27 June 2018

Ground Rents Income Fund plc

(‘GRIF’, the ‘Company’ or the “Group”)

HALF YEAR RESULTS

For the six months ended 31 March 2018

Ground Rents Income Fund plc (LSE: GRIO), a listed real estate investment trust (REIT) investing in UK ground rents, announces its unaudited half year results for the six months ended 31 March 2018.

Highlights

- Portfolio value of £135.1 million (30 September 2017: £139.1 million)
- Net assets of £120.5 million (30 September 2017: £127.4 million)
- NAV per ordinary share of 124.58 pence (30 September 2017: 131.72 pence)
- Revenue of £2.6 million (H1 2017: £2.5 million)
- Loss before tax of £5.0 million (H1 2017 profit: £8.0 million), including £6.6 million revaluation loss (H1 2017 gain: £6.3 million)
- Basic losses per share of 5.18 pence (H1 2017 earnings: 8.52 pence)
- Diluted losses per share of 5.14 pence (H1 2017 earnings: 8.27 pence)
- Two interim dividends paid of 0.980 pence per share for period to 31 December 2017 and 0.980 pence per share for the period to 31 March 2018
- £2.6 million invested during the period

James Agar, Investment Director of Brooks Macdonald Funds, Investment Adviser to GRIF, said: “While the Group continues to provide secure, upward-reviewing income from a large diversified portfolio, we believe current trading in the Group's shares and the subsequent price discount to Net Asset Value is largely based on investor sentiment towards the ground rent sector, given the Government's proposed leasehold reforms.

“We welcome the Government's aims to reform and simplify many aspects of property legislation as we believe that a system is needed that delivers a more equitable, transparent and better service for homeowners.

“Ground rent reviews, as well as additional revenues generated by our active asset management of the portfolio, has enabled the Group to continue to deliver its target of at least maintaining the annual dividend per Ordinary share, while working towards full dividend coverage in the next four years.”

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Chairman's Statement

I am pleased to present the interim results of Ground Rents Income Fund plc ('GRIF') for the six months ended 31 March 2018.

Highlights

Revenue for the period was £2,625,379 (2017: £2,465,678) and loss for the period was £5,010,740 (2017: profit £7,958,314). The loss is stated after a net revaluation loss of £6,589,278 (2017: profit £6,328,143), which reflects the conditions in the ground rents market during the period.

At 31 March 2018, the net asset value ('NAV') per ordinary share was 124.58 pence (30 September 2017: 131.72 pence), a decrease of 5.4%. Total net assets fell by 5.4% to £120.5m (30 September 2017: £127.4m) driven by the revaluation loss at 31 March 2018.

The Group has completed purchases for a total cost of £2.6 million in the period, and the Directors continue to look for suitable additions to add to the portfolio. Approximately £2.5 million of purchases have been agreed through either the exchange of contracts or option agreements, of which £830,000 are expected to complete in the current financial year. These acquisitions will be financed from the Group's cash resources which were increased during the last financial year by way of a newly secured five-year £19.5 million loan facility. Further acquisitions amounting to £3.2 million are being negotiated.

Dividends

The Company has paid two interim PID dividends to Ordinary shareholders in the six months to 31 March 2018. 0.980p per share (total: £947,779) was paid for the period to 31 December 2017 and 0.980p per share (total: £947,778) was paid for the period to 31 March 2018. We continue to meet our objective of at least maintaining the annual dividend per Ordinary share. Further information regarding our dividend policy can be found within note 10 Dividends.

Outlook and focus

The Board notes the recent attention in the media and elsewhere concerning ground rents, which has been focused on both leasehold houses and leaseholds with five and 10-year doubling rents.

In September 2017, the Company announced its intention to implement an asset management plan in response to the Ministry of Housing, Communities and Local Government's ('MHCLG') launch of the consultation on proposals to amend leasehold legislation. In conjunction with the Investment Manager, the Board of Directors agreed to contact all residential leaseholders with doubling ground rents and offer them the opportunity to convert their existing review mechanism to the lesser of inflation, as measured by the Retail Prices Index ('RPI'), or doubling, while retaining their existing review cycle. The process is ongoing and is expected to conclude in early 2019.

The focus of the Directors remains on completion of all of the acquisitions for which the Group has exchanged contracts or holds options. Further information on the ground rents market and performance of the fund is set out in the Investment Manager's report.

Robert Malcolm Naish - Chairman
26 June 2018

Investment Manager's Report

Group and ground rent market update

Since IPO in 2012 the Group has carefully built up a highly-diversified portfolio of freehold and long-leasehold properties to provide secure, inflation-hedged income of £4.7 million. This income profile is scaled up from approximately 19,000 units across 400 addresses and a median per unit ground rent of £250 per annum.

As measured by ground rent income, 69% of the portfolio is inflation-linked and there is a geographical bias to the north of England at 61%. The Group's ground rent reviews are upward only, ranging from every year to every 50 years. Taking this into account, 35% of the portfolio's ground rent income is due to review within the next five years, or 62% within the next 10 years. If inflation, as measured by RPI, were to be 3.0% over the next 10 years, we would expect like-for-like ground rent income to increase 2.6% per annum.

As has been announced previously (2 August 2017), the Group has limited exposure to leasehold houses. Of the total number of units in the portfolio 15% are houses, which generate only 11% of total ground rent income since the median ground rent on the houses is £110 per annum. None are subject to perpetual 10-year doubling review patterns, which have attracted some recent focus in the media. Furthermore, the Group has no exposure to perpetual doubling ground rents and de minimis exposure to 10-year doubling assets, which account for only 4% of total ground rent income. These three assets double a maximum of three times before reverting to having either no further review or an indexed-linked review cycle.

While the Group continues to provide secure, upward-reviewing income from a large diversified portfolio, we believe current trading in the Group's shares and the subsequent price discount to NAV is largely based on investor sentiment towards the ground rent sector, given the Government's proposed leasehold reforms.

At an accounting level, our portfolio valuation as at 31 March 2018 was undertaken independently and in accordance with the relevant parts of the Royal Institution of Chartered Surveyors Valuation - Professional Standards VPS 4 (1.5.1) (the 'Red Book') by Savills Advisory Services Limited ('Savills'), taking into account all prevailing market conditions.

Over the past 12 months transactional values have recalibrated across the sector, including index-linked assets, with price adjustments skewed more towards those assets with shorter review cycles. This reflects both lower transactional volumes and prices evidenced in the market. The valuation of flat and fixed ground rent assets has remained stable compared to the previous valuation as at 30 September 2017.

Furthermore, there has been no further dilution in the valuation of the two 10-year doubling residential assets within the portfolio compared to the previous valuation (30 September 2017).

Within the portfolio valuation as at 31 March 2018, Savills has considered all prevailing market conditions, the Government's recent response to its own consultation on 'Tackling Unfair Practices in the Leasehold Market', and the subsequent ongoing review of residential leasehold law by the Law Commission as part of its Thirteenth Programme of Law Reform. Both the Government and Law Commission have repeatedly emphasised that any potential reform to legislation will be subject to both economic impact assessments and a requirement that 'fair' or 'sufficient' compensation be paid to landlords to reflect their legitimate property interests. This provides comfort to the Company’s Directors and Brooks Macdonald Funds Limited ('BMF'), the Group's Alternative Investment Fund Manager ('AIFM').

GRIF and BMF continue to interact with the MHCLG, the department's new Secretary of State, James Brokenshire, the Law Commission and other policymakers with regard to potential reform of the sector. We have been engaged in this process since the Government's above-mentioned consultation was announced in August 2017, and we have since taken part in roundtable meetings with Government and submitted an industry response to the Law Commission's call for evidence.

We welcome the Government's aims to reform and simplify many aspects of property legislation as we believe that a system is needed that delivers a more equitable, transparent and better service for homeowners. As was outlined in the Group's submission in September 2017 to the Government's consultation, both GRIF and BMF agree with many of the reforms that the Government has since outlined, including:

- The prohibition of long leases from being granted on houses when there is no reason the house could not be sold as 'freehold';
- For developers and/or landlords to support existing leaseholders with onerous ground rents, and for such leaseholders to be proactively contacted, as demonstrated by the Group through the resumption of its Asset Management Plan, which is well underway;
- To ensure that landlords are signed up to redress schemes and to provide leaseholders with comprehensive information on the various routes to redress available to them, including where their conveyancer has acted negligently;
- An easier process for leaseholders to exercise their right to buy their freehold, while also ensuring fair compensation to landlords;
- To professionalise and regulate residential managing agents, and tackle unfair service charges; and
- To modernise the home buying process, such as the use of standardised leases in plain English and a requirement that conveyancers must be fully independent.

As per the Group's submission to the Government's consultation, we believe there is a continuing need for both the leasehold system and ground rents because, where reasonable and transparent terms are in place, homeowners genuinely benefit. Reasonable rents create an incentive to attract engaged investors and landlords, like GRIF, and we strongly believe our involvement in this service is to the advantage of homeowners, as we continue to invest for the long term and we take our fiduciary responsibilities seriously.

The institutionalisation of the leasehold sector has had a profound impact on standards over the past five years. Institutions have the expertise, resource and experience to provide the all-important risk, governance and health and safety oversight which this sector requires in order to protect consumers.

We have therefore asked the Government to explore the options, specifically around residential apartment blocks, where landlords, supported by a reasonable ground rent, play a critical role in both delivering homes to the UK's undersupplied housing market and ensuring the long-term safety, maintenance and viability of people's homes.

Acquisitions

The Group completed three acquisitions in the six-month period to 31 March 2018, which increased the ground rent roll by £99,700 at a cost of £2.3 million, giving a gross initial ground rent yield of 4.31%. These transactions were executed despite the prevailing uncertainty, due to the transactions being historically negotiated at prices which have been accretive to the NAV and income profile of the portfolio.

Beetham Tower Birmingham

In November, the residential head-lease interest of Beetham Tower Birmingham was completed. The 39-floor mixed-use building, designed by SimpsonHaugh, was built in 2006. The 152 apartments generate £25,950 of total ground rent linked to 21-year RPI, although a non-peppercorn rent linked to five-year RPI is payable to the freeholder, which brings net ground rent to £13,288.

The Group paid £152,000 for the asset, giving a gross initial ground rent yield of 8.74%, which should provide an excellent income return on capital deployed, partly due to the unique ground rent review pattern secured against one of Birmingham's most recognisable buildings.

Lewisham Gateway

In December the Group purchased the first residential phase of Muse Developments' Lewisham Gateway scheme after having exchanged contracts in September 2015.

The acquisition of phase one consists of a 68-unit Private Rented Sector ('PRS') block operated by Fizzy Living, as well as a more usual block of private sale units consisting of 125 apartments. In total, the 193 units generate £64,000 of ground rent linked to 20-year RPI at a cost of £1.5 million, giving a gross initial ground rent yield of 4.30%.

Rathbone Market

Also in December, the third and final phase of Muse Developments' Rathbone Market, Canning Town scheme was purchased for £0.7 million. The acquisition consists of 75 ground rent-paying private residential apartments, as well as an 87-unit PRS block and 54 affordable units.

Total ground rent of £22,500 is linked to 20-year RPI, which gives a gross initial ground rent yield of 3.33%. The Group has now secured the entire long-leasehold interest in the site, having previously purchased the first two phases. The acquisition should therefore help protect the Group's interest in the wider scheme. The high reversionary values of both Muse Developments’ sites should provide the Group with excellent secure, long-term, inflation-hedged income.

Asset management

BMF continues to focus on additional income and capital value opportunities both in terms of day-to-day management of the portfolio and from opportunities within the planning regime, while actively managing the estate.

The implementation in 2016 of a new Health and Safety ('H&S') monitoring system, called Meridian, has driven oversight and governance of the managed estate. This live, online system automatically uploads all documentation directly into the insurance underwriting systems, creating an audit trail and a robust due-diligence archive.

This system proved extremely useful in the wake of the Grenfell Tower tragedy, ensuring the Group had all of the required H&S documentation to hand. Meridian helped facilitate the Government-mandated process of auditing all relevant sites within the portfolio (where height is in excess of 18 metres) for Aluminium Composite Material ('ACM') cladding.

To date we are only aware of one development within the portfolio that has ACM cladding. This site has a formally-constituted Residents Management Company ('RMC') within the lease structure, which holds all of the insuring, repairing and maintenance obligations. On that basis, the Group and BMF continue to support the stakeholders in meeting their obligations.

Outlook

The rate of inflation has fallen back from December's recent high to 3.3% in the 12 months to May 2018, despite surging oil prices due to tensions in the Middle East following US President Donald Trump's extrication from the Iran nuclear deal. RPI is still well ahead of the five-year rolling average of 2.4% and will help contribute to the Group's ground rent income. The Group therefore remains able to generate secure, index-linked revenues, which continue to be collected in line with expectation.

Even though inflation remains above the Bank of England's target, the Monetary Policy Committee ('MPC') decided against an interest rate rise in May following disappointing economic data in the first quarter of 2018. Consumers remain under pressure as real wage growth is currently only marginally positive, savers' returns on cash is negligible and London house prices have softened. The poor data is, however, widely being seen as a blip due to the recent bad weather, and, if the economy were to bounce back, then the MPC may consider a rate rise as soon as August.

It is also worth remembering that the price and dividend yield of the Company's shares are determined in part by competing financial instruments that seek to provide a secure stream of income, such as Government and investment-grade corporate bonds. As an example, tightening financial conditions and the above-mentioned consideration of a rise in the Bank of England base interest rate has seen the redemption yield on two and 10-year gilts increase respectively by 66 and 43 basis points to 0.7% and 1.4% over the last six months. As can be seen from the two changes, the spread between the yields has also flattened, meaning investors are being compensated less for the risk of investing in longer-dated income.

GRIF continues to meet the requirements of the REIT regime in distributing at least 90% of its property profits, although this has led in recent years to an uncovered dividend position in terms of total profits generated. We expect the portfolio to generate profits to fully cover dividends within the next four years and until then, utilise existing distributable reserves and continue to implement income and capital enhancing asset management activities, which have enabled the Company to deliver its target of at least maintaining the annual dividend per Ordinary share. While the dividend could be viewed as lower than other REITs, it is important to highlight that the security of ground rent income is higher, given its priority position in the capital stack.

While the MPC may be considering a rate rise before the autumn, we still believe interest rates look set to stay low over the long term, with gilt and bond yields following a similar trend.

The income premium for ground rents over these comparably-defensive instruments continues to look attractive, given ground rents' secure, upward-only-reviewing income streams.

James Agar
On Behalf of Brooks Macdonald Funds Limited (AIFM Investment Manager)
26 June 2018

Condensed Consolidated Income Statement for the six months ended 31 March 2018

	Note	unaudited 6 months to 31 March 2018 £	unaudited 6 months to 31 March 2017 £	audited Year ended 30 September 2017 £
Continuing Operations				
Revenue	3	2,625,379	2,465,678	5,137,103
Administrative expenses		(679,369)	(600,057)	(1,232,615)
Profit on sale of ground rent assets		4,350	-	3,375
Net revaluation (loss)/gain on investment properties		(6,589,278)	6,328,143	1,347,518
Operating (loss)/profit		(4,638,918)	8,193,764	5,255,381
Finance income		5,549	1,670	18,110
Finance expenses	4	(377,371)	(237,120)	(615,248)
Net finance expense		(371,822)	(235,450)	(597,138)
(Loss)/profit before tax		(5,010,740)	7,958,314	4,658,243
Taxation		-	-	-
(Loss)/profit after tax and total comprehensive income		(5,010,740)	7,958,314	4,658,243
(Losses)/earnings per share				
Basic	7	(5.18p)	8.52p	4.98p
Diluted	7	(5.14p)	8.27p	4.90p

There is no other comprehensive income for the period.

The accompanying notes from pages 11 to 15 form an integral part of the interim consolidated financial statements.

Condensed Consolidated Statement of Financial Position as at 31 March 2018

	Note	unaudited 31 March 2018 £	unaudited 31 March 2017 £	audited 30 September 2017 £
Assets				
Non current assets				
Investment properties - ground rents	5	135,100,900	142,969,000	139,088,000
		135,100,900	142,969,000	139,088,000
Current assets				
Trade and other receivables		2,662,875	6,843,209	2,571,888
Cash and cash equivalents		5,426,099	1,839,268	7,228,645
		8,088,974	8,682,477	9,800,533
Total assets		143,189,874	151,651,477	148,888,533
Liabilities				
Non-current liabilities				
Financial liabilities measured at amortised cost	6	(19,165,075)	(19,223,146)	(19,117,641)

		(19,165,075)	(19,223,146)	(19,117,641)
Current liabilities				
Trade and other payables		(3,541,618)	(3,206,426)	(2,381,414)
		(3,541,618)	(3,206,426)	(2,381,414)
Total liabilities		(22,706,693)	(22,429,572)	(21,499,055)
Net assets		120,483,181	129,221,905	127,389,478
Financed by:				
Equity				
Share capital	9	48,356,050	46,701,006	48,356,050
Share premium account		45,747,161	44,103,882	45,747,161
Retained earnings		31,390,710	30,458,703	28,628,024
Current period (loss)/profit		(5,010,740)	7,958,314	4,658,243
Total equity		120,483,181	129,221,905	127,389,478
Net asset value per ordinary share				
Basic	8	124.58p	138.35p	131.72p
Diluted	8	123.44p	135.31p	130.24p

The accompanying notes from pages 11 to 15 form an integral part of the interim consolidated financial statements.

The condensed consolidated financial statements on pages 7 to 15 were approved and authorised for issue by the Board of Directors on 26 June 2018 and signed on its behalf by:

Robert Malcolm Naish
Director and Chairman
26 June 2018

Consolidated Statement of Cash Flows for the six months ended 31 March 2018

	Note	unaudited 6 months to 31 March 2018 £	unaudited 6 months to 31 March 2017 £	audited Year ended 30 September 2017 £
Cash flows from operating activities				
Cash generated from operations	11	3,015,227	2,857,674	3,751,965
Interest paid on bank loan and bank charges		(329,795)	(216,417)	(455,921)
Net cash generated from operating activities		2,685,432	2,641,257	3,296,044
Cash flow from investing activities				
Interest received		5,549	1,670	18,110
Receipts from the sale of ground rent assets		32,215	-	15,000
Purchase of ground rent assets		(2,630,043)	(10,941,757)	(12,053,007)
Net cash used in investing activities		(2,592,279)	(10,940,087)	(12,019,897)
Cash flows from financing activities				
Net proceeds of issuance of shares		-	-	3,298,323
Bank loan net proceeds		(142)	6,702,443	11,049,199
Dividends paid to shareholders		(1,895,557)	(1,871,777)	(3,702,456)
Net cash (used in)/generated from financing activities		(1,895,699)	4,830,666	10,645,066
Net (decrease)/increase in cash and cash equivalents		(1,802,546)	(3,468,164)	1,921,213

Net cash and cash equivalents at 1 October	7,228,645	5,307,432	5,307,432
Net cash and cash equivalents at 31 March	5,426,099	1,839,268	7,228,645

The accompanying notes from pages 11 to 15 form an integral part of the interim consolidated financial statements.

Consolidated Statement of Changes in Equity for the period from 1 October 2016 to 31 March 2018

	Share capital £	Share premium account £	Distributable reserve £	Total £
At 1 October 2016	46,701,006	44,103,882	32,330,480	123,135,368
Comprehensive income				
Profit for the period	-	-	7,958,314	7,958,314
Total comprehensive income	-	-	7,958,314	7,958,314
Transactions with owners				
Dividends paid (note 10)	-	-	(1,871,777)	(1,871,777)
At 31 March 2017	46,701,006	44,103,882	38,417,017	129,221,905
Comprehensive income				
Loss for the period	-	-	(3,300,071)	(3,300,071)
Total comprehensive income	-	-	(3,300,071)	(3,300,071)
Transactions with owners				
Issue of share capital	1,655,044	1,655,045	-	3,310,089
Share issue costs	-	(11,766)	-	(11,766)
Dividends paid (note 10)	-	-	(1,830,679)	(1,830,679)
At 30 September 2017	48,356,050	45,747,161	33,286,267	127,389,478
Comprehensive income				
Loss for the period	-	-	(5,010,740)	(5,010,740)
Total comprehensive income	-	-	(5,010,740)	(5,010,740)
Transactions with owners				
Dividends paid (note 10)	-	-	(1,895,557)	(1,895,557)
At 31 March 2018	48,356,050	45,747,161	26,379,970	120,483,181

The accompanying notes from pages 11 to 15 form an integral part of the interim consolidated financial statements.

Notes to the condensed Consolidated Financial Statements for the six months ended 31 March 2018

1 General information

Ground Rents Income Fund plc ('the Company') is the parent company of a group of companies ('the Group') which operates a property investment and rental business. The Group's primary activities are set out in its annual report and financial statements for the financial year to 30 September 2017. A copy of the statutory annual report and financial statements has been delivered to the Registrar of Companies.

The Company is a closed-ended real estate investment trust ('REIT') incorporated in England and Wales and is listed on the International Stock Exchange ('TISE') and whose shares are admitted to trading on the SETSqx platform of the London Stock Exchange.

2 Accounting policies

Basis of preparation

These unaudited consolidated results are for the six months ended 31 March 2018. They have not been prepared in accordance with IAS 34 Interim Financial Reporting. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 30 September 2017.

The information in this announcement does not comprise statutory financial statements within the meaning of section 434 of the Companies Act 2006. The Group's financial statements for the financial year ended 30 September 2017 have been reported on by the auditors and delivered to the Registrar of Companies. The report of the auditors was unqualified and did not draw attention to any matters by way of emphasis. They also did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

The Group continues to adopt the going concern basis in preparing its consolidated interim financial statements. This financial information for the half year ended 31 March 2018 has neither been audited nor reviewed. The financial information was approved by the Board on 26 June 2018.

Adoption of new and revised standards

The same accounting policies, presentation and methods of computation are followed in the condensed set of financial statements as applied in the Group's latest annual audited financial statements for the year ended 30 September 2017.

3 Segmental information

The Company is mainly concerned with the collection of ground rents. The Company receives some ancillary income to which it is entitled as a result of its position as property freeholder.

	unaudited 6 months to 31 March 2018	**unaudited 6 months to 31 March 2017**	**audited Year ended 30 September 2017**
	£	**£**	**£**
By activity:			
Ground rent income accrued in the period	2,318,102	2,184,671	4,519,624
Other income falling due within the period	307,277	281,007	617,479
	2,625,379	2,465,678	5,137,103

All income of the Group is derived from activities carried out within the United Kingdom. The Group is not reliant on any one property or group of connected properties for the generation of its revenues. The board is the chief operating decision maker and runs the business as one segment.

4 Finance costs

	unaudited 6 months to 31 March	**unaudited 6 months to 31 March**	**audited Year ended 30 September**

	2018	2017	2017
	£	£	£
Loan interest costs	329,795	216,417	546,806
Amortisation of loan arrangement fees	47,576	20,703	68,442
	377,371	237,120	615,248

Loan set-up costs of £334,925 have been capitalised and deducted from the total loan amount outstanding. These costs are being amortised over 44 months to November 2021.

5 Investment Properties - Ground rents

	Ground rent assets
Market value	**£**
At 1 October 2016	125,699,100
Additions	10,941,757
Net surplus on revaluation	6,328,143
At 31 March 2017	142,969,000
Additions	1,111,250
Disposals	(11,625)
Net deficit on revaluation	(4,980,625)
At 30 September 2017	139,088,000
Additions	2,630,043
Disposals	(27,865)
Net deficit on revaluation	(6,589,278)
At 31 March 2018	135,100,900
Net book value	
At 31 March 2018	135,100,900
At 30 September 2017	139,088,000
At 31 March 2017	142,969,000

The Group's investment in ground rents was revalued at 31 March 2018 by Savills Advisory Services Limited ('Savills'). The valuer has confirmed to the Directors that the fair value as set out in the valuation report has been primarily derived using comparable recent market transactions on an arm's length basis.

The valuer within Savills is a RICS Registered Valuer. Most of the properties have previously been valued by Savills when they were acquired and from time to time as requested by the Directors. The valuation of ground rents takes into account external factors such as interest rates and the availability of other fixed rate investments in the market.

6 Financial liabilities measured at amortised cost

	unaudited	unaudited	audited
	31 March 2018	31 March 2017	30 September 2017
	£	£	£
Bank loan repayable over one year	19,500,000	19,500,000	19,500,000
Capitalised loan arrangement fees net of amortisation	(334,925)	(276,854)	(382,359)
	19,165,075	19,223,146	19,117,641

The current loan facility is with Santander UK plc and has a termination date of 15 November 2021. The rate of interest payable on the loan is set in advance at 1.097% for the first tranche of £15m and 0.986% for the second tranche of £4.5m. Both of these rates are to subject to an additional 2.3% margin, giving the £19.5m loan a composite rate of 3.371%.

The loan facility is secured over assets held in group companies, namely Admiral Ground Rents Limited, Clapham One Ground Rents Limited, GRIF040 Limited, GRIF041 Limited, GRIF044 Limited, GRIF048 Limited, Masshouse Block HI Limited, Masshouse Residential Block HI Limited, North West Ground Rents Limited, OPW Ground Rents Limited, The Manchester Ground Rent Company Limited and Wiltshire Ground Rents Limited.

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

The loan facility includes loan-to-loan value of and interest cover covenants that are measured at a Group level and the Group has maintained significant headroom against all measures throughout the financial year. The Group is in full compliance with all loan covenants at 31 March 2018.

7 Earnings per share

Basic earnings per share

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

	unaudited 31 March 2018 £	unaudited 31 March 2017 £	audited 30 September 2017 £
(Losses)/profits attributable to equity shareholders of the Company	(5,010,740)	7,958,314	4,658,243

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

Weighted average number of shares - basic	96,712,100	93,402,011	93,565,248
Basic (losses)/earnings per share	(5.18p)	8.52p	4.98p

Diluted earnings per share

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

	unaudited 31 March 2018 £	unaudited 31 March 2017 £	audited 30 September 2017 £
(Losses)/profits attributable to equity shareholders of the Company	(5,010,740)	7,958,314	4,658,243
	Number	**Number**	**Number**
Weighted average number of shares - basic	96,712,100	93,402,011	93,565,248
Potential dilutive effect of warrants	854,711	2,839,239	1,565,659
Diluted total shares	97,566,811	96,241,250	95,130,907
Diluted (losses)/earnings per share	(5.14p)	8.27p	4.90p

8 Net asset value per ordinary share

The NAV represents the net asset value per share of the Company. The diluted NAV per ordinary share is calculated after assuming the exercise of all outstanding warrants.

	unaudited 31 March 2018	unaudited 31 March 2017	audited 30 September 2017

	£	£	£
Net assets	120,483,181	129,221,905	127,389,478
	Number	**Number**	**Number**
Number of ordinary shares in issue	96,712,100	93,402,011	96,712,100
Outstanding warrants in issue	4,718,273	8,028,362	4,718,273
Diluted number of shares in issue	101,430,373	101,430,373	101,430,373
NAV per ordinary share - basic	124.58p	138.35p	131.72p
NAV per ordinary share - dilutive	123.44p	135.31p	130.24p

9 Share capital

		unaudited 31 March 2018	unaudited 31 March 2017	audited 30 September 2017
Allotted, called up and fully paid:				
Ordinary shares of £0.50 each	Number	96,712,100	93,402,011	96,712,100
	Amount £	48,356,050	46,701,006	48,356,050
Shares issued during the period:				
Ordinary shares of £0.50 each	Number	-	-	3,310,089
	Amount £	-	-	1,655,044

Resolutions were passed at an annual general meeting on 24 July 2012 to authorise the directors to allot shares up to an aggregate nominal amount of £65,000,000. In January 2015, the Company raised an additional £8,451,428 by way of a placing of ordinary shares at £1.07 per share.

Warrants were issued for £nil consideration on the basis of one warrant for every five subscription shares. Warrant-holders have the right to subscribe £1 per share for the number of ordinary shares to which they are entitled on 31 August each year up to and including 31 August 2022. At 31 March 2018 there were 4,718,273 warrants in issue.

10 Dividends

Subject to market conditions and the Group's performance, financial position and financial outlook, it is the Board's intention to continue to deliver its target of at least maintaining the annual dividend per Ordinary Share. Until the portfolio generates profits to fully cover dividends and in order to ensure that the Company continues to pay the required level of distribution to maintain Group REIT status, the Board may call on the Company's existing distributable reserves to allow consistent dividends to be paid on a regular quarterly basis.

	unaudited 6 months to 31 March 2018 £	unaudited 6 months to 31 March 2017 £	audited Year ended 30 September 2017 £
Dividends declared by the Company during the period:			
Dividends paid	1,895,557	1,871,777	3,702,456
Analysis of dividends by type:			
Interim PID dividend of 1.024p per share	-	956,437	956,437
Interim PID dividend of 0.980p per share	-	915,340	915,340
Interim PID dividend of 0.980p per share	-	-	915,339
Interim PID dividend of 0.980p per share	-	-	915,340
Interim PID dividend of 0.980p per share	947,779	-	-
Interim PID dividend of 0.980p per share	947,778	-	-

	1,895,557	1,871,777	3,702,456

Since the period ended 31 March 2018, the Company has announced an Interim PID dividend of 0.980p per share (£947,779).

11 Gross cash flows

	unaudited 6 months to 31 March 2018 £	unaudited 6 months to 31 March 2017 £	audited Year ended 30 September 2017 £
Reconciliation of profit before income tax to net cash inflow from operating activities			
(Loss)/profit before income tax	(5,010,740)	7,958,314	4,658,243
Adjustments for:			
Non-cash revaluation deficit/(gain)	6,589,278	(6,328,143)	(1,347,518)
Profit on sale of ground rents	(4,350)	-	(3,375)
Net finance cost	371,822	235,450	597,138
Operating cash flows before movements in working capital	1,946,010	1,865,621	3,904,488
Movements in working capital:			
Increase in trade receivables	(90,987)	(51,397)	(280,076)
Increase in trade payables	1,160,204	1,043,450	127,553
Net cash generated from operations	3,015,227	2,857,674	3,751,965

12 Related party transactions

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

Simon Wombwell is also a director of Brooks Macdonald Funds Limited ('BMF') which provided services to Ground Rents Income Fund plc during the financial period.

BMF provides investment management and administration services to the Company as the Alternative Investment Fund Manager ('AIFM'), the fees for which are 0.55% per annum of the market capitalisation of the Company. In addition, BMF is entitled to an agency fee of 2% of the purchase price of any property acquired by the Group, where no other agency fee is payable. Where a third party agency fee is less than 2% of the purchase price, BMF is entitled to an agency fee of 50% of the difference between 2% of the purchase price and the third party agency fee.

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

	unaudited 6 months to 31 March 2018 £	Unaudited 6 months to 31 March 2017 £	audited Year ended 30 September 2017 £
AIFM fee payable to Brooks Macdonald Funds Limited	249,307	283,951	515,316
Acquisition fees payable to Brooks Macdonald Funds Limited	28,759	49,500	49,500

Directors fees payable to Brooks Macdonald Funds Limited	12,000	12,000	24,000
Other amounts payable to Brooks Macdonald Funds Limited	24,053	26,936	123,171
	314,119	372,387	711,987

Amounts owing of £67,063 were due to Brooks Macdonald Funds Limited in respect of invoices issued in the period 1 October 2017 - 31 March 2018 at 31 March 2018.

13 Other financial commitments

The Group has a number of Ground Rent acquisitions in the pipeline. There are a number of acquisitions to which the Group is committed by way of option payments it has made. The Group has also paid deposits of £83,000 for buildings under construction for which the Group expects to complete on during the next twelve months.

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

14 Events after the date of the accounts

The Group has transferred a number of ground rent investments between associated Group companies. This was completed during May 2018 with the aim of reducing administration costs.