCF. The facility was subject to a £0.25 million arrangement fee which is being amortised over the period of the loan.

The lender has charges over investment property owned by the Group with a value of £63.6 million. A pledge of all shares in the borrowing Group company and loan obligor companies is in place.

As at the year end date, the loan facility was secured over assets held in the following Group companies: Admiral Ground Rents Limited, Clapham One Ground Rents Limited, GRIF040 Limited, GRIF041 Limited, GRIF044 Limited, GRIF048 Limited, Masshouse Block HI Limited, Masshouse Residential Block HI Limited, OPW Ground Rents Limited, The Manchester Ground Rent Company Limited and Wiltshire Ground Rents Limited.

11 Financial liabilities measured at amortised cost continued

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

The combined amended facility has a Loan-to-Value ("LTV") covenant of 50% and Interest Cover covenant of 270%. The Group was in full compliance with the covenants throughout the year. As at 10 November 2021 the actual LTV over secured assets was 30.6% with headroom of £24.6 million and Interest Cover was 415.9% with headroom of £0.7 million.

Group borrowings

At 30 September 2021, Group borrowings were 16.3% (30 September 2020: 15.7%) of non-current assets.

12 Financial instruments

The Group's financial instruments comprise cash and various items such as trade and other receivables and trade and other payables which arise from its operations.

Financial assets carried at amortised cost

The book value and fair value profile of the Group's financial assets, were as follows:

	2021		2020	
	Book value £	Fair value £	Book value £	Fair value £
Trade receivables	665,948	665,948	654,035	654,035
Other receivables, other taxes and social security costs	1,127,940	1,127,940	1,130,606	1,130,606
Cash at bank and in hand	1,090,027	1,090,027	2,435,758	2,435,758

As at 30 September 2021 no trade receivables (2020: £nil) were impaired or provided for as detailed in note 9.

Financial liabilities carried at amortised cost

The book value and fair value profile of the Group's financial liabilities, were as follows:

	2021		2020	
	Book value £	Fair value £	Book value £	Fair value £
Trade payables	52,019	52,019	245,770	245,770
Other payables and accruals	1,508,940	1,508,940	1,876,549	1,876,549
Bank loans	19,111,112	19,111,112	18,991,454	18,991,454

Financial risk management

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

Capital risk management

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

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

	2021 £	2020 £
Cash and cash equivalents	1,090,027	2,435,758
Total borrowings (note 11)	(19,111,112)	(18,991,454)
Net debt	(18,021,085)	(16,555,696)
Total equity	99,714,169	102,558,112
Total capital	81,693,084	86,002,416
Gearing ratio	19.2%	18.5%

Notes to the Consolidated Financial Statements **continued**

For the year ended 30 September 2021

12 Financial instruments continued

Credit risk

Credit risk is the risk that an issuer or counterparty will be unable or unwilling to meet a commitment that it has entered into with the Group. In order to mitigate such risks, cash deposits are placed with a number of financial institutions whose financial strength and credit quality have been considered by the Directors based on advice received from the AIFM. The panel of suitable counterparties is subject to regular review by the Board.

Interest rate risk

The Group has limited exposure to interest rate risk through interest rate movements, which primarily relates to interest earned on cash balances. The Company places excess cash of the Group on deposit in interest-bearing accounts to maximise returns.

Liquidity risk

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

13 Earnings/(loss) per share

Basic earnings/(loss) per share

Earnings/(loss) used to calculate loss per share in the financial statements were:

	2021 £	2020 £
Earnings/(loss) attributable to equity shareholders of the Company	1,192,906	(1,586,203)
Basic earnings/(loss) per share has been calculated by dividing losses by the weighted average number of ordinary shares in issue throughout the year		
Weighted average number of shares in issue in the year	96,996,881	97,006,497
Basic earnings/(loss) per share	1.23p	(1.64p)

Diluted earnings/(loss) per share

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

Diluted earnings/(loss) per share	1.18p	(1.64p)
-----------------------------------	-------	---------

14 Net asset value per ordinary share

The NAV calculates the net asset value per share in the consolidated financial statements. The diluted NAV per ordinary share is calculated after assuming the exercise of all outstanding warrants at £1, which would increase the aggregated NAV by £4,423,876.

	2021 £	2020 £
Net assets	99,714,169	102,558,112
	Number	Number
Number of ordinary shares in issue	96,746,497	97,006,497
Outstanding warrants in issue	4,423,876	4,423,876
Diluted number of shares in issue	101,170,373	101,430,373
NAV per ordinary share – basic	103.1p	105.7p
NAV per ordinary share – dilutive	102.9p	105.5p

15 Share capital, capital redemption reserve and share premium account

	Number of shares	Share capital £	Capital redemption reserve £	Share premium account £
At 1 October 2019	97,006,497	48,503,248	-	45,884,305
Conversion of share premium into distributable reserves	-	-	-	(45,884,305)
At 30 September 2020	97,006,497	48,503,248	-	-
Share buyback	(260,000)	(130,000)	130,000	-
At 30 September 2021	96,746,497	48,373,248	130,000	-

Warrants were issued for £nil consideration on the basis of one warrant for every five subscription shares in August 2012. Warrant-holders have the right to subscribe £1 per share for the number of ordinary shares to which they are entitled on 31 August in each year following admission up to and including 31 August 2022. No warrants were exercised and thus no ordinary shares issued in the year to 30 September 2021 (2020: nil). At 30 September 2021 there were 4,423,876 warrants in issue.

Following the approval by shareholders and warrant-holders at a General Meeting in November 2019, the Company cancelled its share premium account in order to create distributable reserves to better facilitate the payment of future dividends.

At the Company's last AGM in March 2021, the Company was given the authority to purchase up to 14.99% of its issued share capital. In September 2021 the Company commenced an open market share buyback programme with the aim to deliver shareholder value and narrow the discount to NAV.

As at the reporting date, the Company had repurchased 260,000 shares from distributable reserves. To preserve the Company's capital, the Company has transferred to a capital redemption reserve an amount equivalent to the nominal value of the shares, being £130,000.

16 Dividends

It is the policy of the Group to pay quarterly interim dividends to ordinary shareholders. The interim dividend relating to the fourth quarter of the year was paid in December 2021.

	2021 £	2020 £
Dividends declared and paid by the Company during the year	3,841,457	3,870,559
Analysis of dividends by type:		
Interim PID dividend of 1.02p per share	-	989,467
Interim PID dividend of 0.99p per share	-	960,364
Interim PID dividend of 0.99p per share	-	960,364
Interim PID dividend of 0.99p per share	-	960,364
Interim PID dividend of 0.99p per share	960,364	-
Interim PID dividend of 0.99p per share	960,364	-
Interim PID dividend of 0.99p per share	960,364	-
Interim PID dividend of 0.99p per share	960,365	-
	3,841,457	3,870,559
Since the year end, the following dividend has been announced to be paid on 31 December 2021:		
Interim PID dividend of 0.75p per share	722,179	

Notes to the Consolidated Financial Statements **continued**

For the year ended 30 September 2021

17 Cash generated from operations

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

	2021 £	2020 £
Profit/(loss) before tax	1,192,906	(1,586,203)
Adjustments for:		
Net revaluation loss on investment properties	4,731,925	537,301
Profit on sale of investment properties	(340,774)	(315,270)
Net finance expense	604,822	655,270
Exceptional items – provision for remedial works	–	2,900,000
Exceptional items – release of provision for remedial works not required	(2,900,000)	–
Operating cash flows before movements in working capital	3,288,879	2,191,098
Movements in working capital:		
Decrease/(increase) in trade and other receivables	19,165	(742,013)
(Decrease)/increase in trade and other payables	(528,808)	1,222,310
Net cash generated from operations	2,779,236	2,671,395

Costs of share buyback

The costs from the share buyback are as follows:

	2021 £	2020 £
Buyback of 260,000 ordinary shares	195,000	–
Costs associated with buyback of ordinary shares	392	–
	195,392	–

18 Analysis of changes in net debt

	At 1 October 2020 £	Cash flows £	Amortisation of finance costs £	At 30 September 2021 £
Cash and cash equivalents	2,435,758	(1,345,731)	–	1,090,027
Bank loans	(18,991,454)	–	(119,658)	(19,111,112)
Total	(16,555,696)			(18,021,085)

19 Related party transactions

The Company's balances with fellow group companies at 30 September 2021 are set out in note 14 to the Company's financial statements.

Schroders is paid a simplified, tiered annual fee comprising 1% of NAV up to £200 million; 0.9% of NAV between £200 million and £400 million; and 0.8% of NAV above £400 million.

Transactions between Schroders and Ground Rents Income Fund plc were as follows:

	2021 £	2020 £
Investment management fee paid to Schroders	987,499	1,112,582

No amounts were due from the Company to Schroders at the year end date (2020: £nil).

20 Provisions for liabilities

In October 2020, NWGR, a wholly-owned subsidiary of the Group, lost its application to vary an order handed down by the High Court, for restoring its investment property to its original condition (see note 24 of the financial statements for the year ended 30 September 2020). At 30 September 2020, the Directors introduced a provision of £2.9 million that reflected tendered costs for the remedial works ordered by the High Court of approximately £8.9 million, reduced by amounts that would have been payable by leaseholders and estimated recoveries from third parties.

During the year, the Group transferred the freehold interest in Beetham Tower in Manchester ("the Property") to its wholly-owned subsidiary GRIF027 Limited, which was then sold to a private investor for nominal consideration. The disposal released the Company and its subsidiaries from all current litigation and freeholder obligations relating to the Property that was originally acquired in 2012 and the provision was subsequently released in the current financial year to Operating expenses in the Consolidated Statement of Comprehensive Income.

Following the transaction, NWGR entered a formal liquidation process and the Group released ultimate control over the subsidiary, with no further expected financial consequences for the Group.

21 Other financial commitments and contingencies

The Company acts as guarantor for the payment of annual insurance premiums through credit facilities for a number of insured investment properties within its portfolio, where annual premiums are over £30,000 per annum. At the date of the financial statements, all premiums guaranteed have been collected from leaseholders in line with agreed credit terms.

22 Events after the year end date

In October 2021, 136,000 of ordinary shares were repurchased and cancelled by the Company and a further 320,000 in November 2021, reducing the number of shares in issue to 96,290,497.

The Santander loan facility has transitioned from the London Interbank Offered Rate ("LIBOR"), which is due to be discontinued, to the Sterling Overnight Index Average ("SONIA") for interest payments due post December 2021.

Company Statement of Financial Position

As at 30 September 2021

	Note	2021 £	2020 £
Assets			
Non-current assets			
Investments	5	1,305,755	1,305,755
		1,305,755	1,305,755
Current assets			
Trade and other receivables	6	80,354,884	83,510,034
Cash and cash equivalents		1,090,027	2,435,758
		81,444,911	85,945,792
Total assets		82,750,666	87,251,547
Liabilities			
Current liabilities			
Trade and other payables	7	(2,836,122)	(2,149,719)
Total liabilities		(2,836,122)	(2,149,719)
Net assets		79,914,544	85,101,828
Equity			
Share capital	9	48,373,248	48,503,248
Capital redemption reserve	9	130,000	-
Retained earnings	10	32,561,731	38,741,661
Loss for the financial year	10	(1,150,435)	(2,143,081)
Total equity		79,914,544	85,101,828

The Company financial statements on pages 54 to 56 were approved and authorised for issue by the Board of Directors and signed on its behalf by:

Barry Gilbertson
Director

Bill Holland
Director

Ground Rents Income Fund plc
Company registered number: 08041022

16 December 2021

The accompanying notes from pages 57 to 64 form an integral part of the Company financial statements.

Company Statement of Cash Flows

For the year ended 30 September 2021

	Note	2021 £	2020 £
Cash flows from operating activities			
Cash generated from operations	12	2,690,550	155,521
Bank charges		(50)	-
Net cash generated from operating activities		2,690,500	155,521
Cash flows from investing activities			
Interest received		618	13,942
Net cash generated from investing activities		618	13,942
Cash flows from financing activities			
Net cash used in share buyback	12	(195,392)	-
Dividends paid to shareholders	10	(3,841,457)	(3,870,559)
Net cash used in financing activities		(4,036,849)	(3,870,559)
Net decrease in cash and cash equivalents	13	(1,345,731)	(3,701,096)
Net cash and cash equivalents at the beginning of the year		2,435,758	6,136,854
Net cash and cash equivalents at the end of the year		1,090,027	2,435,758

The accompanying notes from pages 57 to 64 form an integral part of the Company financial statements.

Company Statement of Changes in Equity

For the year ended 30 September 2021

	Note	Share capital £	Capital redemption reserve £	Share premium account £	(Accumulated losses)/ retained earnings £	Total equity £
At 1 October 2019		48,503,248	-	45,884,305	(3,272,085)	91,115,468
Comprehensive loss						
Loss for the year		-	-	-	(2,143,081)	(2,143,081)
Total comprehensive loss		-	-	-	(2,143,081)	(2,143,081)
Transactions with owners						
Share premium account reduction	9	-	-	(45,884,305)	45,884,305	-
Dividends paid	11	-	-	-	(3,870,559)	(3,870,559)
At 30 September 2020		48,503,248	-	-	36,598,580	85,101,828
Comprehensive loss						
Loss for the year		-	-	-	(1,150,435)	(1,150,435)
Total comprehensive loss		-	-	-	(1,150,435)	(1,150,435)
Transactions with owners						
Buyback of ordinary shares	9 & 10	(130,000)	130,000	-	(195,392)	(195,392)
Dividends paid	11	-	-	-	(3,841,457)	(3,841,457)
At 30 September 2021		48,373,248	130,000	-	31,411,296	79,914,544

The accompanying notes from pages 57 to 64 form an integral part of the Company financial statements.

Notes to the Company Financial Statements

For the year ended 30 September 2021

1 General information

The Company is a public company limited by shares, incorporated, registered and domiciled in England in the United Kingdom. The address of its registered office is 1 London Wall Place, London, EC2Y 5AU.

The Company's principal activity during the year was to operate as a holding company for a group operating a property rental and investment business.

2 Accounting policies

The financial statements of the Company are separate to those of the Group.

The accounting policies of the Company are consistent with those of the Group, which can be found in note 1 to the Group financial statements.

Accounting policies specific to the Company are set out below.

Statement of compliance

The financial statements of the Company have been prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 ("IFRS") and the applicable legal requirements of the Companies Act 2006.

Basis of preparation

These financial statements are prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The functional and presentational currency is sterling.

Investments in subsidiary companies

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

Capital management

The capital managed by the Company consists of cash held across different bank accounts in several banking institutions. The Company's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maximise the interest return on funds which have yet to be invested while ensuring there is enough free cash to meet day-to-day liabilities. In order to maintain or adjust the capital structure the Directors have the option to adjust the dividends paid to shareholders, return cash to shareholders, sell assets or delay purchase of individual assets. The Company monitors capital through cash and dividend forecasts which are prepared and reviewed on a quarterly basis. The Company had £1,090,027 of cash at the year end. The Directors intend to retain an amount for working capital at least equal to the next quarter's forecast working capital requirements.

Dividend distribution

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

3 Results for the year

As permitted by Section 408 of the Companies Act 2006 the Company has elected not to present its own profit and loss account for the financial year. Ground Rents Income Fund plc reported a loss after tax for the financial year of £1,150,435 (2020: loss £2,143,081). Auditors' remuneration and the average number of Directors and their remuneration are set out in notes 3 and 4 of the Group consolidated financial statements.

4 Dividends

Details of the Company's dividends paid and proposed are set out in note 16 of the Group financial statements.

Notes to the Company Financial Statements **continued**

For the year ended 30 September 2021

5 Investments

Cost	Investments in subsidiary companies £
At 30 September 2020 and at 30 September 2021	1,305,755

During the year, there were no impairments (2020: £34,361) of the investments in subsidiary companies recorded.

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

Details of the subsidiary undertakings of the Company at 30 September 2021, all of which are wholly owned and included in the financial statements, are given below.

The subsidiaries below are registered at the Company's registered office address, being 1 London Wall Place, London, EC2Y 5AU:

Company	Type of share	Nature of business	Country of incorporation
Admiral Ground Rents Limited	Ordinary £1	Ground rents	UK
Azure House Ground Rents Limited	Ordinary £1	Ground rents	UK
Banbury Ground Rents Limited	Ordinary £1	Ground rents	UK
BH Ground Rents Limited	Ordinary £1	Ground rents	UK
Clapham One Ground Rents Limited	Ordinary £1	Ground rents	UK
D G Ground Rents Limited	Ordinary £1	Ground rents	UK
East Anglia Ground Rents Limited	Ordinary £1	Ground rents	UK
Ebony House Ground Rents Limited	Ordinary £1	Ground rents	UK
Enclave Court Ground Rents Limited	Ordinary £1	Ground rents	UK
Greenhouse Ground Rents Limited	Ordinary £1	Ground rents	UK
GRIF Cosec Limited	Ordinary £1	Corporate director	UK
GRIF Student Ground Rents Limited	Ordinary £1	Ground rents	UK
GRIF028 Limited	Ordinary £1	Ground rents	UK
GRIF033 Limited	Ordinary £1	Ground rents	UK
GRIF034 Limited	Ordinary £1	Ground rents	UK
GRIF036 Limited	Ordinary £1	Ground rents	UK
GRIF037 Limited	Ordinary £1	Ground rents	UK
GRIF038 Limited	Ordinary £1	Ground rents	UK
GRIF039 Limited	Ordinary £1	Ground rents	UK
GRIF040 Limited	Ordinary £1	Ground rents	UK
GRIF041 Limited	Ordinary £1	Ground rents	UK
GRIF042 Limited	Ordinary £1	Ground rents	UK
GRIF043 Limited	Ordinary £1	Ground rents	UK
GRIF044 Limited	Ordinary £1	Ground rents	UK
GRIF045 Limited	Ordinary £1	Ground rents	UK
GRIF046 Limited	Ordinary £1	Ground rents	UK
GRIF047 Limited	Ordinary £1	Ground rents	UK
GRIF048 Limited	Ordinary £1	Ground rents	UK
GRIF049 Limited	Ordinary £1	Ground rents	UK
GRIF051 Limited	Ordinary £1	Ground rents	UK
GRIF052 Limited	Ordinary £1	Ground rents	UK
GRIF053 Limited	Ordinary £1	Ground rents	UK
Halcyon Wharf Ground Rents Limited	Ordinary £1	Ground rents	UK

5 Investments continued

Company	Type of share	Nature of business	Country of incorporation
Hill Ground Rents Limited	Ordinary £1	Ground rents	UK
Invest Ground Rents Limited	Ordinary £1	Ground rents	UK
Masshouse Block HI Limited	Ordinary £1	Ground rents	UK
Masshouse Residential Block HI Limited	Ordinary £1	Ground rents	UK
Metropolitan Ground Rents Limited	Ordinary £1	Ground rents	UK
Nikal Humber Quay Residential Limited	Ordinary £1	Ground rents	UK
Northwest Houses Ground Rents Limited	Ordinary £1	Ground rents	UK
OPW Ground Rents Limited	Ordinary £1	Ground rents	UK
The Manchester Ground Rent Company Limited	Ordinary £1	Ground rents	UK
Trinity Land & Investments No.2 Limited	Ordinary £1	Ground rents	UK
Wiltshire Ground Rents Limited	Ordinary £1	Ground rents	UK
XQ7 Ground Rents Limited	Ordinary £1	Ground rents	UK

6 Trade and other receivables

	2021 £	2020 £
Amounts owed by subsidiary undertakings	79,252,781	82,405,907
Other taxes and social security costs	21,219	-
Other receivables	1,073,864	1,045,134
Prepayments and accrued income	7,020	58,993
	80,354,884	83,510,034

Amounts owed by subsidiary undertakings are unsecured, interest free and are repayable on demand.

At each period end the Company calculates the expected credit loss for amounts owed by subsidiary undertakings based on lifetime expected credit losses under the IFRS 9 simplified approach.

	2021 £	2020 £
Amounts owed by subsidiary undertakings	80,974,457	87,949,196
Impairments	(1,721,676)	(5,543,289)
	79,252,781	82,405,907

An impairment assessment of the amounts owed by subsidiaries to the Company was determined by reference to the net assets of subsidiaries. The full movement in the impairment against amounts owed by subsidiaries has been released to the Company profit and loss account in the financial year. This included the release of the impairment in relation to amounts owed by North West Ground Rents Limited. The corresponding amounts owed to the Company by the entity were written off following the appointment of liquidators and the subsequent cessation of control by the Company.

The net assets of subsidiaries are driven by the investment property valuations and sensitivities in respect of property valuations. Level 3 unobservable input disclosures in connection with the investment property valuations are provided in note 8 to the Group consolidated financial statements.

Notes to the Company Financial Statements **continued**

For the year ended 30 September 2021

7 Trade and other payables

	2021 £	2020 £
Amounts owed to subsidiary undertakings	1,565,836	1,054,127
Trade payables	78,478	46,006
Other taxes and social security costs	-	47,337
Other payables	135,940	45,992
Accruals and deferred income	1,055,868	956,257
	2,836,122	2,149,719

Amounts owed to subsidiary undertakings are unsecured, interest free and are repayable on demand.

8 Financial instruments

The Company's financial instruments comprise cash and various items such as trade and other receivables and trade and other payables which arise from its operations, which include amounts owed to and by subsidiary undertakings.

Financial assets carried at amortised cost

The book value and fair value of the Company's financial assets, were as follows:

	2021		2020	
	Book value £	Fair value £	Book value £	Fair value £
Amounts owed by subsidiary undertakings	79,252,781	79,252,781	82,405,907	82,405,907
Other taxes and social security costs	21,219	21,219	-	-
Other receivables	1,073,864	1,073,864	211,948	211,948
Prepayments and accrued income	7,020	7,020	58,993	58,993
Cash at bank and in hand	1,090,027	1,090,027	2,435,758	2,435,758

As at 30 September 2021 no trade or other receivables (2020: £nil) were impaired or provided for.

Financial liabilities carried at amortised cost

The book value and fair value of the Company's financial liabilities, were as follows:

	2021		2020	
	Book value £	Fair value £	Book value £	Fair value £
Amounts owed to subsidiary undertakings	1,565,836	1,565,836	1,054,127	1,054,127
Trade payables	78,478	78,478	46,006	46,006
Other taxes and social security costs	-	-	47,337	47,337
Other payables and accruals	1,191,808	1,191,808	1,002,249	1,002,249

Financial risk management

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

9 Share capital, capital redemption reserve and share premium account

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

	Number of shares	Share capital £	Capital redemption reserve £	Share premium account £
At 1 October 2019	97,006,497	48,503,248	-	45,884,305
Conversion of share premium into distributable reserves	-	-	-	(45,884,305)
At 30 September 2020	97,006,497	48,503,248	-	-
Share buyback	(260,000)	(130,000)	130,000	-
At 30 September 2021	96,746,497	48,373,248	130,000	-

The total number of ordinary shares, issued and fully paid at 30 September 2021, was 96,746,497 with a par value of £0.50 per share. Details of the shares issued are given in note 15 of the Group consolidated financial statements.

Following the approval by shareholders and warrant holders at a General Meeting in November 2019, the Company cancelled its share premium account in order to create distributable reserves to better facilitate the payment of future dividends.

At the Company's last AGM in March 2021, the Company was given the authority to purchase up to 14.99% of its issued share capital. In September 2021 the Company commenced an open market share buyback programme with the aim to deliver shareholder value and narrow the discount to NAV.

As at the reporting date, the Company had repurchased 260,000 shares from distributable reserves. To preserve the Company's capital, the Company has transferred to a capital redemption reserve an amount equivalent to the nominal value of the shares, being £130,000.

10 Retained earnings

	2021 £	2020 £
At the beginning of the year retained earnings/(accumulated losses)	36,598,580	(3,272,085)
Conversion of share premium into distributable reserves	-	45,884,305
Dividends paid in the year (note 16 – consolidated financial statements)	(3,841,457)	(3,870,559)
Share buyback	(195,392)	-
	32,561,731	38,741,661
Loss for the financial year	(1,150,435)	(2,143,081)
At the end of the year retained earnings	31,411,296	36,598,580

11 Reconciliation of movements in total equity

	2021 £	2020 £
At the beginning of the year	85,101,828	91,115,468
Dividends paid in the year (note 16 – consolidated financial statements)	(3,841,457)	(3,870,559)
Share buyback	(195,392)	-
Loss for the financial year	(1,150,435)	(2,143,081)
At the end of the year	79,914,544	85,101,828

Notes to the Company Financial Statements **continued**

For the year ended 30 September 2021

12 Cash generated from operations

Reconciliation of loss before income tax to net cash generated from operating activities

	2021 £	2020 £
Loss before tax	(1,150,435)	(2,143,081)
Adjustments for:		
Impairment of investment in subsidiary undertakings	-	34,361
Net finance income	(568)	(13,942)
Operating cash flows before movements in working capital	(1,151,003)	(2,122,662)
Movements in working capital:		
Decrease/(increase) in trade and other receivables	2,024	(1,014,850)
Decrease in amounts owed by subsidiary undertakings	3,153,126	1,978,238
Increase in amounts owed to subsidiary undertakings	511,709	1,054,127
Increase in trade and other payables	174,694	260,668
Net cash generated from operations	2,690,550	155,521

Costs of share buyback

The costs from the share buyback can be analysed as follows:

	2021 £	2020 £
Buyback of 260,000 ordinary shares	195,000	-
Costs associated with buyback of ordinary shares	392	-
	195,392	-

13 Analysis of changes in net cash

	At 1 October 2020 £	Cash flows £	Non-cash changes £	At 30 September 2021 £
Cash at bank and in hand	2,435,758	(1,345,731)	-	1,090,027

14 Related party transactions

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

14 Related party transactions continued

Company	Amounts owed by related parties		Amounts owed to related parties	
	2021 £	2020 £	2021 £	2020 £
Admiral Ground Rents Limited	5,429,427	5,742,276	-	-
Azure House Ground Rents Limited	95,956	101,608	-	-
Banbury Ground Rents Limited	112,958	121,369	-	-
BH Ground Rents Limited	1,297,787	1,380,830	-	-
Clapham One Ground Rents Limited	2,694,293	2,791,214	-	-
D G Ground Rents Limited	1,467,305	1,557,674	-	-
East Anglia Ground Rents Limited	435,283	464,388	-	-
Ebony House Ground Rents Limited	168,140	175,889	-	-
Enclave Court Ground Rents Limited	116,036	124,425	-	-
Greenhouse Ground Rents Limited	533,769	560,333	-	-
GRIF Student Ground Rents Limited	856,850	919,672	-	-
GRIF033 Limited	619,640	654,816	-	-
GRIF038 Limited	41,422	41,422	-	-
GRIF039 Limited	722,294	740,417	-	-
GRIF040 Limited	14,255,826	14,885,488	-	-
GRIF041 Limited	2,609,416	2,756,423	-	-
GRIF042 Limited	593,642	636,612	-	-
GRIF043 Limited	942,467	985,909	-	-
GRIF044 Limited	1,391,712	1,496,342	-	-
GRIF045 Limited	833,770	944,605	-	-
GRIF046 Limited	2,164,758	2,238,366	-	-
GRIF047 Limited	133,420	142,005	-	-
GRIF048 Limited	-	-	1,565,836	1,054,127
GRIF051 Limited	17,418,584	17,991,643	-	-
GRIF052 Limited	1,679,363	1,745,641	-	-
Halcyon Wharf Ground Rents Limited	308,865	327,134	-	-
Hill Ground Rents Limited	4,558,522	4,848,706	-	-
Invest Ground Rents Limited	208,294	221,009	-	-
Masshouse Block HI Limited	2,661,230	2,901,501	-	-
Masshouse Residential Block HI Limited	354,124	400,861	-	-
Metropolitan Ground Rents Limited	2,557,781	2,755,410	-	-
Nikal Humber Quay Residential Limited	178,614	198,916	-	-
Northwest Houses Ground Rents Limited	911,041	987,529	-	-
OPW Ground Rents Limited	3,699,828	3,912,524	-	-
The Manchester Ground Rent Company Limited	3,698,476	3,896,587	-	-
Trinity Land & Investments No.2 Limited	2,251,894	2,393,746	-	-
Wiltshire Ground Rents Limited	2,383,568	2,426,759	-	-
XQ7 Ground Rents Limited	588,102	621,459	-	-

All the above subsidiaries are registered at the Company's registered office, being 1 London Wall Place, London, EC2Y 5AU.

Notes to the Company Financial Statements **continued**

For the year ended 30 September 2021

14 Related party transactions continued

Company	Amounts owed by related parties		Amounts owed to related parties	
	2021 £	2020 £	2021 £	2020 £
North West Ground Rents Limited	-	2,857,690	-	-

Representatives at Grant Thornton Limited were appointed as liquidators of North West Ground Rents Limited in August 2021. The Company ceased to have ultimate control from the date of appointment and has subsequently written off amounts owed to the Company to the income statement and released the corresponding existing impairment. See note 6 for further details.

15 Events after the year end date

In October 2021, 136,000 of ordinary shares were repurchased and cancelled by the Company and a further 320,000 in November 2021, reducing the number of shares in issue to 96,290,497.

AIFMD Disclosures

The Alternative Investment Fund Managers Directive (“AIFMD”) remuneration and leverage disclosures are as follows:

Remuneration disclosures (excerpt from the Schroders Plc’s Annual Report for the year ended 31 December 2020)

These disclosures should be read in conjunction with the Schroders plc Remuneration Report on pages 75 to 102 of the 2020 Annual Report & Accounts (available on the Group’s website – <https://www.schroders.com/en/investor-relations/results-and-reports/annual-report-and-accounts-2020/>), which provides more information on the activities of our Remuneration Committee and our remuneration principles and policies.

The AIF Material Risk Takers (“AIF MRTs”) of SREIM are individuals whose roles within the Schroders Group can materially affect the risk of SREIM or any AIF fund that it manages. These roles are identified in line with the requirements of the AIFM Directive and guidance issued by the European Securities and Markets Authority.

The Remuneration Committee of Schroders plc has established a remuneration policy to ensure the requirements of the AIFM Directive are met for all AIF MRTs. The Remuneration Committee and the Board of Schroders plc review remuneration strategy at least annually. The directors of SREIM are responsible for the adoption of the remuneration policy, for reviewing its general principles at least annually, for overseeing its implementation and for ensuring compliance with relevant local legislation and regulation. During 2020 the Remuneration Policy was reviewed to ensure compliance with the UCITS/AIFMD remuneration requirements and no significant changes were made.

The implementation of the remuneration policy is, at least annually, subject to independent internal review for compliance with the policies and procedures for remuneration adopted by the Board of SREIM and the Remuneration Committee. The most recent review found no fundamental issues but resulted in a range of more minor recommendations, principally improvements to process and policy documentation.

The total spend on remuneration is determined based on a profit share ratio, measuring variable remuneration charge against pre-bonus profit, and from a total compensation ratio, measuring total remuneration expense against net income. This ensures that the interests of employees are aligned with Schroders’ financial performance. In determining the remuneration spend each year, the underlying strength and sustainability of the business is taken into account, along with reports on risk, legal, compliance and internal audit matters from the heads of those areas.

The remuneration data that follows reflects amounts paid in respect of performance during 2020.

- The total amount of remuneration paid by SREIM to its staff is nil as SREIM has no employees. Employees of SREIM or other Schroders Group entities who serve as Directors of SREIM receive no additional fees in respect of their role on the Board of SREIM.
- The following disclosures relate to AIF MRTs of SREIM. Those AIF MRTs were employed by and provided services to other Schroders group companies and clients. In the interests of transparency, the aggregate remuneration figures that follow reflect the full remuneration for each SREIM AIF MRT. The aggregate total remuneration paid to the 76 AIF MRTs of SREIM in respect of the financial year ended 31 December 2020 is £56.30 million, of which £36.33 million was paid to senior management, £14.75 million was paid to MRTs deemed to be taking risk on behalf of SREIM or the AIF funds that it manages and £5.22 million was paid to other AIF MRTs including control function MRTs.

For additional qualitative information on remuneration policies and practices see www.schroders.com/rem-disclosures.

Leverage disclosure (for the Group for the period ended 30 June 2021)

In accordance with AIFMD the Group is required to make available to investors information in relation to leverage. Under AIFMD, leverage is any method by which the exposure of the Group is increased through the borrowing of cash or securities, leverage embedded in derivative positions or by another means.

It is expressed as a ratio between the total exposure of the Group and its net asset value and is calculated in accordance with the “Gross method” and the “Commitment method” as described in the AIFMD. The Gross method represents the aggregate of all the Group’s exposures other than cash balances held in the base currency, while the Commitment method, which is calculated on a similar basis, may also take into account cash and cash equivalents, netting and hedging arrangements, as applicable.

The Investment Manager has set the expected maximum leverage percentages for the Group and calculated the actual leverages as at 30 June 2021 as shown below (the Group calculates and externally reports its leverage one quarter in arrears):

	Maximum limit set	Actual as at 30 June 2021
Gross leverage	175%	124%
Commitment leverage	175%	126%

There have been no changes to the maximum levels of leverage employed by the Group nor any breaches of the maximum levels during the financial reporting period.

Annual General Meeting – Recommendations

The Annual General Meeting (“AGM”) of Ground Rents Income Fund plc (the “Company”) will be held on Wednesday, 9 February 2022 at 1.00 pm. The formal Notice of Meeting is set out on page 67.

The following information is important and requires your immediate attention. If you are in any doubt about the action you should take, you should consult an independent financial adviser, authorised under the Financial Services and Markets Act 2000. If you have sold or transferred all of your ordinary shares in the Company, please forward this document with its accompanying form of proxy at once to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for onward transmission to the purchaser or transferee.

Ordinary business

Resolutions 1 to 8 are all ordinary resolutions

Resolution 1 is a required resolution. Resolution 2 concerns the Directors’ Remuneration Report, on pages 29 and 30. Resolutions 3 to 6 invite and recommend shareholders to elect Katherine Innes Ker and Jane Vessey, and re-elect each of the other Directors for another year (their biographies are set out on pages 21 and 22). Resolutions 7 and 8 concern the re-appointment and remuneration of the Company’s auditor.

Special business

Resolution 9 – approval of the Company’s dividend policy (ordinary resolution)

In line with corporate governance best practice, the Board is putting the Company’s dividend policy to shareholders for approval. No change to the dividend policy is proposed at this time.

Resolution 10 – Directors’ authority to allot shares (ordinary resolution) and resolution 11 – power to disapply pre-emption rights (special resolution)

The Directors are seeking authority to allot a limited number of unissued ordinary shares for cash without first offering them to existing shareholders in accordance with statutory pre-emption procedures.

Appropriate resolutions will be proposed at the forthcoming AGM and are set out in full in the Notice of AGM. An ordinary resolution will be proposed to authorise the Directors to allot shares up to a maximum aggregate nominal amount of 4,814,525 (being 10% of the issued share capital (excluding any shares held in treasury) as at the date of the Notice of the AGM). In accordance with the pre-emption group guidelines, two special resolutions will also be proposed to give the Directors authority to allot securities for cash on a non pre-emptive basis up to a maximum aggregate nominal amount of 4,814,525 (being 10% of the Company’s issued share capital (excluding any shares held in treasury) as at 15 December 2021). This authority includes shares that the Company sells or transfers that have been held in treasury. The Board has established guidelines for treasury shares and will only reissue shares held in treasury at a price equal to or greater than the Company’s net asset value (inclusive of current year income) plus any applicable costs.

The Directors do not intend to allot shares pursuant to these authorities other than to take advantage of opportunities in the market as they arise and only if they believe it to be advantageous to the Company’s existing shareholders to do so and when it would not result in any dilution of NAV per share.

If approved, each of these authorities will expire at the conclusion of the AGM in 2022 unless renewed, varied or revoked earlier.

Resolution 12: Authority to make market purchases of the Company’s own shares (special resolution)

At the AGM held on 31 March 2021, the Company was granted authority to make market purchases of up to 14,541,273 ordinary shares of 50p each for cancellation or holding in treasury. 716,000 shares have been bought back into treasury under this authority and the Company therefore has remaining authority to purchase up to 13,825,273 ordinary shares. This authority will expire at the forthcoming AGM.

The Directors believe it is in the best interests of the Company and its shareholders to have a general authority for the Company to buy back its ordinary shares in the market as they keep under review the share price discount to net asset value and the purchase of ordinary shares. A special resolution will be proposed at the forthcoming AGM to give the Company authority to make market purchases of up to 14.99% of the ordinary shares in issue as at the date of the Notice of the AGM. The Directors will exercise this authority only if the Directors consider that any purchase would be for the benefit of the Company and its shareholders, taking into account relevant factors and circumstances at the time. Any shares so purchased would be cancelled or held in treasury for potential reissue. If renewed, the authority to be given at the 2022 AGM will lapse at the conclusion of the AGM in 2023 unless renewed, varied or revoked earlier.

The Board has considered whether any of the Company’s share price discount to net asset value can be attributed to the performance of the Investment Manager, and also the TER and current fee structure of the fund, and has concluded that any contribution for these factors is immaterial in the context of shareholder concerns about the legislative reform affecting the sector and building safety matters. The Board considers that the buybacks undertaken by the Company during and after the year ending 30 September 2021 have been effective.

Recommendations

The Board considers that the resolutions relating to the above items of business are in the best interests of shareholders as a whole. Accordingly, the Board unanimously recommends to shareholders that they vote in favour of the resolutions to be proposed at the forthcoming AGM.

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of Ground Rents Income Fund plc will be held at 1 London Wall Place, London, EC2Y 5AU on Wednesday, 9 February 2022 at 1.00 pm to consider the following resolutions of which resolutions 1 to 11 will be proposed as ordinary resolutions and resolutions 12 to 13 will be proposed as special resolutions:

1. To receive the Report of the Directors and the audited financial statements for the year ended 30 September 2021.
2. To approve the Directors' Remuneration Report for the year ended 30 September 2021.
3. To elect Katherine Innes Ker as a Director of the Company.
4. To elect Jane Vessey as a Director of the Company.
5. To re-elect Barry Gilbertson as a Director of the Company.
6. To re-elect Bill Holland as a Director of the Company.
7. To re-appoint PricewaterhouseCoopers LLP as auditor to the Company.
8. To authorise the Directors to determine the remuneration of PricewaterhouseCoopers LLP as auditor to the Company.
9. To approve the Company's dividend policy, as set out on page 23 of the annual report and financial statements for the year ended 30 September 2021.
10. To consider, and if thought fit, pass the following resolution as an ordinary resolution:
 "THAT the Directors be generally and unconditionally authorised pursuant to section 551 of the Companies Act 2006 (the "Act") to exercise all the powers of the Company to allot relevant securities (within the meaning of section 551 of the Act) up to an aggregate nominal amount of £4,814,525 (being 10% of the issued ordinary share capital at the date of this Notice) for a period expiring (unless previously renewed, varied or revoked by the Company in general meeting) at the conclusion of the next Annual General Meeting of the Company, but that the Company may make an offer or agreement which would or might require relevant securities to be allotted after expiry of this authority and the Board may allot relevant securities in pursuance of that offer or agreement."
11. To consider and, if thought fit, to pass the following resolution as a special resolution:
 "THAT, subject to the passing of resolution 10 set out above, the directors be and are hereby empowered, pursuant to Section 571 of the Act, to allot equity securities (including any shares held in treasury) (as defined in section 560(1) of the Act) pursuant to the authority given in accordance with section 551 of the Act by the said resolution 10 and/or where such allotment constitutes an allotment of equity securities by virtue of section 560(2) of the Act as if Section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities up to an aggregate nominal amount of £4,814,525 (representing 10% of the aggregate nominal amount of the share capital in issue at the date of this Notice); and provided that this power shall expire at the conclusion of the next Annual General Meeting of the Company but so that this power shall enable the Company to make offers or agreements before such expiry which would or might require equity securities to be allotted after such expiry."
12. To consider and, if thought fit, to pass the following resolution as a special resolution:
 "THAT the Company be and is hereby generally and unconditionally authorised in accordance with Section 701 of the Act to make market purchases (within the meaning of Section 693 of the Act) of ordinary shares of 50p each in the capital of the Company ("Shares") at whatever discount

the prevailing market price represents to the prevailing net asset value per Share provided that:

- (a) the maximum number of Shares which may be purchased is 14,433,946, representing 14.99% of the Company's issued ordinary share capital as at the date of this Notice;
- (b) the maximum price (exclusive of expenses) which may be paid for a Share shall not exceed the higher of;
 - (i) 105% of the average of the middle market quotations for the Shares as taken from the International Stock Exchange Official List for the five business days preceding the date of purchase; and
 - (ii) the higher of the last independent bid and the highest current independent bid on the London Stock Exchange;
- (c) the minimum price (exclusive of expenses) which may be paid for a Share shall be 50p, being the nominal value per Share;
- (d) this authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company in 2023 (unless previously renewed, varied or revoked by the Company prior to such date);
- (e) the Company may make a contract to purchase Shares under the authority hereby conferred which will or may be executed wholly or partly after the expiration of such authority and may make a purchase of Shares pursuant to any such contract; and
- (f) any Shares so purchased will be cancelled or held in treasury."

By order of the Board

For and on behalf of
Schroder Investment Management Limited
 Registered Number: 08041022
 16 December 2021

Registered Office:
 1 London Wall Place
 London, EC2Y 5AU

Explanatory Notes to the Notice of Annual General Meeting

1. Ordinary shareholders are entitled to attend and vote at the meeting and to appoint one or more proxies, who need not be a shareholder, as their proxy to exercise all or any of their rights to attend, speak and vote on their behalf at the meeting.

A proxy form is attached. If you wish to appoint a person other than the Chair as your proxy, please insert the name of your chosen proxy holder in the space provided at the top of the form. If the proxy is being appointed in relation to less than your full voting entitlement, please enter in the box next to the proxy holder's name the number of shares in relation to which they are authorised to act as your proxy. If left blank your proxy will be deemed to be authorised in respect of your full voting entitlement (or if this proxy form has been issued in respect of a designated account for a shareholder, the full voting entitlement for that designated account).

Additional proxy forms can be obtained by contacting the Company's Registrars, Equiniti, on 0800 032 0641 or +44 121 415 0207 (if overseas), or you may photocopy the attached proxy form. Lines are open between 08:30 – 17:30, Monday to Friday excluding public holidays in England and Wales. Please indicate in the box next to the proxy holder's name the number of shares in relation to which they are authorised to act as your proxy. Please also indicate by ticking the box provided if the proxy instruction is one of multiple instructions being given. Completion and return of a form of proxy will not preclude a member from attending the Annual General Meeting and voting in person.

On a vote by show of hands, every ordinary shareholder who is present in person has one vote and every duly appointed proxy who is present has one vote. On a poll vote, every ordinary shareholder who is present in person or by way of a proxy has one vote for every share of which he/she is a holder.

The "Vote Withheld" option on the proxy form is provided to enable you to abstain on any particular resolution.

However it should be noted that a "Vote Withheld" is not a vote in law and will not be counted in the calculation of the proportion of the votes "For" and "Against" a resolution.

A proxy form must be signed and dated by the shareholder or his or her attorney duly authorised in writing. In the case of joint holdings, any one holder may sign this form. The vote of the senior joint holder who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint holder and for this purpose seniority will be determined by the order in which the names appear on the Register of Members in respect of the joint holding. To be valid, proxy form(s) must be completed and returned to the Company's Registrars, Equiniti, at Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA in the enclosed envelope together with any power of attorney or other authority under which it is signed or a copy of such authority certified notarially, to arrive no later than 48 working hours before the time fixed for the meeting, or an adjourned meeting.

You may also submit your proxy votes via the internet. You can do so by visiting www.sharevote.co.uk. You will require your voting ID, task ID and Shareholder Reference Number. This information can be found under your name on your form of proxy.

Alternatively, shareholders who have already registered with Equiniti Registrars' online portfolio service, Shareview, can appoint their proxy electronically by logging on to their portfolio at www.shareview.co.uk using their user ID and password. Once logged in, click "view" on the "My Investments" page. Click on the link to vote and follow the on screen instructions. Please note that to be valid, your proxy instructions must be received by the Company's registrar no later than 1.00 pm on Monday, 7 February 2022. If you have any difficulties with online voting, you should contact the shareholder helpline on 0800 032 0641 or +44 121 415 0207 (if overseas). Lines are open between 08:30 – 17:30, Monday to Friday excluding public holidays in England and Wales.

If an ordinary shareholder submits more than one valid proxy appointment, the appointment received last before the latest time for receipt of proxies will take precedence.

Shareholders may not use any electronic address provided either in this Notice of Annual General Meeting or any related documents to

communicate with the Company for any purposes other than expressly stated.

Representatives of shareholders that are corporations will have to produce evidence of their proper appointment when attending the Annual General Meeting.

2. Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person") may, under an agreement between him or her and the shareholder by whom he or she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the Annual General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he or she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights. The statement of the rights of ordinary shareholders in relation to the appointment of proxies in note 1 above does not apply to Nominated Persons. The rights described in that note can only be exercised by ordinary shareholders of the Company.
3. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company has specified that only those shareholders registered in the Register of members of the Company at close of business on Monday, 7 February 2022, or close of business two working days prior to the date of an adjourned meeting, shall be entitled to attend and vote at the meeting in respect of the number of shares registered in their name at that time. Changes to the Register of Members after close of business on Monday, 7 February 2022 shall be disregarded in determining the right of any person to attend and vote at the meeting.
4. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST manual. The CREST manual can be viewed at www.euroclear.com. A CREST message appointing a proxy (a "CREST proxy instruction") regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction previously given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA19) by the latest time for receipt of proxy appointments.
5. Copies of the articles of association, terms of appointment of the non-executive Directors and a statement of all transactions of each Director and of his family interests in the shares of the Company, will be available for inspection by any member of the Company at the registered office of the Company during normal business hours on any weekday (English public holidays excepted) and at the Annual General Meeting by any attendee, for at least 15 minutes prior to, and during, the Annual General Meeting. None of the Directors has a contract of service with the Company.
6. The biographies of the Directors offering themselves for election and re-election are set out on pages 21 and 22 of the Company's annual report and financial statements for the year ended 30 September 2021.
7. As at 15 December 2021, 96,290,497 ordinary shares of 50 pence each were in issue (no shares were held in treasury). Therefore the total number of voting rights of the Company as at 15 December 2021 was 96,290,497.
8. A copy of this Notice of Meeting, which includes details of shareholder voting rights, together with any other information as required under Section 311A of the Companies Act 2006, is available from the webpages dedicated to the Company: www.groundrentsincomefund.com.
9. Pursuant to Section 319A of the Companies Act 2006, the Company must cause to be answered at the Annual General Meeting any question relating to the business being dealt with at the AGM which is put by a member attending the meeting, except in certain circumstances, including if it is undesirable in the interests of the Company or the good order of the meeting that the question be answered or if to do so would involve the disclosure of confidential information.

Ground Rents Income Fund plc
1 London Wall Place, London, EC2Y 5AU, United Kingdom
Tel: +44 (0)20 7658 6000

Glossary

AGM means the Annual General Meeting of the Company.

AIFM means the Company's alternative investment fund manager under AIFMD, Schroder Real Estate Investment Management Limited.

AIFMD means the Alternative Investment Fund Managers Directive (Directive 2011/61/EU).

Articles means the Company's Articles of Association, as amended from time to time.

Companies Act means the Companies Act 2006.

Company is Ground Rents Income Fund plc.

Directors means the Directors of the Company as at the date of this document and their successors and 'Director' means any one of them.

Disclosure Guidance and Transparency Rules means the disclosure guidance and transparency rules made by the FCA under Part VII of the UK Financial Services and Markets Act 2000, as amended.

Earnings per share ("EPS") is the profit after taxation divided by the weighted average number of shares in issue during the year.

FCA is the UK Financial Conduct Authority.

Gearing is the Group's net debt as a percentage of net assets.

Group is the Company and its subsidiaries.

Initial yield is the annualised net rents generated by the portfolio expressed as a percentage of the portfolio valuation.

Interest cover is the number of times Group net interest payable is covered by Group net rental income.

IPO is the initial placing and offer made pursuant to a prospectus dated 24 July 2012.

Loan to value ("LTV") is a ratio which expresses the gearing on an asset or within a company or group by dividing the outstanding loan amount by the value of the assets on which the loan is secured.

LSE is the London Stock Exchange.

Net asset value ("NAV") is the value of total assets minus total liabilities.

NAV total return is calculated taking into account the timing of dividends, share buybacks and issuance.

Net rental income is the rental income receivable in the year after payment of ground rents and net property outgoings. This excludes rental income for rent free periods currently in operation and service charge income.

Par value is the face value of a share (per section 542, Companies Act 2006), debt security or other type of financial instrument as opposed to its market value which may be more or less than par.

RCF is a Revolving Credit Facility.

TISE is The International Stock Exchange, headquartered in Guernsey.

Shareholder Information

Web pages and share price information

The Company has dedicated web pages, which may be found at <http://www.groundrentsincomefund.com>. The web pages have been designed to be utilised as the Company's primary method of electronic communication with shareholders. They contain details of the Company's ordinary share price and copies of Report and financial statements and other documents published by the Company as well as information on the Directors, terms of reference of Committees and other governance arrangements. In addition, the web pages contain links to announcements made by the Company to the market.

Share price information may be found in the Financial Times and on the Company's web pages.

Individual Savings Account ("ISA") status

The Company's shares are eligible for stocks and shares ISAs.

Non-mainstream pooled investments status

The Company currently conducts its affairs so that its shares can be recommended by IFAs to ordinary retail investors in accordance with the UK Financial Conduct Authority's ("FCA's") rules in relation to non-mainstream investment products and intends to continue to do so for the foreseeable future. The Company's shares are excluded from the FCA's restrictions which apply to non-mainstream investment products because they are shares in an investment trust.

Financial calendar (2022)

First interim dividend paid	March
Annual general meeting	March
Second interim dividend paid	June
Half-year results announced	June
Third interim dividend paid	September
Financial year end	30 September
Fourth interim dividend paid	December
Annual results announced	December

Alternative Investment Fund Managers Directive ("AIFMD") Disclosures

The AIFMD, as transposed into the FCA Handbook in the UK, requires that certain pre-investment information be made available to investors in Alternative Investment Funds (such as the Company) and also that certain regular and periodic disclosures are made. This information and these disclosures may be found either below, elsewhere in this Annual Report, or in the Company's AIFMD information disclosure document published on the Company's web pages.

Remuneration disclosures

The information required under the AIFMD to be made available to investors in the Company on request in respect of remuneration paid by the AIFM to its staff, and, where relevant, carried interest paid by the Company, can be found on the Company's web pages.

Publication of Key Information Document ("KID") by the AIFM

Pursuant to the Packaged Retail and Insurance-Based Investment Products ("PRIIPs") Regulation, the Manager, as the Company's AIFM, is required to publish a short KID on the Company. KIDs are designed to provide certain prescribed information to retail investors, including details of potential returns under different performance scenarios and a risk/reward indicator. The Company's KID is available on its web pages.

Corporate Information

Directors

Barry Gilbertson (Chair)
Bill Holland
Katherine Innes Ker
Jane Vessey

Manager

Schroder Real Estate Investment Management Limited
1 London Wall Place
London
EC2Y 5AU

Two St Peter's Square
Manchester
M2 3AA

Registered Office

1 London Wall Place
London
EC2Y 5AU

Depositary

INDOS Financial Limited
St Clements House
27 Clements Lane
London
EC4N 7AE

Company Secretary

Schroder Investment Management Limited
1 London Wall Place
London
EC2Y 5AU

Solicitors to the Company

Addleshaw Goddard LLP
One St Peter's Square
Manchester
M2 3DE

Auditors

PricewaterhouseCoopers LLP
No 1 Spinningfields
Hardman Square
Manchester
M3 3AB

Property Valuers

Savills Advisory Services Limited
33 Margaret Street
London
W1G 0JD

Tax Advisers

Deloitte LLP
2 New Street Square
London
EC4A 3BZ

Corporate Broker

Singer Capital Markets Advisory LLP
One Bartholomew Lane
London
EC2N 2AX

TISE Listing Sponsor

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

Registrar

Equiniti Limited
Aspect House
Spencer Road
Lancing
West Sussex
BN99 6DA

Dealing codes

Ordinary shares
ISIN: GB00B715WG26
SEDOL: B8K0LM4
Ticker (LSE SETSXX): GRI0
Ticker (TISE): GRI

Warrants

ISIN: GB00B8N43P05
SEDOL: B8K0RP9
Ticker (LSE SETSxx): GRIW
Ticker (TISE): GRIw

Global Intermediary Identification Number (GIIN)

RY6D8C.99999.SL.826

Legal Entity Identifier (LEI)

213800SL35N8P6XCLM37

Website

www.schroders.com/grio

Schroders capital

**Schroder Real Estate Investment
Management Limited**
1 London Wall Place,
London, EC2Y 5AU,
United Kingdom
Tel: +44 (0)20 7658 6000

 schroders.com/grio

 @schroders