

Registered number
8041022

Ground Rents Income Fund plc
Half Yearly Consolidated Financial Report
for the six months ended 31 March 2017

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Ground Rents Income Fund plc
Half Yearly Consolidated Financial Report
for the six months ended 31 March 2017
Company Information

Directors

Robert Malcolm Naish - Chairman
Paul Anthony Craig
Simon Paul Wombwell

Company Secretary

William Martin Robinson

Alternative Investment Fund Manager

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72 Welbeck Street
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W1G 0AY

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**Ground Rents Income Fund plc
Half Yearly Consolidated Financial Report
for the six months ended 31 March 2017**

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 2017.

Highlights

Revenue for the period was £2,465,678 (2016: £2,349,353) and profit for the period was £7,958,314 (2016: £6,117,299). The profit is stated after a net revaluation gain of £6,328,143 (2016: £4,298,592), which demonstrates the strength of the ground rents market during the period.

At 31 March 2017, the net asset value per ordinary share was 138.35 pence (30 September 2016: 131.83 pence), an increase of 4.9%. Total net assets grew by 4.2% to £129.2m (30 September 2016: £123.1m) driven by the revaluation gain at 31 March 2017.

The Group has completed purchases for a total cost of £10.9 million in the period, and the directors continue to look for suitable additions to add to the portfolio. Approximately £6 million of purchases have been agreed through either the exchange of contracts or option agreements, of which £3.3 million are expected to complete in the current financial year. These acquisitions will be financed from the Group's cash resources which have been increased during the period by way of a newly secured five-year £19.5 million loan facility. Further acquisitions amounting to £7.4 million are being negotiated.

Dividends

The Company has paid two interim PID dividends to Ordinary shareholders in the six months to 31 March 2017. 1.024p per share (total: £956,437) was paid for the period to 31 December 2016 and 0.980p per share (total: £915,340) was paid for the period to 31 March 2017.

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 respect of the Company's wider portfolio of doubling ground rents, which represents 18% of the portfolio capital value, the Directors believe that the valuation may now be lower, based on recent market sentiment, by approximately £5.5 to £6.0 million. However, it must be stated that these figures are purely estimation and the fair value of the portfolio has therefore not been adjusted. The next valuation date is 30 September 2017.

The Board will update shareholders when appropriate.

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
21st June 2017

Ground Rents Income Fund plc
Half Yearly Consolidated Financial Report
for the six months ended 31 March 2017
Investment Manager's Report

Ground rent market

There continues to be sustained deal flow in the ground rent market, driven by both established players backed by institutional money and an increasing number of smaller new entrants. Pricing for large-scale, Retail Prices Index (RPI)-linked assets remains robust, as investors seek good-quality, inflation-linked income. A recently-published report by Savills shows that ground rents which review to RPI annually and every five years now attract yields of 2.5% and 2.7% respectively. This is in line with our own transactional evidence, such as an annually-reviewing, multi-site build-to-rent scheme which has recently attracted bids of just less than 2.5%. Savills also highlighted that the average ground rent yield in 2016 reached a historic low of 3.5%, down from 5.7% in 2010, which represents an increase of 63% in capital value terms. Furthermore, the value of ground rents to be created over the next five years is forecast to exceed £400 million a year. This is being driven by the continued urban development of apartments and is likely to improve market liquidity.

Ground rents and landlords have, however, attracted media attention in recent months regarding perpetual 10-year doubling rents and new-build leasehold houses. As a consequence, some institutional buyers have withdrawn from bidding for any form of doubling ground rent assets and pricing has weakened accordingly. Subsequent to the date of the accounts, Taylor Wimpey, a large listed housebuilder, announced a £130 million balance sheet provision to cover disputes over house leases granted to its customers with 10-year doubling ground rents.

Although the Company does not have an exposure to perpetual 10-year doubling ground rent, as per the 12 June unaudited Net Asset Value (NAV) announcement, the Directors believe that the Company's wider portfolio of doubling ground rents (18% of the portfolio capital value) may now be worth approximately £5.5 to £6.0 million less than as at 31 March 2017. This would lead to a NAV per share of approximately 132 pence, still slightly higher than the previous calculated NAV as at 30 September 2016. We continue to carefully monitor this part of the market.

The historic low yields on ground rents are increasingly being seen as an attractive way for businesses to raise cash from their property assets, while retaining the right to continue operating from their premises as long leaseholders. One such recent deal was a business with steadily growing revenues and earnings looking to raise more than £50 million by selling the freehold of many of its properties and leasing them back subject to RPI-linked ground rents. While similar in nature, the risk profile of such deals can be somewhat different to residential ground rents, and it reaffirms our belief in carefully reviewing all deals on their own merits.

Financing and acquisitions

The Company's debt was refinanced during the period following shareholder approval in October. The existing debt facility of £8.0 million was replaced by a five-year facility of £19.5 million at a fixed rate of 3.37% per annum and was fully drawn by the end of the accounting period. This is being used to finance working capital and additional ground rent purchases.

Also during the period the Company completed four acquisitions, which increased the ground rent roll by £364,400, at a cost of £10.9 million, giving an initial ground rent yield of 3.6%.

Firstly, in November an additional Vita Student property in York was completed on a forward-fund basis. The site is to be one of the highest-quality student accommodation schemes in the UK, consisting of 14 three and four-storey buildings and a converted convent in 6.3 acres of extensively-landscaped grounds, within walking distance of both the University of York and York St John's University. The 643 beds across 527 flats generate £273,500 of total ground rent linked to five year RPI. The Company paid £7.8 million for the freehold, giving an initial ground rent yield of 3.5%, or an initial total yield of 3.9% when forecast ancillary income is also included. It has, therefore, entered the portfolio as the largest single asset, and students are expected to begin occupying the site from September 2017.

Secondly, two further residential sites from Muse Developments were completed in Brentford (December) and Bristol (November). Both sites are of high specification, and have been specially designed to be sympathetic to their surroundings and provide leaseholders with a sense of community. In total, the 263 units generate £84,400 of ground rent linked to 20 year RPI at a cost of £2.1 million, giving an initial ground rent yield of 4.1%. The high reversionary values will provide the Company with excellent risk adjusted returns.

Finally, a small site in Northumberland was purchased in October, providing an additional £6,500 of ground rent linked to 5 year RPI at a cost of £0.2 million, giving an initial ground rent yield of 3.1%.

Ground Rents Income Fund plc
Half Yearly Consolidated Financial Report
for the six months ended 31 March 2017
Investment Manager's Report

Asset management

Brooks Macdonald Funds Limited (BM) continues to focus on additional income opportunities both in terms of day-to-day management of the portfolio and also from opportunities within the planning regime, while actively managing the estate. This approach has led to considerably higher-than-forecast income from notice, consent and permission fees.

In the last six months this income has been in excess of £280,000 and we expect that this positive trend will continue. This income was not forecast to have such a significant impact at IPO and is, therefore, a welcome additional income stream for the company. The property management of the portfolio continues to be undertaken, where appropriate, by Braemar Estates (BE).

In the past six months, with the assistance of our insurance brokers and underwriters, we have implemented a new Health and Safety (H&S) monitoring system called Meridian. This live, online system automatically uploads all documentation directly into the insurance underwriting systems, creating an audit trail and a robust due-diligence archive.

Outlook

RPI inflation jumped to 3.1% in the year to March, up from 2.0% in September, and has since increased further. Rising prices are, therefore, beginning to put downward pressure on real wages. Official figures already show that because of this, together with increased household borrowing and a historically low savings ratio, there is a noticeable worsening in people's perception of their own financial position and the wider economy.

This weakening of real wage growth led the government to temper its medium-term growth expectations at the Spring Budget in March, which, in turn, has led bond investors to look beyond rising headline inflation. The redemption yield on 10-year gilts, having climbed to 1.52% in January, has been in decline ever since. Equity markets have, however, been unusually benign, with the FTSE 100 exhibiting record low volatility, while at the same time reaching a record high valuation, albeit this valuation is partly due to the impact of the fall in sterling on multinational companies' dollar earnings.

We still believe interest rates look set to stay low for longer, 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. These attractive characteristics are reflected in the increasing trading activity in the Company's shares, the price of which reached an all-time high of 141.95p in March, and strong, long-term NAV performance. Ground rent reviews, as well as additional landlord consent revenues generated by our asset management of the portfolio, are expected to allow the company to continue paying a progressive annual dividend.



James Agar
On Behalf of Brooks Macdonald Funds Limited
21st June 2017
Investment Manager

Ground Rents Income Fund plc
Condensed Consolidated Income Statement
for the six months ended 31 March 2017

	Notes	unaudited 6 months to 31 March 2017 £	unaudited 6 months to 31 March 2016 £	audited Year ended 30 September 2016 £
Continuing Operations				
Revenue	3	2,465,678	2,349,353	4,759,385
Administrative expenses		(600,057)	(417,489)	(1,065,301)
Profit on sale of ground rent assets		-	31,835	158,502
Net revaluation gain on investment properties		6,328,143	4,298,592	16,617,598
Operating profit		<u>8,193,764</u>	<u>6,262,291</u>	<u>20,470,184</u>
Finance income		1,670	14,573	23,306
Finance costs	4	<u>(237,120)</u>	<u>(159,465)</u>	<u>(329,372)</u>
		(235,450)	(144,892)	(306,066)
Profit before income tax		<u>7,958,314</u>	<u>6,117,399</u>	<u>20,164,118</u>
Income tax (charge) / credit		-	(100)	3,320
Profit for the period attributable to owners of the parent		<u>7,958,314</u>	<u>6,117,299</u>	<u>20,167,438</u>
Earnings per share				
Basic	7	8.52p	6.58p	21.66p
Diluted	7	8.27p	6.52p	21.34p

There is no other comprehensive income for the period.

The accompanying notes from pages 9 to 14 form an integral part of the interim consolidated financial statements.

Ground Rents Income Fund plc
Condensed Consolidated Statement of Financial Position
as at 31 March 2017

	Notes	unaudited 31 March 2017 £	unaudited 31 March 2016 £	audited 30 September 2016 £
Assets				
Non current assets				
Investment properties - ground rents	5	142,969,000	111,540,000	125,699,100
Total non-current assets		<u>142,969,000</u>	<u>111,540,000</u>	<u>125,699,100</u>
Current assets				
Trade and other receivables		6,843,209	2,723,320	2,291,812
Cash and cash equivalents		1,839,268	4,153,568	5,307,432
Total current assets		<u>8,682,477</u>	<u>6,876,888</u>	<u>7,599,244</u>
Total Assets		<u>151,651,477</u>	<u>118,416,888</u>	<u>133,298,344</u>
Liabilities				
Non-current liabilities				
Financial liabilities measured at amortised cost	6	(19,223,146)	(5,028,368)	(8,000,000)
Total non-current liabilities		<u>(19,223,146)</u>	<u>(5,028,368)</u>	<u>(8,000,000)</u>
Current liabilities				
Trade and other payables		(3,206,426)	(2,665,107)	(2,162,976)
Total current liabilities		<u>(3,206,426)</u>	<u>(2,665,107)</u>	<u>(2,162,976)</u>
Total Liabilities		<u>(22,429,572)</u>	<u>(7,693,475)</u>	<u>(10,162,976)</u>
Net assets		<u>129,221,905</u>	<u>110,723,413</u>	<u>123,135,368</u>
Financed by:				
Equity				
Share capital	9	46,701,006	46,562,156	46,701,006
Share premium account		44,103,882	43,979,409	44,103,882
Retained earnings		38,417,017	20,181,848	32,330,480
Total equity		<u>129,221,905</u>	<u>110,723,413</u>	<u>123,135,368</u>
Net asset value per ordinary share				
Basic	8	138.35p	118.90p	131.83p
Diluted	8	135.31p	117.35p	129.31p

The accompanying notes from pages 9 to 14 form an integral part of the interim consolidated financial

The condensed consolidated financial statements on pages 5 to 14 were approved and authorised for issue by the board of directors on 21st June 2017 and signed on its behalf by:



Robert Malcolm Naish
 Director and Chairman
 21st June 2017

Ground Rents Income Fund plc

Company registered number: 8041022

Ground Rents Income Fund plc
Consolidated Statement of Cash Flows
for the six months ended 31 March 2017

	Notes	unaudited 6 months to 31 March 2017 £	unaudited 6 months to 31 March 2016 £	audited Year ended 30 September 2016 £
Cash flows from operating activities				
Cash generated from operations	11	2,857,674	2,421,286	5,167,583
Interest paid on bank loan		(216,417)	(88,195)	(200,040)
Taxation (paid) / received		-	(922)	1,719
Net cash generated from operating activities		<u>2,641,257</u>	<u>2,332,169</u>	<u>4,969,262</u>
Cash flow from investing activities				
Interest received		1,670	14,573	23,306
Receipts from the sale of ground rent assets		-	34,488	164,025
Purchase of ground rent assets		(10,941,757)	(1,975,804)	(4,872,425)
Net cash absorbed by investing activities		<u>(10,940,087)</u>	<u>(1,926,743)</u>	<u>(4,685,094)</u>
Cash flows from financing activities				
Net proceeds of issuance of shares		-	151,242	414,565
Net proceeds from borrowings		6,702,443	-	2,913,307
Dividends paid to shareholders		(1,871,777)	(1,784,820)	(3,686,328)
Net cash generated from / (used in) financing activities		<u>4,830,666</u>	<u>(1,633,578)</u>	<u>(358,456)</u>
Net decrease in cash and cash equivalents		<u>(3,468,164)</u>	<u>(1,228,152)</u>	<u>(74,288)</u>
Net cash and cash equivalents at the start of the period		<u>5,307,432</u>	<u>5,381,720</u>	<u>5,381,720</u>
Net cash and cash equivalents at the end of the period		<u>1,839,268</u>	<u>4,153,568</u>	<u>5,307,432</u>

The accompanying notes from pages 9 to 14 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 1 October 2015 to 31 March 2017

	Share capital £	Share premium account £	Distributable reserve £	Total £
At 1 October 2015	46,482,856	43,907,467	15,849,370	106,239,693
Comprehensive income				
Profit for the period	-	-	6,117,299	6,117,299
Total comprehensive income	-	-	6,117,299	6,117,299
Transactions with owners				
Issue of share capital	79,300	79,300	-	158,600
Share issue costs	-	(7,358)	-	(7,358)
Dividends paid (note 9)	-	-	(1,784,821)	(1,784,821)
At 31 March 2016	<u>46,562,156</u>	<u>43,979,409</u>	<u>20,181,848</u>	<u>110,723,413</u>
Comprehensive income				
Profit for the period	-	-	14,050,139	14,050,139
Total comprehensive income	-	-	14,050,139	14,050,139
Transactions with owners				
Issue of share capital	138,850	138,850	-	277,700
Share issue costs	-	(14,377)	-	(14,377)
Dividends paid (note 9)	-	-	(1,901,507)	(1,901,507)
At 30 September 2016	<u>46,701,006</u>	<u>44,103,882</u>	<u>32,330,480</u>	<u>123,135,368</u>
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 9)	-	-	(1,871,777)	(1,871,777)
At 31 March 2017	<u>46,701,006</u>	<u>44,103,882</u>	<u>38,417,017</u>	<u>129,221,905</u>

The accompanying notes from pages 9 to 14 form an integral part of the interim consolidated financial statements.

Ground Rents Income Fund plc
Notes to the Condensed Consolidated financial statements
for the six months ended 31 March 2017

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 period from 1 October 2015 to 30 September 2016. 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), formerly the Channel Islands Securities Exchange (CISEA) and 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 2017. 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 2016.

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 period ended 30 September 2016 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 2017 has neither been audited nor reviewed. The financial information was approved by the Board on 21 June 2017.

Changes in accounting policy and disclosure

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 2016.

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 2017 £	unaudited 6 months to 31 March 2016 £	audited Year ended 30 September 2016 £
By activity:			
Ground rent income accrued in the period	2,184,671	2,052,851	4,107,896
Other income falling due within the period	281,007	296,502	651,489
	<u>2,465,678</u>	<u>2,349,353</u>	<u>4,759,385</u>

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 2017 £	unaudited 6 months to 31 March 2016 £	audited Year ended 30 September 2016 £
Loan interest costs	216,417	88,195	200,040
Amortisation of loan arrangement fees	20,703	71,270	129,332
	<u>237,120</u>	<u>159,465</u>	<u>329,372</u>

Loan set-up costs of £296,771 have been capitalised and deducted from the total loan amount outstanding. These costs are being amortised over 60 months to November 2021.

Ground Rents Income Fund plc
Notes to the Condensed Consolidated financial statements
for the six months ended 31 March 2017

5 Investment Properties - Ground rents	Ground rent assets
Market value	£
At 1 October 2015	104,213,000
Additions	3,031,061
Disposals	(2,653)
Surplus on revaluation	4,298,592
	<hr/>
At 31 March 2016	111,540,000
Additions	1,841,364
Disposals	(1,270)
Surplus on revaluation	12,319,006
	<hr/>
At 30 September 2016	125,699,100
Additions	10,941,757
Surplus on revaluation	6,328,143
	<hr/>
At 31 March 2017	142,969,000
	<hr/>
Net book value	
At 31 March 2017	142,969,000
At 30 September 2016	125,699,100
At 31 March 2016	111,540,000

The Group's investment in ground rents was revalued at 31 March 2017 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. While interest rates remain low, ground rents are an attractive investment due to their secure, pre-determined income streams. The valuation of a ground rent depends on the future rental uplift timing and nature. The most valuable ground rent 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.

6 Borrowings	unaudited	unaudited	audited
	31 March	31 March	30 September
	2017	2016	2016
	£	£	£
Bank loan repayable within one year	-	5,058,037	8,000,000
Bank loan repayable over one year	19,500,000	-	-
Capitalised loan arrangement fees net of amortisation	(276,854)	(29,669)	-
	<hr/>	<hr/>	<hr/>
	19,223,146	5,028,368	8,000,000

The new 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, Gateway (Leeds) Ground Rents Limited, GRIF040 Limited, GRIF041 Limited, GRIF044 Limited, GRIF048 Limited, Masshouse Ground Rents Limited, Masshouse Block HI Limited, Masshouse Residential Block HI Limited, North West Ground Rents Limited, Opw Ground Rents Limited, Postbox Ground Rents Limited, The Manchester Ground Rent Company Limited, Wiltshire Ground Rents Limited and Yorkshire Ground Rents Limited.

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

Ground Rents Income Fund plc
Notes to the Condensed Consolidated financial statements
for the six months ended 31 March 2017

7 Earnings per share

Basic earnings per share

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

	unaudited 31 March 2017 £	unaudited 31 March 2016 £	audited 30 September 2016 £
Profit attributable to equity shareholders of the Company	7,958,314	6,117,299	20,167,438

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

Basic earnings per share	8.52p	6.58p	21.66p
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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 2017 £	unaudited 31 March 2016 £	audited 30 September 2016 £
Profit attributable to equity shareholders of the Company	7,958,314	6,117,299	20,167,438
Total earnings in the period	7,958,314	6,117,299	20,167,438

	Number	Number	Number
Weighted average number of shares - basic	93,402,011	93,038,695	93,118,248
Potential dilutive effect of warrants	2,839,239	748,811	1,365,831
Diluted total shares	96,241,250	93,787,506	94,484,079
Diluted earnings per share	8.27p	6.52p	21.34p

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 2017 £	unaudited 31 March 2016 £	audited 30 September 2016 £
Net assets	129,221,905	110,723,413	123,135,368

	Number	Number	Number
Number of ordinary shares in issue	93,402,011	93,124,311	93,402,011
Outstanding warrants in issue	8,028,362	8,306,062	8,028,362
Diluted number of shares in issue	101,430,373	101,430,373	101,430,373
NAV per ordinary share - basic	138.35p	118.90p	131.83p
NAV per ordinary share - dilutive	135.31p	117.35p	129.31p

Ground Rents Income Fund plc
Notes to the Condensed Consolidated financial statements
for the six months ended 31 March 2017

9 Share capital	unaudited	unaudited	audited
	31 March	31 March	30 September
	2017	2016	2016
Allotted, called up and fully paid:			
Ordinary shares of £0.50 each	93,402,011	93,124,311	93,402,011
Number			
Amount £	<u>46,701,006</u>	<u>46,562,156</u>	<u>46,701,006</u>
Shares issued during the period:			
Ordinary shares of £0.50 each	-	158,600	436,300
Number			
Amount £	<u>-</u>	<u>79,300</u>	<u>218,150</u>

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 placing 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 2017 there were 8,028,362 warrants in issue.

10 Dividends

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

	unaudited	unaudited	audited
	6 months to	6 months to	Year ended
	31 March	31 March	30 September
	2017	2016	2016
	£	£	£
Dividends declared by the Company during the period:			
Dividends paid	<u>1,871,777</u>	<u>1,784,820</u>	<u>3,686,328</u>
	<u>1,871,777</u>	<u>1,784,820</u>	<u>3,686,328</u>
Analysis of dividends by type:			
Interim PID dividend of 0.952p per share	-	886,543	886,543
Interim PID dividend of 0.9646p per share	-	898,277	898,277
Interim PID dividend of 1.0187p per share	-	-	948,659
Interim PID dividend of 1.0232p per share	-	-	952,849
Interim PID dividend of 1.024p per share	956,437	-	-
Interim PID dividend of 0.980p per share	915,340	-	-
	<u>1,871,777</u>	<u>1,784,820</u>	<u>3,686,328</u>

Since the period ended 31 March 2017, the Company has announced an Interim PID dividend of 0.980p per share (£915,340).

Ground Rents Income Fund plc
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11 Gross cash flows	unaudited 6 months to 31 March 2017 £	unaudited 6 months to 31 March 2016 £	audited Year ended 30 September 2016 £
Reconciliation of profit before income tax to net cash inflow from operating activities			
Profit before income tax	7,958,314	6,117,399	20,164,118
Adjustments for:			
Non-cash revaluation gain	(6,328,143)	(4,298,592)	(16,617,598)
Profit on sale of ground rents	-	(31,835)	(158,502)
Net finance cost	235,450	144,892	306,066
Operating cash flows before movements in working capital	<u>1,865,621</u>	<u>1,931,864</u>	<u>3,694,084</u>
Movements in working capital:			
(Increase) / decrease in trade receivables	(51,397)	(733,976)	752,790
Increase in trade payables	1,043,450	1,223,398	720,709
Net cash generated from operations	<u>2,857,674</u>	<u>2,421,286</u>	<u>5,167,583</u>

12 Related party transactions

Simon Wombwell is also a director of Brooks Macdonald Funds Limited (BMF) and of Brooks Macdonald Group plc, the parent company of BMF and Braemar Estates (Residential) Limited, both of which companies 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 Company, 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 31 March 2017 £	audited 30 September 2016 £
AIFM fee payable to Brooks Macdonald Funds Limited	283,951	429,281
Acquisition fees payable to Brooks Macdonald Funds Limited	49,500	81,057
Directors fees payable to Brooks Macdonald Funds Limited	12,000	24,000
Other amounts payable to Brooks Macdonald Funds Limited	26,936	109,543
	<u>372,387</u>	<u>643,881</u>

Amounts owing of £372,387 were due to Brooks Macdonald Funds Limited in respect of invoices issued in the period 1 October 2016 - 31 March 2017 at 31 March 2017.

Braemar Estates (Residential) Limited is also a related party by virtue of being under common control with Brooks Macdonald Funds Limited. Transactions between Braemar Estates (Residential) Limited and Ground Rents Income Fund plc during the financial period were as follows:

	unaudited 31 March 2017 £	audited 30 September 2016 £
Other amounts due to Braemar Estates (Residential) Limited	23,403	18,825
	<u>23,403</u>	<u>18,825</u>

Amounts owing of £23,403 were due to Braemar Estates (Residential) Limited in respect of invoices issued in the period 1 October 2016 - 31 March 2017 at 31 March 2017.

Ground Rents Income Fund plc
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13 Other financial commitments

The Company has a number of Ground Rent acquisitions in the pipeline. There are a number of acquisitions to which the company is committed by way of option payments it has made. The company has also paid deposits of £135,000 for buildings under construction. The Company is due to pay £1,200,000 being the remainder of the purchase price plus any acquisition costs once the property is complete.

14 Events after the date of the accounts

Since 31 March 2017, the Company has continued to progress pipeline ground rent acquisitions and the Group has invested in ground rent assets totalling £800,000.

In line with the unaudited Net Asset Value announcement made on the 12 June 2017, the Directors believe that the portfolio valuation may now be lower than as at 31 March 2017 by approximately £5.5 to £6.0 million. This is based on recent market sentiment specifically concerning doubling ground rent assets.