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If you have sold or otherwise transferred all of your shares in Ground Rents Income Fund plc, please send this document, together with the accompanying documents, at once to the purchaser or transferee or to the stockbroker, bank, or other agent through whom the sale or transfer was effected, for delivery to the purchaser or transferee. If you have sold or transferred only part of your holding of shares in Ground Rents Income Fund plc you should consult the stockbroker, bank or other agent through whom the sale or transfer was effected.

This document does not constitute or form part of any offer or invitation to sell or issue, or solicitation of any offer to purchase or subscribe for, securities in the Company.

Ground Rents Income Fund plc

(incorporated in England and Wales with company no. 8041022)

PROPOSED CHANGES TO INVESTMENT POLICY

and

NOTICE OF GENERAL MEETING

Your attention is drawn to the letter from the Chairman of the Company which is set out on pages 4 to 6 of this document and which recommends holders of Ordinary Shares to vote in favour of the Resolution to be proposed at the General Meeting which is referred to below. Please read the whole of this document and, in particular, the information set out at Part 2 of this document.

Notice of a General Meeting of the Company, to be held at the offices of the Company at 72 Welbeck Street, London W1G 0AY at 10.00 a.m. on 26 October 2016, is set out at on pages 13 to 14 of this document. To be valid, the accompanying Form of Proxy for use in connection with the General Meeting should be completed in accordance with the instructions on it and returned as soon as possible and, in any event, so as to reach the Company's registrars, Capita Asset Services, PXS, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, by not later than 10.00 a.m. on 26 October 2016. Completion and return of the Form of Proxy will not preclude Shareholders from attending and voting at the General Meeting should they so wish.

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EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Each of the times and dates set out below are subject to change or may be adjusted by the Company, in which event details of the new times and dates will be notified by publication of a notice through a regulatory information service approved by each of the FCA and the CISEA. All times are London times unless otherwise stated.

	<i>2016</i>
Publication of this circular	7 October 2016
Latest time and date for receipt of individual Forms of Proxy for General Meeting	10:00 a.m. on 24 October
General Meeting	10:00 a.m. on 26 October
Effective date of amendments to investment policy	26 October at conclusion of General Meeting

PART 1

LETTER FROM THE CHAIRMAN OF GROUND RENTS INCOME FUND PLC

GROUND RENTS INCOME FUND plc

(incorporated in England and Wales with company no. 8041022)

Directors:

Robert Malcolm Naish (*Chairman*)
Paul Anthony Craig
Simon Paul Wombwell

Registered Office:

72 Welbeck Street
London
W1G 0AY

7 October 2016

To holders of Ordinary Shares and, for information only, to holders of share warrants

Dear Shareholder,

PROPOSED CHANGES TO THE COMPANY'S INVESTMENT POLICY AND NOTICE OF GENERAL MEETING

1. Introduction

Your Board announced earlier today that it proposes to change the Company's investment policy in order to permit greater use of leverage by the Company for investment purposes, and on a longer term basis (the "**Proposal**").

The Proposal is conditional upon the Company obtaining approval from its Shareholders. Accordingly, your Board has convened a general meeting, notice of which appears on pages 13 to 14 of this document to be held at 10:00 a.m. at the offices of the Company at 72 Welbeck Street, London W1G 0AY on 26 October 2016, the purpose of which is to consider and if thought fit pass the Resolution.

The purpose of this document is to explain the background to and reasons for the Proposal, the text of the Proposed Investment Policy and to explain why the Directors consider the Proposal to be in the best interests of the Company and the Shareholders as a whole, and are unanimously recommending that you vote in favour of the Resolution to be proposed at the General Meeting.

The contents of this letter are important and I would urge you to read it carefully and to sign and return the enclosed Form of Proxy in accordance with the instructions given on it and in paragraph 5 below headed "Action to be taken" as soon as possible.

2. The Proposal

The purpose of amending the Existing Investment Policy is to remove the restriction on the Company's ability to make use of structural or long-term debt facilities for investment purposes.

Currently, the Existing Investment Policy provides a restriction that borrowings should be used for short-term purposes only and thus any borrowings would need to be repaid from the proceeds of future fundraisings or asset sales.

The Board believes that the ability to utilise borrowings in addition to equity, and to leverage assets over a longer term period, will allow the Company to take advantage of attractively priced debt

currently available to it, and provide greater flexibility now that the Company's equity is fully invested, to allow the Company to move quickly to purchase good quality Ground Rent assets, in competitive market conditions and to determine how best to finance those investments in the longer term.

Accordingly, the Directors believe that having greater flexibility to utilise longer term debt will place the Company in a strong position to secure further assets for the Group. The Investment Adviser has identified a pipeline of such assets for consideration by the Board, which investments would otherwise be in line with the Existing Investment Policy. It has also conducted preliminary discussions with the Company's principal banker, Santander plc, with a view to implementing a fixed rate, interest only £26,000,000 facility for a term of 5 years (including refinancing of the Group's existing c.£8,000,000 short-term facility with Santander plc).

The Investment Manager has advised the Board that debt is currently available at historically low interest rates and therefore it should be a good time for the Group to seek to utilise further leverage. The Directors believe that, were the Resolution to be passed, and were new facilities to be utilised by the Group, the use of such leverage should be accretive to the net dividend, particularly given that the issue of new equity would be potentially dilutive to Shareholders during the investment period until any such further equity raise was fully invested. In addition, a larger portfolio of Ground Rent assets acquired through the use of any such leverage to acquire those assets identified by the Investment Adviser should, the Directors believe, provide a greater weighting on index linked assets for the Group.

The Existing Investment Policy restricts the use of gearing in scale to no more than 25 per cent of the gross assets of the Company. The Proposal does not seek to increase this restriction in any way, but simply to allow the Company to utilise debt over a longer term and without the need to repay any such debt from the proceeds of future fundraisings.

The Company is not, as a REIT, subject to any express borrowing restrictions. However, there will be a tax charge if the income profits of the Company's Qualifying Property Rental Business do not cover its related financing costs at least 1.25 times. Based on the current proposals, the Directors do not believe that such a tax charge would arise as a result of entering into the proposed facility described above.

The Proposed Investment Policy is set out in Part 2 of this circular, with the proposed amendments to the Existing Investment Policy shown by blacklining.

If the Resolution is passed, Shareholders' prior approval by ordinary resolution would still be required for any material future changes to the Proposed Investment Policy, including the maximum borrowing limits.

3. AIFMD update

If the Resolution is passed, and if the Company were to utilise additional leverage and grow its assets under management to the extent that it could no longer qualify as a small registered AIFM (the relevant threshold of assets under management being €100 million where leverage is used), then the Company would need to be managed by a full scope AIFM under AIFMD. Accordingly, the Company would be required to appoint an AIFM in such circumstances, in order to comply with AIFMD. Further, upon any such appointment of an AIFM, the Company would automatically cease to act itself as the AIFM of the Company, and such functions would then be performed by the external AIFM. In those circumstances, the Company expects to appoint the Investment Adviser, which is regulated by the FCA as a full scope AIFM. If the Company was to be required to be managed by a full scope AIFM, the AIFM would have to ensure that the Company complied with the requirements in the AIFMD, including appointing a depositary and the AIFM would be subject to certain organisational, operational and transparency obligations.

In the circumstances referred to above, the Company would publish a CISEA supplementary listing document reflecting material changes since the last published listing document in May 2013.

4. General Meeting

Given the Proposal outlined above, the Company is seeking the approval of Shareholders for the material change to its investment policy to utilise longer term debt for investment purposes. Accordingly, a General Meeting of the Company, notice of which is set out on pages 13 to 14 of this document, is to be held on 26 October 2016 at 10:00 a.m. at the offices of the Company at 72 Welbeck Street, London W1G 0AY for the purpose of considering and, if thought fit, passing the Resolution. The Proposal is conditional on the Resolution as set out in the notice of General Meeting being passed without amendment.

A Form of Proxy for use at the General Meeting is enclosed with this document (see paragraph 5 below headed "**Action to be taken**").

Shareholders have the right to attend, speak and vote at the General Meeting (or, if they are not attending the meeting, to appoint someone else as their proxy to vote on their behalf) if they are on the Register at the Voting Record Time (being close of business on 24 October 2016). Changes to entries in the Register after the Voting Record Time will be disregarded in determining the rights of any person to attend and/or vote at the General Meeting. If the General Meeting is adjourned, only those Shareholders on the Register as at close of business on the day which is two days before the date of the adjourned General Meeting will be entitled to attend, speak and vote or to appoint a proxy.

The number of Ordinary Shares a Shareholder holds as at the Voting Record Time will determine how many votes that Shareholder or his/her proxy will have in the event of a poll.

Explanation of the Resolution to be proposed at the General Meeting

The notice convening the General Meeting sets out the Resolution which will be proposed at it. The Resolution, which will be proposed as an ordinary resolution, approves the changes to the Existing Investment Policy and adopts the Proposed Investment Policy, the text of which, along with a mark-up including the proposed changes to the Existing Investment Policy, is set out in Part 2 of this circular.

5. Action to be taken

A Form of Proxy for use at the General Meeting accompanies this document. The Form of Proxy should be completed in accordance with the instructions on it and returned to the Company's registrars, Capita Asset Services, PXS, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU as soon as possible but in any event so as to be received by 10:00 a.m. on 24 October 2016. The completion and return of a Form of Proxy will not preclude a Shareholder from attending the General Meeting and voting in person should they so wish.

6. Recommendation

The Directors consider the Proposal to be in the best interests of the Company and its Shareholders as a whole and accordingly recommend unanimously that Shareholders vote in favour of the Resolution to be proposed at the General Meeting.

Yours faithfully

Robert Malcolm Naish
Chairman

PART 2

SUMMARY OF PROPOSED INVESTMENT POLICY

Assuming that the Resolution is passed at the General Meeting, the Company's new investment policy will be as follows.

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.

INVESTMENT POLICY

The Company will seek to benefit from the Ground Rents' long-term cash flows, rental income from each freehold and head leases and additional income from the obligation to arrange the insurance of the building and, further, the ability to charge for permissions under the lease when the leasehold ownership changes hands. The Company will not invest in non Ground Rent instruments, listed securities or other forms of commercial or residential property.

The Company will invest in freeholds and head leases in the United Kingdom. The Company intends to purchase Ground Rents where the leasehold interests are Long Dated although shorter opportunities will be considered if the Directors believe it is in the best interest of the Company to do so.

Each portfolio of Long Dated Ground Rents comprising the freeholds and head leases of residential, retail and commercial properties in the United Kingdom will have a pre-determined long-term income stream from the lease and, ultimately, when the lease comes to an end, a reversionary value. The Company may also exploit other investment opportunities which provide the Company with Ground Rent income but may not have the right to a reversionary value.

The Company intends that no single ground rent property should represent more than 25 per cent of the gross asset value of the Company at the time of investment.

The Company does not expect to engage in any hedging transactions, although, at the sole discretion of the Directors, the Company may utilise hedging, financial and money market instruments in the management of its assets and risk.

The Company may reinvest both realised invested capital and any profits that have not been distributed, subject to distributing 90 per cent of distributable income profits arising from the Group's Qualifying Property Rental Business in each accounting year in order to comply with the Company's REIT obligations.

The Company may make use of structural or long-term debt facilities for investment purposes, and if a portfolio of assets was available to be acquired in a corporate structure which had some existing borrowings within its corporate vehicles, these may be retained. In all cases the gearing anticipated would be limited in scale, to no more than 25 per cent of the gross assets of the Company.

AMENDMENTS TO THE COMPANY'S EXISTING INVESTMENT POLICY

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.

INVESTMENT POLICY

The Company will seek to benefit from the Ground Rents' long-term cash flows, rental income from each freehold and head leases and additional income from the obligation to arrange the insurance of the building and, further, the ability to charge for permissions under the lease when the leasehold ownership changes hands. The Company will not invest in non Ground Rent instruments, listed securities or other forms of commercial or residential property.

The Company will invest in freeholds and head leases in the United Kingdom. The Company intends to purchase Ground Rents where the leasehold interests are Long Dated although shorter opportunities will be considered if the Directors believe it is in the best interest of the Company to do so.

Each portfolio of Long Dated Ground Rents comprising the freeholds and head leases of residential, retail and commercial properties in the United Kingdom will have a pre-determined long-term income stream from the lease and, ultimately, when the lease comes to an end, a reversionary value. The Company may also exploit other investment opportunities which provide the Company with Ground Rent income but may not have the right to a reversionary value.

The Company intends that no single ground rent property should represent more than 25 per cent of the gross asset value of the Company at the time of investment.

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The Company may reinvest both realised invested capital and any profits that have not been distributed, subject to distributing 90 per cent of distributable income profits arising from the Group's Qualifying Property Rental Business in each accounting year in order to comply with the Company's REIT obligations.

The Company may make use of structural or long-term debt facilities for investment purposes, and if a portfolio of assets was available to be acquired in a corporate structure which had some existing borrowings within its corporate vehicles, these may be retained. In all cases the gearing anticipated would be limited in scale, to no more than 25 per cent of the gross assets of the Company.

PART 3

DEFINITIONS

The following definitions apply throughout this document, unless the context requires otherwise:

"AIF"	an alternative investment fund (as defined in AIFMD);
"AIFM"	a regulated entity which is authorised by the FCA as an alternative investment fund manager;
"AIFMD"	Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011 on Alternative Investment Managers and, where applicable and the context requires, references to the AIFMD includes references to Commission Delegated Regulation (EU) No 231/2013 of 19 December 2012 supplementing the AIFMD and any legislation implementing the AIFMD into the national law of a jurisdiction, including the AIFM Rules and the FCA Rules;
"AIFM Rules"	the AIFMD and all applicable rules and regulations implementing the AIFMD in the UK;
"Articles"	the articles of association of the Company in force as at the date of this document;
"Board" or "Directors"	the directors of the Company from time to time;
"Capita Registrars"	a trading name of Capita Asset Services Limited;
"certificated" or "in certificated form"	in relation to a share or other security, a share or other security, title to which is recorded in the relevant register of the share or other security concerned as being held in certificated form (that is, not in CREST);
"CISEA"	the Channel Islands Securities Exchange Authority Limited;
"CISEA Listing Rules"	the listing rules produced by the CISEA for companies whose securities are listed on the CISEA, as amended from time to time;
"Companies Act"	UK Companies Act 2006;
"Company"	Ground Rents Income Fund plc, a company incorporated in England and Wales with registered number 8041022;
"CREST"	the relevant system (as defined in the Uncertificated Securities Regulations 2001) to facilitate the transfer of title to shares in uncertificated form in respect of which Euroclear UK & Ireland Limited is the operator (as defined in the Uncertificated Securities Regulations 2001);

"Euroclear UK & Ireland Limited"	the operator of the CREST system;
"Existing Investment Policy"	the Company's investment policy as at the date of this circular;
"FCA"	the UK Financial Conduct Authority or any successor body;
"Form of Proxy"	the form of proxy accompanying this document for use at the General Meeting;
"General Meeting"	the general meeting of the Company to be held on 26 October 2016 at 10:00 a.m. at the offices of the Company at 72 Welbeck Street, London W1G 0AY, or any adjournment or postponement thereof, notice of which is set out at the end of this document;
"Ground Rents"	the right to receive an annual, pre-determined payment made by a lessee of a property to the freeholder or head leaseholder of that property;
"Group"	the Company and its subsidiaries from time to time;
"Investment Adviser"	the Company's existing property and investment adviser Brooks Macdonald Funds Limited, a company incorporated in England and Wales with registered number 5730097, and which is authorised as an AIFM by the FCA under number 454833;
"Ordinary Shares" or "Shares"	ordinary shares of 50 pence nominal value in the capital of the Company;
"Proposed Investment Policy"	the proposed investment policy that will be adopted by the Company if the Resolution is passed, the text of which is contained in Part 2 of this circular;
"Qualifying Property Rental Business"	a business within the meaning of section 205 of the Corporation Tax Act 2009 or an overseas property business within the meaning of section 206 of the Corporation Tax Act 2009, but, in each case, excluding certain types of business (as per section 519(3) of the Corporation Tax Act 2010);
"Register"	the register of members of the Company;
"Registrar"	Capita Registrars;
"REIT"	a company or group to which Part 12 of the Corporation Tax Act 2010 applies;
"Resolution"	the Resolution to be proposed at the General meeting, as set out in the notice of General Meeting on pages 13 to 14 of this document;
"Shareholders"	the holders of Ordinary Shares from time to time;
"subsidiary"	as construed in accordance with section 1261 Companies Act;

"UK" or "United Kingdom"

the United Kingdom of Great Britain and Northern Ireland;

"uncertificated" or "in uncertificated form"

in relation to a share or other security, a share or other security, title to which is recorded in the relevant register of the share or other security concerned as being held in uncertificated form (that is, in CREST) and title to which may be transferred by using CREST; and

"Voting Record Time"

in relation to the General Meeting, close of business on 24 October 2016, or if the General Meeting is adjourned, close of business on the day which is two working days before the date of the adjourned meeting.

NOTICE OF GENERAL MEETING

Notice of General Meeting

of

Ground Rents Income Fund plc

(incorporated in England and Wales with company no. 8041022)

Notice is hereby given that a general meeting (**General Meeting**) of members of Ground Rents Income Fund plc (the **Company**) will be held on 26 October 2016 at 10:00 a.m. at the offices of the Company at 72 Welbeck Street, London W1G 0AY for the purpose of considering and, if thought fit, passing the following resolution:

ORDINARY RESOLUTION

THAT, the investment policy set out in Part 2 of the circular to Shareholders of the Company dated 7 October 2016 of which this notice forms part (a copy of which will be marked "A" and signed for the purpose of identification by the Chairman of the Meeting) be and is hereby approved and adopted with immediate effect as the Company's investment policy in place of its existing investment policy and that, accordingly, acquisitions of further assets within the Company's investment policy may be made using structural and/or long term debt facilities permitted by such policy.

By order of the Board

Martin Robinson

Company Secretary

Dated: 7 October 2016

Registered Office:

72 Welbeck Street

London

W1G 0AY

Notes:

1. Only those shareholders registered in the shareholders' register of the Company as at close of business on 24 October 2016 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 entries on the relevant register of securities after that time shall be disregarded in determining the rights of any person to attend or vote at the meeting.
2. A shareholder of the Company who is entitled to attend and vote at the meeting convened by this notice shall be entitled to appoint another person or two or more persons in respect of different shares held by him, as his proxy to exercise all or any of his rights to attend and speak and to vote in his place at the meeting. Such proxy need not be a shareholder of the Company.
3. A form of proxy in respect of this meeting is enclosed with this notice of General Meeting. To be valid, the form of proxy (together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power or authority) must be completed in accordance with the instructions set out on the form and returned to Capita Registrars, PXS, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU so as to be received by not later than 10.00 a.m. on 24 October 2016. Alternatively, you may submit your proxy electronically using The Share Portal Service at <http://www.capitashareportal.com>. Appointing a proxy will not prevent a shareholder from attending and voting in person at the meeting should he so wish.
4. CREST members who wish to appoint one or more proxies through the CREST system may do so by using the procedures described in "the CREST voting service" section of the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed one or more voting service

providers, should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. In order for a proxy appointment or a proxy instruction made using the CREST voting service to be valid, the appropriate CREST message (a "CREST proxy appointment instruction") must be properly authenticated in accordance with the specifications of CREST's operator, Euroclear UK & Ireland Limited ("Euroclear"), and must contain all the relevant information required by the CREST Manual. To be valid, the message (regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy) must be transmitted so as to be received by Capita Registrars, as the Company's "issuer's agent" (ID:RA10), by 10.00 a.m. on 24 October 2016. After this time any change of instruction to a proxy appointed through the CREST system should be communicated to the appointee through other means. The time of the message's receipt will be taken to be when (as determined by the timestamp applied by the CREST Applications Host) the issuer's agent is first able to retrieve it by enquiry through the CREST system in the prescribed manner. Euroclear does not make available special procedures in the CREST system for transmitting any particular message. Normal system timings and limitations apply in relation to the input of CREST proxy appointment instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or a CREST sponsored member or has appointed any voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as is necessary to ensure that a message is transmitted by means of the CREST system by any particular time. CREST members and, where applicable, their CREST sponsors or voting service providers should take into account the provisions of the CREST Manual concerning timings as well as its section on "Practical limitations of the system". In certain circumstances the Company may, in accordance with the Uncertificated Securities Regulations 2001 or the CREST Manual, treat a CREST proxy appointment instruction as invalid.

5. A member that is a corporation can only attend and vote at the meeting in person through one or more duly appointed representatives. Any such representative should bring to the meeting written evidence of his appointment, such as a certified copy of a board resolution of, or a letter from, the corporation concerned confirming the appointment.