

Registered number
8041022

Ground Rents Income Fund plc
Consolidated Interim Financial Report
for the period ended 31 March 2013

Ground Rents Income Fund plc
Consolidated Interim Financial Report
Contents

	Page
Company information	1
Directors' report	2-3
Consolidated Income Statement	4
Consolidated Statement of Financial Position	5
Consolidated Statement of Changes in Equity	6
Consolidated Statement of Cash Flows	7
Notes to the Consolidated Interim Financial Report	8

Ground Rents Income Fund plc

Company Information

Directors

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

Secretary

William Martin Robinson (appointed 20/12/2012)
Jonathan Stewart Murphy (appointed 29/02/2012, resigned 20/12/2012)

Auditors

PricewaterhouseCoopers LLP
101 Barbirolli Square
Lower Mosley Street
Manchester
M2 3PW

Principal Bankers

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

CISX Listing Sponsor

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

Broker

N+1 Singer
One Bartholomew Lane
London
EC2N 2AX

Solicitors

Addleshaw Goddard
Milton Gate
60 Chiswell Street
London
EC1Y 4AG

Registered office

111 Park Street
London
W1K 7JL

Registered number

8041022

Ground Rents Income Fund plc

Registered number: 8041022

Directors' Report

The directors present their unaudited Consolidated Interim Financial Report for the period ended 31 March 2013.

Group overview

Ground Rents Income Fund plc (GRIF or the Company) is a closed ended company established to provide secure, long-term performance through investment in long dated United Kingdom ground rents.

Principal activities

The Company, together with its subsidiaries (together, the Group), operates a property investment and rental business. The group generates its revenues from the collection of ground rents from freeholds and head leases and in some cases from the receipt of insurance commissions from the placing of insurance on these properties.

Review of the business

The Company was admitted to the Official List of the Channel Islands Stock Exchange and to trading on the SETSqx platform of the London Stock Exchange in August 2012 and raised approximately £48.2 million at that time through a placing and offer for subscription of Ordinary Shares with Warrants attached on a one for five basis.

Since First Admission the Company has invested 74 percent of the proceeds from the First Placing into a diversified portfolio of ground rents assets and has identified a strong pipeline of opportunities for completion in 2013.

Future developments

The Company's investment strategy remains unchanged from that outlined in the listing document published on 24 July 2012 and the Company's property and investment advisor continues to source acquisition opportunities through its network of contacts and relationships in the property industry.

The Company has a strong pipeline of opportunities for completion in 2013. On 3 May 2013 the Company announced that it had conditionally raised £37.8 million, net of expenses, by way of a placing of Convertible Preference Shares, full details of which were set out in a Listing Document and Circular to Shareholders of the same date. The Placing is subject to Shareholder approval at a General Meeting on 23 May 2013.

Financial risk management

The management of the business and the execution of the Company's strategy are subject to a number of risks.

Credit risk

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

Interest rate risk

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

Ground Rents Income Fund plc

Registered number: 8041022

Directors' Report

Dividends

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

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

- Interim ordinary dividend for the period to 31 December 2012 of 0.35p per share
- Interim PID dividend for the period to 31 March 2013 of 0.6p per share

On 9th May 2013 the directors declared a further interim PID dividend for the period to 30 June 2013 of 0.7p per share and intend to declare further interim dividends on a quarterly basis.

Directors

The following persons served as directors during the period:

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

This report was approved by the board on 9 May 2013 and signed on its behalf by:

Simon Paul Wombwell
Director



Ground Rents Income Fund plc
Consolidated Income Statement
for the period from 23 April 2012 to 31 March 2013

	Notes	Unaudited 23 April 2012 to 31 March 2013 £
Continuing Operations		
Revenue	2	774,328
Administrative expenses		(426,304)
Operating profit	3	<u>348,024</u>
Finance income	6	118,791
Exceptional items:		
Cost of acquiring ground rent investment properties		(1,874,404)
Revaluation gain on investment properties		<u>265,720</u>
		(1,608,684)
Loss before income tax		<u>(1,141,869)</u>
Income tax expense	7	(3,271)
Loss for the period attributable to equity holders of the company		<u>(1,145,140)</u>
 Loss per share from continuing operations attributable to owners of the parent during the period		
Basic loss per share		<u>(0.04)</u>

The accompanying notes from pages 8 to 13 form an integral part of the interim consolidated financial statements.

Ground Rents Income Fund plc
Consolidated Statement of Financial Position
as at 31 March 2013

	Notes	Unaudited 2013 £
Assets		
Non current assets		
Ground Rent assets	8	34,213,453
		<u>34,213,453</u>
Current assets		
Trade and other receivables	9	620,557
Cash		11,587,809
		<u>12,208,366</u>
Total Assets		<u>46,421,819</u>
Liabilities		
Current liabilities		
Trade and other payables	10	(903,049)
Total current liabilities		<u>(903,049)</u>
Net assets		<u>45,518,770</u>
Equity		
Called up share capital	11	24,121,150
Share premium	12	18,501,062
Distributable reserves	13	2,896,558
Total equity	15	<u>45,518,770</u>

The consolidated interim financial report was approved by the board on 9 May 2013 and signed on its behalf by:

Simon Paul Wombwell
 Director
 Ground Rents Income Fund plc



Company registered number 8041022

The accompanying notes from pages 8 to 13 form an integral part of the interim consolidated financial statements.

Ground Rents Income Fund plc
Consolidated Statement of Changes in Equity
for the period from 23 April 2012 to 31 March 2013

	Share capital £	Share premium account £	Distributable reserve £	Total £
At 23 April 2012	-	-	-	-
Comprehensive income				
Loss for the period	-	-	(1,145,140)	(1,145,140)
Total comprehensive income	-	-	(1,145,140)	(1,145,140)
Transactions with owners				
Issue of share capital	24,121,150	24,121,149	-	48,242,299
Reserve transfer	-	(4,500,000)	4,500,000	-
Share issue costs	-	(1,120,087)	-	(1,120,087)
Dividends paid (note 21)	-	-	(458,302)	(458,302)
At 31 March 2013	<u>24,121,150</u>	<u>18,501,062</u>	<u>2,896,558</u>	<u>45,518,770</u>

The accompanying notes from pages 8 to 13 form an integral part of the interim consolidated financial statements.

Ground Rents Income Fund plc
Consolidated Statement of Cash Flows
for the period from 23 April 2012 to 31 March 2013

	Notes	Unaudited 2013 £
Reconciliation of operating profit to net cash inflow from operating activities		
Operating profit		348,024
Increase in trade receivables		(620,557)
Increase in trade payables		973,105
Net cash generated from operating activities		<u>700,572</u>
CASH FLOW STATEMENT		
Net cash inflow from operating activities		700,572
Interest received	16	112,682
Taxation		(67,218)
Purchase of ground rent assets	16	<u>(35,822,137)</u> (35,076,101)
Equity dividends paid		<u>(458,302)</u> (35,534,403)
Proceeds of issue of shares	16	47,122,212
Increase in cash		<u>11,587,809</u>
Reconciliation of net cash flow to movement in net debt		
Increase in cash and cash equivalents in the period		11,587,809
Net cash and cash equivalents at 23 April 2012		<u>-</u>
Net cash and cash equivalents at 31 March 2013		<u>11,587,809</u>

The accompanying notes from pages 8 to 13 form an integral part of the interim consolidated financial statements.

Ground Rents Income Fund plc
Notes to the Consolidated Interim Financial Report
for the period from 23 April 2012 to 31 March 2013

1 Accounting policies

Basis of preparation

This interim financial report is presented in accordance with IAS 34 "Interim Financial Reporting" as adopted by the European Union.

The information in this report does not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. The group's first accounts for the year ended 30 September 2013 will be reported on by the auditors and delivered to the Registrar of Companies.

The Group has adopted the going concern basis in preparing its consolidated interim financial report.

Revenue

Revenue represents the value of ground rent income due in the period together with any supplementary income earned in the period. Ground rent revenue is recognised on a straight line basis over the term

Ground Rents

Ground rents are carried in the balance sheet at their open market value. Expenses that are directly attributable to the acquisition of a ground rent are capitalised into the cost of investment, except where this would increase its value to above its open market value. Properties are revalued at the balance sheet date by an independent valuation agent. No depreciation is charged.

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.

Dividend Distribution

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

	unaudited
2 Analysis of turnover	23 April 2012 to
	31 March 2013
	£
By activity:	
Ground rent income accrued in the period	769,139
Other income falling due within the period	5,189
	<hr/>
	774,328

All income of the Group is derived from activities carried out within the United Kingdom.

	unaudited
3 Operating profit	23 April 2012 to
	31 March 2013
	£
This is stated after charging:	
Auditors' remuneration for examination of initial accounts	<hr/>
	5,500

Ground Rents Income Fund plc
Notes to the Consolidated Interim Financial Report
for the period from 23 April 2012 to 31 March 2013

4 Directors' emoluments	unaudited 23 April 2012 to 31 March 2013 £
Emoluments	34,595 <hr/> 34,595
Highest paid director: Emoluments	18,871 <hr/> 18,871
5 Employee benefit expense	unaudited 23 April 2012 to 31 March 2013 £
Wages and salaries	34,595
Social security costs	3,423
	<hr/> 38,018
Average number of employees during the period	Number
Administration	<hr/> 2
6 Finance income	unaudited 23 April 2012 to 31 March 2013 £
Interest on bank deposits	<hr/> 118,791

Ground Rents Income Fund plc
Notes to the Consolidated Interim Financial Report
for the period from 23 April 2012 to 31 March 2013

7 Income tax expense

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

	unaudited 23 April 2012 to 31 March 2013
Analysis of charge in period	
Current tax:	
UK corporation tax on profits of the period	3,271
	<u>3,271</u>

Factors affecting tax charge for period

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

	unaudited 23 April 2012 to 31 March 2013 £
Loss on ordinary activities before tax	<u>(1,141,869)</u>
Standard rate of corporation tax in the UK	24%
	£
Loss on ordinary activities multiplied by the standard rate of corporation tax	(274,049)
Effects of:	
Capital expenses not deductible for corporation tax	449,857
Property profit not taxable under the REIT regime	(175,808)
Provision for tax on non-property income	3,271
Current tax charge for period	<u>3,271</u>

Factors that may affect future tax charges

In addition to the changes in rates of Corporation tax disclosed above, further changes to the UK Corporation tax system were announced in the Autumn statement 2012. This includes a further reduction to the main rate to reduce the rate to 21% from 1 April 2014. This change had not been substantively enacted at the balance sheet date and, therefore, is not included in these financial statements.

Ground Rents Income Fund plc
Notes to the Consolidated Interim Financial Report
for the period from 23 April 2012 to 31 March 2013

8 Ground rent assets	unaudited Ground rent assets £
Market value	
At 23 April 2012	-
Additions	35,822,137
Impairment (acquisition costs)	(1,874,404)
Surplus on revaluation	265,720
At 31 March 2013	<u>34,213,453</u>

9 Trade and other receivables	unaudited 31 March 2013 £
Trade receivables	448,535
Other receivables	148,660
Prepayments and accrued income	23,362
	<u>620,557</u>

10 Trade and other payables	unaudited 31 March 2013 £
Trade payables	87,979
Corporation tax	23,832
Other taxes and social security costs	32,765
Other payables	273,759
Accruals and deferred income	484,714
	<u>903,049</u>

11 Share capital		unaudited 31 March 2013 31 March 2013 £
	Nominal value	Number
Allotted, called up and fully paid:		
Ordinary shares	£0.50 each	48,242,300
		<u>24,121,150</u>
	Nominal value	Number
Shares issued during the period:		
Ordinary shares	£0.50 each	48,242,300
		<u>24,121,150</u>

The Company issued 48.2 million shares at a price of 100 pence each during the financial period.

Warrants were issued for nil consideration on the basis of one warrant for every five subscription shares. Warrant holders have the right to subscribe £1 per share for the number of ordinary shares to which they are entitled on 31 August in each year following admission up to and including 31 August 2022.

Ground Rents Income Fund plc
Notes to the Consolidated Interim Financial Report
for the period from 23 April 2012 to 31 March 2013

12 Share premium	unaudited 2013 £
At 23 April 2012	-
Shares issued	24,121,149
Expenses of issue	(1,120,087)
Transfer to distributable reserve	(4,500,000)
	<hr/>
At 31 March 2013	<u>18,501,062</u>

13 Distributable reserve	unaudited 2013 £
At 23 April 2012	-
Transfer from share premium	4,500,000
Loss for the financial period	(1,145,140)
Dividends paid since incorporation	(458,302)
	<hr/>
At 31 March 2013	<u>2,896,558</u>

The Company received shareholder approval on 16th November 2012 to apply to the court for a capital reduction to create a distributable reserve of £4,500,000. This was approved by the court on 12 December 2012.

14 Dividends	unaudited 2013 £
Dividends declared by the Company during the period:	
Dividends paid	<hr/> 458,302 <hr/>
Analysis of dividends by type:	
Interim ordinary dividend of 0.35p per share	168,848
Interim PID dividend of 0.6p per share	289,454
	<hr/> 458,302 <hr/>

15 Reconciliation of movement in shareholders' funds	unaudited 2013 £
At 23 April 2012	-
Loss for the financial period	(1,145,140)
Dividends	(458,302)
Shares issued	47,122,212
	<hr/>
At 31 March 2013	<u>45,518,770</u>

Ground Rents Income Fund plc
Notes to the Consolidated Interim Financial Report
for the period from 23 April 2012 to 31 March 2013

	unaudited 2013 £
16 Gross cash flows	
Returns on investments and servicing of finance	
Interest received	112,682
	<u>112,682</u>
Capital expenditure	
Payments to acquire Ground rent investments	(33,947,733)
Acquisition costs of Ground rent investments	(1,874,404)
	<u>(35,822,137)</u>
Financing	
Issue of share capital	48,242,299
Expenses paid in connection with share issue	(1,120,087)
	<u>47,122,212</u>

17 Other financial commitments

The Company has a number of Ground Rent acquisitions in the pipeline. At 31 March 2013, the Company had £139,140 of cash held at solicitors for an acquisition which completed shortly after the balance sheet date.