Ground Rents Income Fund plc

Annual Report and Financial Statements

For the year ended 30 September 2024

Cover image: One Park West, Liverpool

Schroders capital

About us

Ground Rents Income Fund plc (the 'Company')

Company summary

The Company is a closed-ended real estate investment trust, incorporated on 23 April 2012 in the United Kingdom ('UK'). The Company has been listed on The International Stock Exchange ('TISE') and has traded on the SETSqx platform of the London Stock Exchange since 13 August 2012.

As at 30 September 2024 the Company had 95,667,627 shares in issue and had 37 active subsidiaries and seven dormant subsidiaries which, together with the Company, form the Group ('GRIO'). The Company is a Real Estate Investment Trust ('REIT').

Schroder Real Estate Investment Management Limited (the 'Manager', 'SREIM' or 'Schroders') was appointed as the Company's Alternative Investment Fund Manager ('AIFM') on 13 May 2019.

Investment policy[1]

The assets of the Company will be realised in a controlled, orderly and timely manner, with the objective of achieving a balance between (i) periodically returning cash to shareholders at such times and from time to time and in such manner as the Board (in its absolute discretion) may determine; and (ii) optimising the net realisation value of the Company's investments.

The strategy for realising individual investments will be flexible and may need to be altered to reflect changes in circumstances of a particular investment or in the prevailing market conditions. All material disposals of assets to be made by the Company will be approved by the Board.

Whilst implementing this realisation strategy, the Company will aim to deliver best-in-class residential asset management including fairness, transparency, and affordability for leaseholders. The net proceeds of portfolio realisations will be returned to shareholders at such times and from time to time and in such manner as the Board (in its absolute discretion) may determine. The Board will take into consideration the Company's working capital requirements (including, but not limited to, debt servicing and repayments), the cost and tax efficiency of returns of capital and the requirements of applicable law.

Any cash received by the Company as part of the realisation process but prior to its distribution to shareholders will be held by the Company as cash on deposit and/or as cash equivalents.

The Company may not make new investments, except where required to preserve and/or enhance the disposal value of its existing assets.

To the extent that the Company has not disposed of all of its assets by the time of the next shareholder vote to consider the Company's future to be held on or before 18 November 2027, in accordance with the revised articles of association of the Company, shareholders will be provided with an opportunity to review the future of the Company. To that end, an ordinary resolution will be proposed on or before 18 November 2027 that the Company will continue as then presently constituted.

Top 10 assets by value

	Asset	Location	Valuation at 30 September 2024 (£ million)	Valuation at 30 September 2024 (%)
1	Lawrence Street Student Village[2]	York	7.9	11.0
2	First Street	Manchester	3.2	4.5
3	One Park West	Liverpool	2.6	3.6
4	Masshouse Plaza	Birmingham	2.6	3.6
5	Richmond House	Southampton	2.5	3.5
6	Vita Tinlings	Liverpool	1.9	2.7
7	Rathbone Market	London	1.8	2.5
8	Brentford Lock West	London	1.7	2.4
9	Wiltshire Leisure Village	Royal Wootton Bassett	1.4	2.0
10	Brewery Wharf	Leeds	1.3	1.8
	Total		**26.9**	**37.6**

The Company is not a sustainable product for the purposes of the FCA rules. References to the consideration of sustainability factors and environmental, social and governance ('ESG') integration should not be construed as a representation that the Company seeks to achieve any particular sustainability outcome.

[1] Approved by shareholders at an EGM on 24 April 2023 with effect from that date.

[2] This asset was sold on 19 November 2024.

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Portfolio at a glance (as at 30 September 2024):

Number of assets

390

Number of investment units

19,000+

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

51.0%

Total portfolio value

£71.5 million

Percentage of the portfolio value comprising top ten assets

37.6%

Chair's Statement

A personal reflection by your Chair,

Barry Gilbertson

Previously, I have said that I would make no apology for the length of my Statement. This sentiment continues. When I joined the Company as Chair in the Spring of 2021, the so-called headwinds were known to be on the horizon. However, it was not clear when or how severe would be the 'weather forecast' when leasehold reform blew into our sector of the market, or when the ramifications of the terrible tragedy of Grenfell Tower would become a reality. What was clear to me, though, was that the Board had made an excellent decision to appoint Schroders as our Investment Manager in 2019. We reshuffled our Board later in 2021 in readiness.

Actually, when those two expected headwinds came towards fruition, increasing in their intensity each year, the implications were much more severe than almost anyone expected. In my role as Chair of the Board, in a Non-Executive capacity, I was determined (and fully supported by the Board) to regularly increase (at both Board and Manager level) the detailed up-to-date knowledge associated with, first, Building Safety and, subsequently, Leasehold Reform. The corollary was to ensure improved transparency for our shareholders. Inevitably, increased transparency leads to more content and, thus, longer written statements from the Chair.

It seems that shareholders appreciate the level of transparency and knowledge-sharing. To have the confidence and trust of our shareholders is both humbling and yet very heartening. More than 70% of shareholders voted in both the April 2023 and November 2024 Continuation Votes, with more than 90% supportive in each vote. Make no mistake, the headwinds are very challenging. It is not easy, but the Board and Schroders thank you sincerely for your support. Remember, though, that neither of these headwinds are of the Company's own making, but we are all, individually and collectively, committed to working hard to weather these storms on your behalf and to delivering on our shareholder-approved Investment Policy.

My Overview

We are today announcing our audited financial results for the year ended 30 September 2024. The results reflect the impact of the headwinds, with a further decline in the portfolio valuation, the wider adoption of material uncertainty by our independent valuer, and elevated professional advice fees.

Following staunch support from voting shareholders to the revised Investment Policy in April 2023, which aims to optimise the net realisation of the Company's investments, progress has been made with £11.35 million of disposals[3] at or above the prevailing valuation. The Manager has also completed the refinancing of our loan with Santander UK ('Santander'), extending the facility to July 2026. The new loan is fully compliant with loan covenants.

In parallel with this activity, we are progressing complex building safety remediation projects, improving portfolio-wide processes, particularly to improve outstanding debt recovery (since the year-end) and enhancing cost efficiencies wherever possible. Since the start of the financial year and as at the year-end, the building safety work executed has reduced the number of our properties requiring remediation to 23, and the associated negative valuation adjustment has reduced to £6.1 million (30 September 2023: 24 properties and negative valuation adjustment of £9.1 million). The reduction by just one property might imply only small progress. However, there are many further properties within the remaining 23 at the year-end where significant progress has been achieved, third-party funding has been secured and/or work is underway but not yet certified as complete. The important detail is set out in the Investment Manager's Report.

This Annual Report retains the disclaimer of opinion within the Auditors' report ('Modified Auditors' Report') first applied in September 2022. Uncertainty remains about the likely cost of outstanding remediation and who is ultimately liable for that cost, despite the fact that non-recoverable remedial costs incurred to date are very low in comparison to the actual remedial work costs incurred and paid by developers, the Government or leaseholders, rather than the Company. There is also a lack of transactional evidence across the residential ground rent market.

Similarly, ongoing uncertainty relating to leasehold reform, building safety, refinancing and related matters means there are factors which may affect the Company's status as a going concern in the future.

We consulted with our major shareholders in October 2024 about their views on the way forward, given the then approaching Continuation Vote. I am grateful for the strong support for our strategy shown at the recent EGM on 18 November 2024. More than 72% of all shares were cast, with 92% of shareholders voting in favour. Although the challenging operating environment may extend the timeline to implement the Investment Policy, the Board and Manager remain focused on continuing to realise assets when we deem that that the sale price has been optimised. We intend to use the released cash to repay debt and ultimately to distribute value to shareholders.

Performance

The independent portfolio valuation prepared by Savills Advisory Services Limited ('Savills') as at 30 September 2024 was £71.5 million, representing a like-for-like reduction (net of disposals) of £31.3 million, or 30.5%, over the financial year (30 September 2023: £106.1 million or £102.8 million on a like-for-like basis). The valuation reflects a net initial yield of 7.0% and a Years Purchase ('YP') multiplier of 13.4 (30 September 2023: 4.6% or 20.4 YP). The Investment Manager's Report on page 10 contains a detailed breakdown of the portfolio valuation movement including the explicit adjustments relating to leasehold reform and building safety and post year-end disposals.

As at 30 September 2024, Savills, in discussion with other valuers and the Royal Institution of Chartered Surveyors ('RICS'), continued to apply a Material Valuation Uncertainty Clause ('MUC') across the entire residential ground rent market, as they have done since 31 March 2024. Savills have advised us that they will continue to adopt the MUC in valuing our portfolio until there is clear evidence of a normal, functioning market, albeit it is difficult to describe today how such a market might be priced.

The reduced portfolio valuation led to a net asset value ('NAV') as at 30 September 2024 of £56.5 million, or 59.0 pence per share ('pps') (30 September 2023: £86.2 million or 90.1 pps). No dividends were paid

[3] Between 1 October 2023 and 14 January 2025.

during the year, resulting in a NAV total return of -34.5% (year to 30 September 2023: -1.3%).

Over the year, the Company's revenue increased by 6.7% to £6.1 million (30 September 2023: £5.7 million). This growth was primarily driven by a 4.6% increase in rental values across the portfolio (on a like-for-like-basis, net of disposals), which compares favourably to the Retail Price Index ('RPI') inflation rate of 2.7% over the same period. 'Other income' also increased from consent and notice fees but was partially offset by lower insurance commission and related fees. This commission (and related fees) cover the significant body of work needed to fulfil the Company's insuring obligations. The standard commission rate is being reduced in line with industry best practice.

Operating expenses increased by 25.0% this year to £4.0 million (30 September 2023: £3.2 million), which include one-off costs associated with the leasehold reform process, aimed at safeguarding shareholder interests, totalling £0.3 million (30 September 2023: £nil). These costs were mitigated through collaboration (by equably sharing the workload and cost) with two institutional investors who share similar objectives, ensuring a significant reduction compared to incurring these costs in full on a standalone basis. Compliance with building safety legislation also led to frictional costs of £0.2 million (30 September 2023: £0.1 million), alongside professional fees for remediation projects amounting to £0.1 million (30 September 2023: £0.3 million).

As may be imagined, the intensity of the headwinds was not envisaged when the Manager's fee arrangements were agreed in 2019. Consequently, dealing with 'out-of-scope' work has necessarily increased total 'out-of-scope' Manager fees by £0.6 million to £0.8 million (30 September 2023: £0.2 million). The increase in the Manager's overall fee was partially offset by the fall in NAV and reimbursement from third parties for building safety project fees. These headwinds have also added significant complexity to the audit and therefore fees paid to the Auditor, which totalled £0.4 million (30 September 2023: £0.3 million).

As a result of these factors, and after finance expenses of £0.9 million (year to 30 September 2023: £0.8 million) the Company experienced an 11.8% decline in earnings to £1.5 million (year to 30 September 2023: £1.7 million), excluding property revaluation and profit/loss on sales.

At year-end, the Company's cash balance was £5.5 million (30 September 2023: £1.6 million). When permissible, the Board intends to distribute the minimum required dividend, utilising surplus funds to reduce debt.

Given the persistent share price discount to NAV, the Board has considered share buybacks, but at this stage our priority is repayment of debt ahead of the extant hedging expiry in January 2025 and the loan maturing in July 2026.

I turn now to more detailed commentary, under relevant headings.

Leasehold Reform

In the first half of the financial year, the previous Government introduced the draft Leasehold and Freehold Reform Bill (the 'LAFR Bill'), with the aim of making the enfranchisement process 'easier, quicker and cheaper' for leaseholders and to standardise, improve and extend rights available to leaseholders, as previously proposed by the Law Commission. At the same time, the previous Government also launched a consultation (the 'Consultation') in November 2023, regarding the proposed restriction of existing residential ground rents. The Government suggested that no compensation would be paid to freeholders. It should come as no surprise that, in common with our peers (both institutional and private corporate) we considered this suggestion to be of significant concern and probably unlawful.

The Company provided a comprehensive response to the Consultation, which can be read via the following link: https://schro.link/c224c3.

The then Government's suggested approach (particularly with respect to no compensation payable) marked a significant shift in government policy, which, if enacted, would have a materially adverse impact on the Company, both in terms of revenue and also capital value. The absence of meaningful or material transactional evidence since these developments has led Savills, in discussion with other valuers and the RICS, to adopt a MUC across the entire residential ground rent market.

Despite the political upheaval culminating in the accelerated enactment of the LAFR Bill in the pre-election "wash-up" in May 2024, the new Government is yet to respond to the Consultation, per se, and the resulting Leasehold and Freehold Reform Act 2024 (the 'LAFR Act') does not impose restrictions on existing ground rent payable. The practical implementation of the LAFR Act also remains unclear, as most provisions require the introduction of complex secondary legislation by the Secretary of State.

Uncertainty persisted during the second half of the year and since, although the new Government has emphasised (via a Ministerial Statement on 21 November 2024, which can be read via this link: https://schro.link/hcws244) a more measured approach to reforming, what it acknowledges to be 'an incredibly complicated area of property law'. Consequently, it intends to take the necessary time to ensure that reforms are 'fit for purpose'. As such, the new Government has committed to implement the LAFR Act but only after consulting on topics such as calculating enfranchisement premiums.

However, the new Government believes the LAFR Act does not go far enough and seeks further reform to provide homeowners with greater rights and protections. This includes a draft Leasehold and Commonhold Reform Bill, due to be published in the second half of 2025, that addresses 'unregulated and unaffordable' existing ground rents payable and to ban the sale of new leasehold flats, in favour of a reinvigorated commonhold legal framework as the default tenure for new apartments in the future.

Positively, our efforts, and those of the wider ground rent market sector, combined with the change of Government, have led to a more favourable leasehold reform outcome for the Company than contemplated by the Consultation. Nonetheless, we still deem certain provisions of the LAFR Act, particularly to do with enfranchisement, to be unlawful. We are taking legal and other steps to safeguard shareholder interests. The groundwork laid in our earlier Consultation response continues to guide our current and future engagement with the new Government. As noted, we are sharing (with two institutional peers) the relevant legal costs in taking action seeking to protect our shareholders' interests.

Building Safety Reform

Following the Grenfell Tower tragedy on 14 June 2017, where fire broke out at the 24-storey residential tower in London, resulting in the deaths of 72 people, the previous Government eventually implemented the most significant regulatory reform to the UK's built environment in almost 40 years. This reform aims to increase accountability and improve building standards, particularly for multi-occupancy high-rise or Higher-Risk Buildings ('HRBs'). The reforms include the Building Safety Act 2022 ('BSA'), the Fire Safety Act 2021, new regulations and guidance, and the creation of a new Building Safety Regulator (the 'Regulator') (and together the 'Building Safety Framework').

The subsequent Grenfell Tower Inquiry found that the presence of flammable cladding played a significant role in the spread of the fire. In September 2024, the inquiry published its second and final report. This excoriating report found that the disaster occurred following 'decades of failure' within Government, combined with failure and dishonesty by the construction industry, product regulators, the fire service and the

Chair's **Statement** continued

Local Council (both as building owner and in granting Building Control Approval consent). The Government is considering the Report's 58 recommendations and is due to respond by March 2025.

Since the Report's publication, the National Audit Office ('NAO') has identified that there are potentially up to 12,000 properties that may need remediating, materially above the circa 5,000 properties identified to date. If correct, this number renders the Government's funding cap of £5.1 billion significantly inadequate. The NAO has emphasised that the Government should require original developers to pay more via a proposed Building Safety Levy and introduce a more proportionate approach to remediation to help protect taxpayers.

The Grenfell Tower Inquiry and the NAO's recent findings emphasise the importance of the 'Polluter Pays' principle, which has been defined as '*where possible, the costs (of the damage) should be paid by those causing it rather than those who suffer the effects of the damage'.*

Since then, the Government has announced an ambitious *'Remediation Acceleration Plan'*, aimed at resolving building safety issues by the end of December 2029, or landlords will face 'severe penalties'. Key measures include major developers expediting remediation efforts, cracking down on bad actors and giving regulators – local authorities, fire and rescue authorities, and the Regulator – robust new powers to enforce remediation. As recommended by the NAO, the Government has also committed to introduce the Building Safety Levy on all new residential buildings in England (subject to exemptions). The Government intends to bring the levy into effect in Autumn 2025 with the aim of raising £3.4 billion over the next ten years to top up the existing £5.1 billion of taxpayer funding to pay for necessary remediation.

Whilst the Government emphasises that 95% of buildings with the same type of cladding used on Grenfell Tower have been remediated, industry has already raised concern that the plan does not respond to the lack of sector capacity to tackle the nationwide problem.

Over the year, there have been minor changes to building and fire safety statute, for most of which the team were well prepared as the changes formed part of the timeline introducing the BSA. These changes include new regulations that came into effect in January 2024 relating to fire-door checks, recording and sharing fire risk assessments at HRBs, and updated processes to do with the sharing of certified building safety information between landlords and Residents' Management Companies ('RMCs'). These changes may seem innocuous as to time commitment required but they each require considerable resource to respond professionally. The LAFR Act also introduced minor amendments to the BSA, including making it easier for RMCs, where relevant (for example within our so-called 'non-managed' estate, where management responsibilities fall on the RMC rather than the Company as freeholder), to pursue those responsible for building safety defects and ensuring continuity in management responsibilities if a HRB owner enters insolvency. Case law is also emerging, most notably to do with apartments at the Olympic Village in East London, helping to interpret and clarify the vast body of new legislation and regulations.

Turning to the specifics of our portfolio as at 30 September 2024, 23 of our properties require building safety remediation (30 September 2023: 24), with work at nine properties completed or not required after further detailed inspection. It is worth noting that the small change in headline figure over the year hides a tremendous amount of detailed and complex work undertaken by the Board (in regular overview and monitoring) and extensively by the Manager on a daily basis.

Compliance with fire safety and other statutory obligations remains a priority for the Company and its service providers. We are dedicated to securing relevant third-party funding whilst progressing remediation projects, to ensure leaseholder safety and continued implementation of the current Investment Policy.

Whilst the Board and Manager firmly endorse the Government's aim of improving building standards, and we continue to progress remediation projects across the portfolio, the cumulative effect of legislation and pending legislation described also serve to increase the challenges and complexity of the issues at hand, particularly around non-recoverable costs and cashflow management. Notwithstanding, third parties have met the vast majority of remediation costs to-date – whether that be original developers, the Government or, in certain specific instances, leaseholders. We expect this trend to continue, which should ultimately limit our residual exposure to relatively minor remediation costs deemed non-recoverable by the relevant Government Agency.

Strategy

The replacement Continuation Vote mechanism, approved by voting shareholders in April 2023, required the Company to hold a Continuation Resolution before 31 December 2024. In preparation for the vote, and after our Strategy Update published on 11 October 2024, the Manager and I engaged in a series of consultations with our major shareholders, together comprising around 60% of the voting stock.

The shareholder consultation highlighted that, whilst progress was being made in delivering the current Investment Policy, more time was needed to optimise value. Shareholders were strongly supportive of our approach. At the EGM held on 18 November 2024 more than 72% of shareholders cast votes, with 92% voting in favour of the Continuation Resolution, which was thus a strong vote in favour of continuing with our Investment Policy. The Company will now be required to hold the next Continuation Resolution before 18 November 2027 and at three-year intervals thereafter.

I provide below the key strategic steps set out in the shareholder consultation together with the latest developments:

Sell assets where possible to optimise the net realisation value of the Company's investments, whilst repaying debt and improving the liquidity of the remaining portfolio.

In February 2024, the Company sold two freehold ground rent interests in Bristol and Exeter to a special purchaser for £3.45 million, which represented a 4.5% premium to the independent valuation of £3.3 million as at 30 September 2023.

Post year-end, on 19 November 2024, the Company sold its largest asset, a freehold ground rent interest at Lawrence Street in York, also to a special purchaser, for a price of £7.9 million. This price was in line with the independent portfolio valuation as at 30 September 2024 of £7.9 million (30 September 2023: £8.5 million).

These disposals together enabled the Company to reduce its loan outstanding to £12.0 million from £21.0 million at the start of the year, with the positive impact on loan covenants set out below and, of course, a commensurate financial reduction in loan interest payable.

Most recently, on 20 December 2024, we completed the sale of another property in Yorkshire which has been subject to a series of legacy management issues and failure of the third-party RMC, for £240,000, which was in line with the independent portfolio valuation as at year-end.

Further disposals are in progress and others are in pre-marketing preparation, with significant work ongoing to improve the liquidity of the underlying portfolio, such as building safety remediation and enhanced legal due diligence. Notwithstanding, industry-wide uncertainty relating to leasehold reform and building safety legislation means transactional volumes currently remain very low across the residential ground rent market.

Alongside targeted individual disposals, such as those completed during and since the financial year-end, the Company is, and will continue to be exploring and evaluating alternatives which could include smaller portfolios, or potentially a sale of the whole underlying portfolio, or the Company. More disposals will be undertaken with the overarching objective of optimising the net realisation value of the Company's investments.

Continue to engage positively with the UK Government of the day ('the Government') to advocate for leasehold reform that fairly balances the interests of our shareholders and our leaseholders.

The Company, working with industry peers and advisers, continues to advocate for leasehold reform that fairly balances the interests of our shareholders and our leaseholders. This work includes informal engagement with the Government alongside formal legal action. We are aware of other institutional freeholders who are engaging on the same basis.

The formal legal action involves a Judicial Review claim against the Secretary of State, challenging provisions within the LAFR Act which we consider unlawful. This action comprises, in aggregate, 11 parties across seven claims, including institutional and specialist investors, charities, and some of the Great Estates. During a recent hearing, the Government was unable to provide a timetable for the LAFR Act's implementation and, given evidence from charities' claimants of falling revenues due to expected changes in marriage value, the High Court Judge decided not to stay proceedings as requested by the Government. The Judicial Review therefore continues through the legal process. We also have submitted a compensation claim at the European Court of Human Rights under Article 1 of the First Protocol of the European Convention on Human Rights.

Work with the Company's independent valuer, Savills, to ensure they have all relevant available information concerning building safety remediation projects and leasehold reform related issues to reduce valuation uncertainty.

Whilst the Manager has worked hard to improve and support portfolio liquidity, the slow progress can, at least in part, be attributed to the lack of available third-party independent specialist resource (with appropriate professional indemnity insurance) to do with building safety remediation projects. In addition, a dearth of transactional activity means that the MUC continues to be applied, with the ultimate consequence that dividends are withheld.

Maintain a robust balance sheet, whilst also minimising expenses to maximise free cash.

Repaying debt and mitigating the impact of the Company's favourable hedging arrangements that expire in January 2025 are key strategy priorities to maintain a robust financial position. Progress has been made, as described, with the refinancing earlier this year and subsequent partial repayment of our loan facility with Santander.

To improve the arrears position, the Manager has updated and improved the Company's debt recovery processes and procedures, including earlier demands, automated referrals between the property manager and solicitor, and revised fees payable by leaseholders subject to market benchmarking, whilst also securing a commitment from the property manager to allocate additional resource as appropriate, at no extra cost to the Company.

As a direct result of these changes, I can report that, at time of writing (13 January 2025), the Company's +28-day rental arrears have been reduced to £0.9 million (17.9% of current annual rent roll) from £1.1 million (22.1%) as at year-end (30 September 2023: £1.0 million or 19.9% of the then annual rent roll).

Financing

In March 2024, the Company refinanced the Santander loan facility, which strengthened the Company's balance sheet and provides more time to implement the Investment Policy. The key terms are as follows:

- Initial facility of £19.5 million with a term extension from January 2025 to July 2026.
- Margin of 2.75% per annum, an increase of 90 basis points compared to the previous margin of 1.85% per annum.
- Pre-existing hedging arrangements in place until January 2025, consisting of an interest rate swap on £12.5 million at 0.83% per annum and an interest rate cap on £5.5 million at 1.00% per annum. At year-end, the interest rate was 3.68% per annum, with £19.5 million drawn.
- Five assets added to the security pool for a combined value of £9.5 million.
- As part of the refinancing, the Company used £1.5 million of cash from disposals to reduce the loan facility from the existing £21.0 million to £19.5 million.

Since year-end, the sale of our largest asset (in York) has enabled us to repay a further £7.5 million, giving a current loan balance of £12.0 million. Following this repayment, and adopting the Company's independent remaining portfolio valuation as at 30 September 2024, results in a Loan to Value ('LTV') of 38.6% compared with an LTV covenant ratio of 50%.

Based on the new loan balance of £12.0 million and the pre-existing interest rate hedging in place until January 2025, the loan has a total interest rate of 3.96% and an Interest Cover Ratio ('ICR') of 318%, which compares to a current ICR covenant ratio of 200%, with the covenant level reducing to 160% in January 2025.

In the event that the hedging is not renewed when it expires in January 2025, and assuming the current SONIA rate of 4.8%[4], the Company's total interest rate would increase to 7.55% in January 2025.

The Company is therefore currently fully compliant with loan covenants and, alongside further planned disposals, has cash of £6.0 million with the ability to further repay debt, if desired. Santander require all future proceeds from charged asset disposals to be used to repay the loan facility. There are no early repayment fees.

The expiration of our interest rate hedging instruments in January 2025 is an area of strategic focus, with ongoing assessment of hedging options, having regard to interest rates and swap rates, and progress with further planned disposals.

Leaseholder, Occupier and Community Engagement, Efficiency and Transparency

Our mindset is to optimise the day-to-day lived experience of our properties by our leaseholders, occupiers and wider communities through strong engagement, efficiency, and transparency, consistent with enhancing long-term shareholder returns. Although not classified as a sustainable product under Financial Conduct Authority ('FCA') rules, the Company prioritises the safety and wellbeing of leaseholders and stakeholders, supported by robust Health and Safety procedures. The key priority for all stakeholders remains resolving building and fire safety issues. Other initiatives include the continued procurement of 100% renewable electricity for landlord-controlled supplies and support for charitable initiatives. The Board and Manager place great importance on good governance, and this is reflected throughout the Company

[4] As at 14 January 2025

Chair's Statement continued

In the year, new rules for Multi-Occupancy Building Insurance ('MOBI') were introduced by the FCA to improve transparency and engagement with our leaseholders and to provide additional consumer protections. These measures require the disclosure of premium costs, commissions and any conflicts of interest. Additionally, several major insurance brokers, including our own, Lockton Companies LLP ('Lockton'), have pledged with the Government to cap their retained commission at 15% of premiums (excluding taxes) and no longer share commission with third parties, such as landlords and their agents, for residential buildings over four storeys or 11 metres in height that require building safety remediation.

Following the introduction of these new rules and pledge, and in line with institutional best practice, our standard commission rate has continued to fall to 9.25% of premiums payable for the insurance year ended 30 December 2024, down from the previous 9.50% (both figures exclude taxes but include 25 basis points of commission retained by Lockton). For those properties requiring building safety remediation, the previous commission of 5.00% has been replaced by a separate service charge fee, also in line with best practice recommended by the FCA. Across all those properties where the Company manages insurance, the annual commission or fee payable in the insurance year ended 30 December 2024 was equivalent to an average of £26 per leaseholder (excluding VAT). This amount, whilst small individually, when grossed up in aggregate, fairly reflects the extensive body of work and associated costs of professional insurance procurement and ongoing insurance claims and management.

Furthermore, the Association of British Insurers and five major insurance underwriters have introduced a Fire Safety Reinsurance Facility, designed to enhance insurance availability for HRBs that require building safety remediation. Whilst good news for many landlords and leaseholders, the Company does not currently utilise the facility, as our leaseholders – where the Company provides insurance – already benefit from comprehensive and competitive cover terms as part of a broader real estate portfolio renewal with Lockton.

Importantly, neither the Manager nor the Company's property manager receive any commission in connection with our insurance responsibilities. For more information, the Company provides a publicly available policy on its website explaining its approach to insurance available at https://schro.link/grio-leaseholder-info.

In response to recent media coverage highlighting poor practice by a small group of bad actors within the residential leasehold sector, it is worth emphasising that the Board, Manager and our property manager are all supportive of the new Government's recent commitment to introduce mandatory regulation for managing agents and qualifications for property managers. This is a welcome step towards raising standards and enhancing professionalism throughout the sector.

The Board, Manager and our property manager have long supported measures that prioritise competence and accountability within a 'resident-first' approach. Our property manager is regulated by the RICS and their accreditation with The Property Institute ('TPI'), Investors in People and British Safety Council, reflects our combined commitment to such principles. The new Government's aims in this area align with the service values we uphold.

Additionally, we are addressing concerns over residential service charge increases, which we understand have risen by a nationwide average of 41% over the six years to April 2024, compared with a cumulative inflation rate of 23%, according to TPI. These increases are driven by various factors, including rising energy costs, higher building insurance premiums, and increases in repair and maintenance costs. All these increases are unwelcome, but sadly inevitable to some degree due to the effluxion of time. However, it is worth noting that these rising costs have impacted all property types including freehold, leasehold, commercial and residential. Many of our leaseholders are also having to contend with the additional frictional expense of implementing the new building safety regime, with no provision by Government for alternative funding.

Despite these challenges, our property manager remains committed to ensure transparency and fairness in service charges, supported by a variety of protections. Leaseholder benefits include a formal complaints process and ability to challenge the reasonableness of work undertaken and the costs charged.

Finally, we continue to support our leaseholders by offering to remove 'doubling' residential ground rents from the portfolio, wherever they apply. This change can only take effect via agreement with individual leaseholders. The Company started this asset management programme in 2017, and the programme was enhanced for the most affected leaseholders in 2022. To date, 507 leaseholders have taken up the combined offer which represents 17% of qualifying leases, and the Manager continues to encourage leaseholder participation. More information is set out on our website at this link: https://schro.link/grio-leaseholder-info.

The Manager

The significant effort and increased workload undertaken by Schroders to support the Company in addressing the challenges posed by leasehold reform and by building safety, including related corporate matters, has led to increased out-of-scope fees. As a result, and as envisaged by the AIFM Agreement, the Board reviewed in detail, challenged and approved an out-of-scope fee payable to the Manager of £0.8 million for the financial year (30 September 2023: £0.2 million).

The increase in the Manager's overall fee was partially offset by third-party payments totalling £0.2 million in relation to Manager building safety project fees (30 September 2023: £nil) and, more generally, a decrease in the Manager's NAV-linked annual base fee, totalling £0.6 million (30 September 2023: £0.9 million).

Net Manager fees therefore totalled £1.2 million in the year (30 September 2023: £1.1 million). Gross Manager fees were £1.4 million. As part of this process, the Board and Manager both acknowledged that although this amount represents an increase of approximately 11.8%, the fees still do not reflect the full resource commitment in terms of expertise, time, or cost.

The Manager anticipates out-of-scope work and associated costs to continue, with the level dependent on the out-of-scope services required to manage the headwinds and the ongoing, but complex, capital and revenue costs recovery programme. However, they will continue to be assessed, challenged and mitigated where possible. Notwithstanding these higher fees, it is clear that the whole Board and, based on feedback, our shareholders, appreciate the Manager's dedication to supporting the Company.

Board Succession and Remuneration

Due to the challenges facing the Company your independent non-executive Board are committing considerable time supporting the Manager in the delivery of the current Investment Policy. 34 meetings requiring Board Director involvement were held during the year under review, including 21 Board, Committee and General meetings, and 13 project meetings. In addition, it is worth noting that, as Chair, I also held 23 regular diarised catch-up calls with the Manager.

Notwithstanding this commitment, due to the reduced and reducing size of the Company, the Board has decided to reduce the number of Directors (all non-executive) from four to three. Jane Vessey has therefore retired from the Board effective 31 December 2024. Jane joined the Board in September 2021 and has made a series of significant positive contributions to the Company, and to the work of the Board, including overseeing the establishment and monitoring of new building and fire safety and other related management processes, and in the realm of ESG. The whole Board and the Manager sincerely thank Jane for her valuable contribution.

Independent Valuer Appointment

The Company's portfolio is valued every six months by the independent valuer, Savills. New rules, introduced by the RICS in May 2024, require valuer rotation after ten years of service, with a two-year transition period. As Savills have valued the portfolio since 2013, they can continue valuing the portfolio until expiry of the transition period in May 2026. The Company will therefore review the appointment of the independent valuer during 2025.

Outlook

The Company continues to satisfactorily manage the challenges presented by leasehold reform legislation and building safety legislation. Combined, these challenges have engendered negative market sentiment towards the residential ground rent sector generally, resulting in low levels of market liquidity. Although the outlook remains uncertain, we have a clear strategy to manage these challenges, which recently received strong support from shareholders, and are encouraged by the progress being made delivering our Investment Policy.

Finally, I believe it is worth reiterating that the Manager appointment from 2019, and subsequent appointments of new, independent non-executive, Directors to your Board have seen an improved focus on the resolution of a range of differing, yet complex, legacy issues. The way that your Board and the Manager have pro-actively approached the challenge of the headwinds has facilitated the start of positive results from implementing the strategy to optimise, over time, the realisable value of the portfolio. Strategically balancing the interests of our leaseholders and shareholders is not an easy task, but one which must continue if we are to successfully optimise value realisation.

We are heartened and motivated by the strong support from our shareholders for the progress being made in delivering our Investment Policy. We thank you, sincerely, for your patience and your ongoing support, as demonstrated so emphatically in the recent Continuation Votes.

Barry Gilbertson
Chair

14 January 2025

Investment Manager's Report

Portfolio overview

The independent portfolio valuation as at 30 September 2024 was £71.5 million, reflecting a net initial yield of 7.0% or a Years Purchase ('YP') multiplier of 13.4 based on annual ground rent roll of £5.3 million. This represents a like-for-like reduction (net of disposals) of £31.3 million, or 30.5%, over the financial year (30 September 2023: £106.1 million or £102.8 million on a like-for-like basis).

As at 30 September 2024, 97% of the portfolio valuation was subject to a MUC being adopted across the entire residential ground rent market because of uncertainty relating to both leasehold reform and building safety. The valuation includes a negative adjustment for building safety of £6.1 million (30 September 2023: £9.1 million) and for leasehold reform risk of £5.7 million (30 September 2023: £4.2 million). The aggregate negative valuation adjustment is now £11.8 million (30 September 2023: £13.3 million).

A summary of key valuation metrics since 30 September 2022 is set out in the table below:

Summary of valuations	30-Sept-22	30-Sept-23	31-Mar-24[1]	30-Sept-24
Ground rent roll (£million)	5.1	5.2	5.2	5.3
Portfolio valuation (£million)	109.0	106.1	81.5	71.5
Years Purchase ('YP')	21.5	20.4	15.6	13.4
Gross Initial Yield ('GIY')	4.7%	4.9%	6.4%	7.5%
Portfolio valuation adjustments				
Building safety adjustment (£million)	–11.4	-9.1	-7.2	-6.1
Leasehold reform adjustment (£million)	–3.8	-4.2	-4.9	-5.7
Total adjustment (£million):	–15.2	-13.3	-12.1	-11.8
MUC				
No. of Assets	30	24	386	386
% of portfolio valuation	21%	18%	97%[2]	97%[2]

[1] Unaudited

[2] From and including 31 March 2024, the adoption of MUC was extended from assets which have building safety remediation requirements to the entire residential ground rent market because of uncertainty relating to both leasehold reform and building safety reform.

NAV and earnings

The Company's NAV was £56.5 million, or 59.0 pence per share ('pps') as at 30 September 2024, which compared with £86.2 million or 90.1 pps at the start of the year. This outcome resulted in a NAV total return of -34.5% during the year (year to 30 September 2023: -1.3%), with no dividends paid due to the Modified Auditors' Report. The movement in NAV over the year is set out in the below table.

Summary of NAV	£ million	Pps	Comment
Audited NAV as at 30 September 2023	86.2	90.1	
Portfolio valuation	-31.3	-32.7	Reduction is principally due to the previous Government's approach to leasehold reform in November 2023.
Profit on sale	0.1	0.1	Primarily driven by the sale of two freehold ground rent interests in Bristol and Exeter in February 2024.
Net revenue	1.5	1.6	Increase in revenue offset by higher costs due to leasehold reform and building safety, together with a bad debt provision.
Dividends	-	-	The Company is currently restricted from making distributions due to the Modified Auditors Report.
Audited NAV as at 30 September 2024	56.5	59.1	

Over the year, the Company's revenue increased by 6.7% to £6.1 million (30 September 2023: £5.7 million), primarily driven by a 4.6% increase in rental values across the portfolio (on a like-for-like-basis, net of disposals), which compares favourably to the Retail Price Index ('RPI') inflation rate of 2.7% over the same period. However, operating expenses increased by 16.7% this year to £3.8 million (30 September 2023: £3.2 million), including one-off costs associated with the leasehold reform process, aimed at safeguarding shareholder interests. A summary of income and recoverable costs is set out in the below table.

Summary of income statement	Year ended Sept 2024 (£m)	Year ended Sept 2023 (£m)	Comments
Ground rent income	5.3	5.2	Rental value growth (on a like-for-like-basis, net of disposals), outperformed RPI inflation over FY24.
Other income, comprising:			
Insurance commission and fees	0.2	0.3	Reduction in line with industry best practice.
Notice and consent fees	0.4	0.2	Increase reflects a more active apartment transaction market and higher administrative fees.
Ancillary income	0.2	0.0	Ancillary income derived from the Company's position as a landlord.
Expenses			
Legal and other professional fees, comprising:			

Summary of income statement	Year ended Sept 2024 (£m)	Year ended Sept 2023 (£m)	Comments
Leasehold reform	-0.3	0.0	Nonrecurring items to do with formal and informal engagement with the Government, including responding to the November 2023 Consultation.
Building safety	-0.3	-0.4	Recurring items total £0.2 million, such as the cost of sharing of certified building safety information between the Company and its leaseholders. Nonrecurring items total £0.1 million, such as professional fees associated with remediation projects.
Other legal and other professional fees	-1.1	-1.1	Includes Auditor's fees, tax and corporate advice, legacy issues, removal of doubling ground rents and other asset management.
Bad debt provision	-0.5	0.0	To reflect risk of aged arrears not being fully recovered before asset sale.
Net Manager fee	-1.2	-1.1	Gross annual base fee of £0.6 million and out-of-scope fee of £0.8 million (30 September 2023: £0.9 million and £0.2 million respectively), partially offset by third-party payments of £0.2 million in relation to building safety projects (30 September 2023: £nil).
Director costs	-0.3	-0.3	Remuneration for the Board of Directors.
Other expenses	-0.1	-0.3	Decrease in costs associated with operating assets.
Net finance expense	-0.8	-0.8	One-off costs following the refinance offset by an increase in bank interest earned, due to a higher bank balance resulting from the restriction on distributions.
Earnings (excluding property revaluation and profit/loss on sales)	**1.5**	**1.7**	
Balance sheet			
Recoverable costs at year end	*0.3*	*0.3*	*Majority of costs to do with building safety and legacy issues. The Company expects to recover these costs from third parties, such as original developers.*

Portfolio information

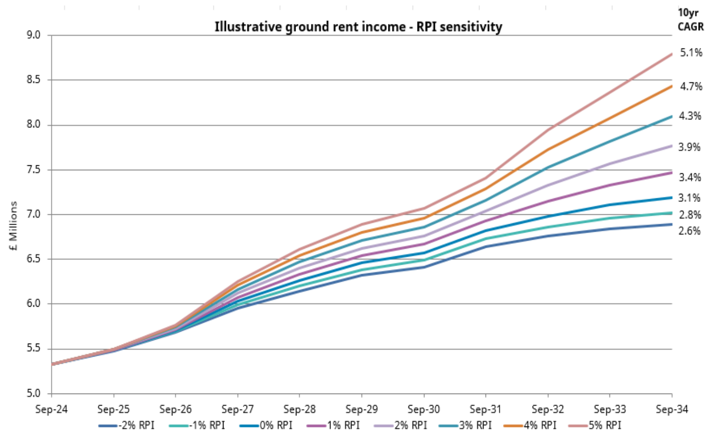
The portfolio's weighted-average lease term as at 30 September 2024 was 396 years, with 94% of ground rent income subject to upwards only reviews. The rent reviews are set out in the table below:

Review mechanism	Ground Rent Roll (£000)	Ground Rent Roll (%)	Valuation at 30 Sept 2024 (£m)	Valuation at 30 Sept 2024 %
RPI	3,914	73.5	58.8	82.2
Doubling	743	14.0	6.6	9.2
Fixed	331	6.2	3.2	4.5
Flat	336	6.3	2.9	4.1
	5,324	**100.0**	**71.5**	**100.0**

The rent review profile is shown in the table below, with 51.0% of the ground rent income due for review over the next five years.

Years to next review	Ground Rent Roll (£000)	Ground Rent Roll (%)	Valuation at 30 Sept 2024 (£m)	Valuation at 30 Sept 2024 %
0-5	2,718	51.0	40.1	56.1
5-10	1,433	26.9	18.0	25.2
10-15	494	9.3	6.3	8.8
15-20	170	3.2	2.2	3.1
Over 20	179	3.4	2.0	2.8
Flat (no review)	330	6.2	2.9	4.1
	5,324	**100.0**	**71.5**	**100.0**

The chart below demonstrates the forecast income performance based on various levels of Retail Price Index ('RPI') inflation, which was 4.2% per annum over the ten years to and including October 2024:



Note: 'CAGR' is Compound Annual Growth Rate

Assuming future RPI inflation of 4.2% per annum and adjusting for the post-year end sale of Lawrence Street in York, ground rent income should increase approximately 3.5% over the year to end September 2025, or 70 basis points below the forecast RPI. On the same basis, ground rent income should increase approximately 28% over the next five years, or an annualised figure of 5.1%; 90 basis points above the forecast RPI.

RPI will be aligned with the Consumer Prices Index, including owner occupiers' housing costs ('CPIH'), no earlier than February 2030. CPIH is a measure of consumer price inflation that includes the costs associated with owning, maintaining, and living in one's own home. In recent years, CPIH has been between 60 and 100 basis points less than RPI on an annual basis. This means CPIH-linked rental growth following the change may be lower, but this will impact all RPI-linked assets, including other ground rent portfolios and index-linked gilts.

Note, all of the above figures assume full take up of the improved offer for residential ground rents that double more frequently than every 20 years. This offer has been provided to all relevant leaseholders but, in some instances, not yet taken up.

Investment Manager's Report continued

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

Unit type	Median Ground Rent (£)	Ground Rent Roll (£000)	Ground Rent Roll (%)	Valuation at 30 Sept 2024 (£m)	Valuation at 30 Sept 2024 %
Apartment	250	3,665	68.8	42.2	59.0
House	100	559	10.5	6.7	9.4
Residential subtotal	**250**	**4,224**	**79.3**	**48.9**	**68.4**
Commercial	427	176	3.3	3.5	4.9
Student	554	924	17.4	19.1	26.7
Total	**250**	**5,324**	**100.0**	**71.5**	**100.0**

The top 10 assets by value represent 37.6% of the total portfolio valuation as summarised below:

Property	Location	Valuation at 30 Sept 2024 (£m)	Valuation at 30 Sept 2024 %
Lawrence Street Student Village	York	7.9	11.0
First Street	Manchester	3.2	4.5
One Park West	Liverpool	2.6	3.6
Masshouse Plaza	Birmingham	2.6	3.6
Richmond House	Southampton	2.5	3.5
Vita Tinlings	Liverpool	1.9	2.7
Rathbone Market	London	1.8	2.5
Brentford Lock West	London	1.7	2.4
Wiltshire Leisure Village	Royal Wootton Bassett	1.4	2.0
Brewery Wharf	Leeds	1.3	1.8
Total		**26.9**	**37.6**

To provide shareholders with an illustration of the potential impact of leasehold reform, we have worked with Rightmove to analyse the proportion of the portfolio potentially affected. This exercise is specifically in relation to the LAFR Act provision to cap the treatment of residential ground rent in the enfranchisement premium calculation at 0.1% of the property's unencumbered capital value. Based on our latest analysis, 49% and 42% of the portfolio rent and value respectively have residential ground rents that exceed the 0.1% cap. On a net basis, these assets have a portfolio rent and value 19.6% and 15.9% respectively above the 0.1% cap basis, as summarised below:

Portfolio	Ground Rent Roll (%)	Valuation at 30 Sept 2024 %
Unlikely to be fully in scope of residential legislation	24.0%	33.4%
Residential ground rent below 0.1%	23.5%	21.4%
Residential ground rent between 0.1% and 0.2% (in aggregate/net above 0.1% cap)	31.4% / 7.5%	28.0% / 6.7%
Residential ground rent above 0.2% (in aggregate/net above 0.1% cap)	17.8% / 12.1%	14.0% / 9.2%
Residential ground rent but underlying freehold value yet to be determined	3.3%	3.2%
Total	**100.0%**	**100.0%**

Over the year to 30 September 2024 the number of assets impacted by building safety related defects and associated valuation adjustments reduced from 24 to 23, representing 13% of the portfolio value at year-end. Further progress has been made since and, at time of writing, the number of assets has reduced to 22, representing 10% of the portfolio value as at 30 September 2024, as summarised below[1]:

Remediation, as of 30 Sept 2023	**Number of Assets**			**% of Portfolio Value (30 Sept 2023)**		
	MEST	**NMEST**	**Total**	**MEST**	**NMEST**	**Total**
Assets requiring remediation:	7	17	**24**	9.4%	8.8%	**18.2%**
Remediation, as of 30 Sept 2024	**Number of Assets**			**% of Portfolio Value (30 Sept 2024)**		
	MEST	**NMEST**	**Total**	**MEST**	**NMEST**	**Total**
Assets requiring remediation:	8	15	**23**	6.9%	6.1%	**13.0%**
Remediation, as of 13 Jan 2025	**Number of Assets**			**% of Portfolio Value (30 Sept 2024)**		
	MEST	**NMEST**	**Total**	**MEST**	**NMEST**	**Total**
Assets requiring remediation:	7	15	**22**	5.4%	5.1%	**10.5%**
Analysed as:						
Pledged developer	3	7	**10**	5.0%	2.8%	**7.8%**
Non-pledged developer	2	3	**5**	0.1%	1.5%	**1.6%**
Developer no longer in existence (orphaned asset)	2	5	**7**	0.2%	0.8%	**1.0%**
Remedial work commenced, as of 13 Jan 2025	**Number of Assets**			**% of Portfolio Value (30 Sept 2024)**		
	MEST	**NMEST**	**Total**	**MEST**	**NMEST**	**Total**
	3	4	**7**	4.1%	2.3%	**6.4%**

[1]Managed Estate ('MEST') and Non-Managed Estate ('NMEST').

Chris Leek
Investment Manager
Schroder Real Estate Investment Management Limited

14 January 2025

Occupier and Community Engagement, Efficiency and Transparency Report

Introduction

Although the Company is not categorised as a sustainable product under the Financial Conduct Authority's ('FCA') rules, the Manager integrates analysis of environmental, social and governance ('ESG') factors into our investment process. This analysis is designed to provide perspectives on potential future risks or opportunities, alongside other investment considerations. ESG integration does not target a more sustainable portfolio or increased exposure to sustainable investments in the portfolio. The analysis we apply varies to reflect the exposures of investment drivers of different companies and may include our assessment of their exposure to climate risks or opportunities, human capital management or the strength of their corporate governance. Such considerations are intended to benefit residents and communities, help to future-proof the portfolio in the context of potential future legislation, and support the delivery of long-term shareholder returns. It is important to note that references to environmental and social characteristics are not claims that the Company aims for any specific sustainability outcomes.

Fairness, transparency, and affordability for leaseholders

The Company continues to place importance on the safety and wellbeing of our leaseholders, together with the property manager, their on-site staff and other stakeholders. The Company's commitment to best-in-class residential asset management is underpinned by strong and effective Health and Safety procedures.

Protecting our planet

The Board and Manager are embracing practices, such as renewable energy integration, and we believe there is an opportunity to enhance property value, attract tenants, and reduce operational expenses.

For the Company's managed estate, the property manager's energy data platform allows for continual monitoring of consumption, enabling regular reporting and discussion of energy and carbon performance, to identify efficiency opportunities.

The Company continues to collaborate with the property manager and has again procured 100% certified renewable electricity for landlord-controlled supplies on the 'managed estate', supporting a low carbon economy.

Supporting people and places

Engaging with leaseholders is a key part of the Company's approach to residential asset management and is considered supportive to the operational success of the portfolio, helping foster a sense of community in and around residential assets. The property manager is rolling out a new customer engagement portal across the 'managed estate' and continues to utilise e-communications to help reduce paper waste. For every resident that signs up to e-communications, the property manager has pledged to donate £1 to tree planting initiatives, which the Company has pledged to match.

The property manager is encouraged to deliver an events/initiatives calendar and this year's charitable gift collection for Great Ormond Street Hospital Charity ('GOSH'), marks a decade of support. The initiative aims to provide in-kind donations to support GOSH's mission to advance children's healthcare. Several of the Company's assets on the 'managed estate' will serve as drop-off points for donations.

A food bank collection has also been implemented at managed properties in Manchester, with residents able to contribute items up until Christmas. Online communications from the property manager helps engage and guide residents on participation.

Governance

The Board and Manager place great importance on good governance and adhering to best practice standards.

The Company (via the Manager and property manager) regularly updates leaseholders and their management company directors on best practices in residential property management and is committed to implementing the requirements of the Building Safety Framework.

The Manager continues to work with the property manager to implement a complaint reporting and monitoring process with clear escalation protocols to ensure timely resolution of leaseholders' concerns.

The Company, via the Manager, property manager and broker, has updated its processes and procedures to ensure compliance with the Multi-Occupancy Buildings Insurance ('MOBI') regulations, implemented by the FCA on 31 December 2023. The MOBI regulations aim to enhance transparency and fairness in building insurance for residential leaseholders by ensuring insurers and intermediaries provide detailed information regarding insurance terms, provisions, and financial arrangements. Additionally, they stipulate that insurance pricing should be equitable for both leaseholders and freeholders, and that the remuneration for all parties involved in insurance distribution should be commensurate with the work involved and benefits offered to leaseholders.

Building Safety

The Building Safety Act 2022 forms a crucial part of the Government's response to the Grenfell Tower tragedy. Its primary aim is to improve the standard of buildings in England, focusing particularly on fire safety to ensure the safety and well-being of residents and wider stakeholders.

In response, the Company, through its Manager and property manager, has adopted a risk-based strategy to implement necessary measures across the managed estate. This includes meeting new requirements set by the regulator. The Company continues to engage with Residential Management Companies ('RMC's) within the 'non-managed estate', in a manner that is appropriate toits limited role and responsibilities at such properties. The Company continues to fulfil its obligations regarding landlord and leaseholder certificates by working closely with the property manager.

The Company remains committed to supporting leaseholders impacted by the building safety crisis and resolving cladding and non-cladding defects is ongoing across several properties. This is generally at no cost to the Company or leaseholders due to funding via the Government or original developers.

On 4 September 2024, the Phase 2 Report from the Grenfell Tower Inquiry was published delving into evidence and testimonies to uncover the causes and circumstances of the tragedy. The Report

Occupier and Community Engagement, Efficiency and Transparency Report continued

criticises various entities for their roles, including government bodies, the local authority, and the construction industry, highlighting systemic failures and negligence, poor decision making and incompetence. Recommendations were made to enhance fire safety, including the establishment of a unified construction regulator, improvements in fire risk assessments, and regulatory reforms to ensure accountability and compliance. The report, while acknowledging current inadequacies, aims to inform future policies and cultural shifts within the construction industry to prioritise building safety.

Industry engagement

The Manager continues to engage with the Government and industry bodies. This includes emphasising the need for a government-backed industry Code of Conduct and formally regulating residential managing agents. The Manager has also liaised with the Government regarding new legislation, particularly around fire safety, insurance, third-party funding and wider responsibilities for buildings over 11 metres or four storeys in height.

The Manager is a member of several industry bodies including the British Property Federation ('BPF'), European Public Real Estate Association ('EPRA'), European Association for Investors in Non-Listed Real Estate Vehicles ('INREV'), and Urban Land Institute. It has also been a member of the Better Buildings Partnership since 2017.

Throughout 2024, the property manager received recognition at The Property Institute's 'ACE Awards', where they were presented with a Royal Society for the Prevention of Accidents Health and Safety Sector award, won 'Mixed Use Management Company of the Year' at the 'News On The Block Awards', and secured a Five Star award from the British Safety Council, demonstrating ongoing commitment to health, safety and wellbeing.

Slavery and human trafficking statement

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

The Manager to the Company is part of Schroders plc whose statement on Slavery and Human Trafficking has been published in accordance with the Modern Slavery Act 2015. The Schroders Group's latest Modern Slavery Statement can be found here:

https://mybrand.schroders.com/m/a7d44ef41955b3e

Review of the Company's Business and Operations

Company's business

The Company is a REIT domiciled and incorporated in the UK and benefits from the various tax advantages offered by the UK REIT regime. The Company is not a close company for taxation purposes. The Articles of Association (as amended on 24 April 2023) contain provisions for a continuation vote at specified intervals. The next continuation vote is to be put forward on or before 18 November 2027.

As at the date of this Report, the Company had 44 subsidiaries, details of which are set out in note 5 to the Company's financial statements on pages 60 and 61.

Purpose, values and culture

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

The Company's culture is driven by its values:

Responsibility – recognising the importance of the Company's stewardship role, environmental, social and governance ('ESG') considerations are integrated into the investment process to the benefit of a range of stakeholders including shareholders, residents and local communities.

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

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

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

The Board recognises the Company's responsibilities with respect to corporate and social responsibility and engages with its service providers to safeguard the Company's interests. As part of this ongoing monitoring, the directors receive reporting from service providers on matters such as their anti-bribery and corruption policies; Modern Slavery Act 2015 statements; diversity policies; and greenhouse gas and energy usage reporting. The Management Engagement Committee reviews the Company's service providers each year. Its report is on page 30.

Portfolio

The Group's portfolio of ground rents includes freeholds and head leaseholds of residential and commercial properties located throughout the UK. The Group generates income primarily from the collection of such ground rents, approximately 73.5% of which rise in line with inflation. It generates additional income from other commercial relationships and fees for performing specific obligations under individual leases.

Management

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

Schroders also undertakes active asset management activities across the portfolio including overseeing managing agents and engaging with leaseholders and tenants' associations, with a detailed focus on Health and Safety and risk management. In addition to this, Schroders oversees property management matters ranging from issuing service charge budgets and year end accounts to more complex situations such as assisting managing agents and Residents Management Companies in the management of remedying building defects. Further details of the Manager's duties are described on page 10.

Oversight

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

Income

The ground rents and other income sources generate income which is paid out as dividends to shareholders, in line with REIT conditions and subject to the Companies Act 2006.

Investment objective and strategy

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

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

Borrowing

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

Investment restrictions and spread of investment risk

The Group invests and manages its assets with the objective of spreading risk and in accordance with its published investment policy. The Group ensures that the objective of spreading risk has been achieved by investing in a diversified portfolio of ground rents including freeholds and head leases of residential and commercial properties located in the UK. The Manager's report on page 10 describes how the objective of spreading risk has been achieved through a diversified portfolio of properties.

Review of the Company's Business and Operations continued

Promotion

The Company promotes its shares to a broad range of investors which have the potential to be long-term supporters of the investment strategy. The Company seeks to achieve this through its Manager and its Corporate Broker which promote the shares of the Company through regular contact with both current and potential shareholders. Promotion is focused via three channels:

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

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

Key performance indicators

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

Directors monitor and review the efforts on asset sales on a case-by-case basis, with regards to the prevailing market conditions and particular circumstances with the assets. Alongside the implementation of the realisation strategy, the Board monitors the delivery of best-in-class asset management regularly. In particular, the Board scrutinises closely the progress in relation to addressing building safety issues within the Company's portfolio assets, which increases the net realisation value of the Company's investments.

Comments on performance against the investment objective can be found in the Chair's Statement and the Manager's Review.

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

Board diversity

As at 30 September 2024, the Board comprised two men and two women. The Board's approach to diversity is that candidates for Board vacancies are selected based on their skills and experience, which are matched against the balance of those of the overall Board, taking into account the specific criteria for the role being offered. As at 30 September 2024, 50% of the individuals on the Board of directors were women. There were no Board members from a minority ethnic background. This is due to the relatively small size of the Board and the Board will have regard to ethnic diversity when considering future appointments. Candidates are not specifically selected on the grounds of their gender or ethnicity, but this is taken into account in terms of overall balance, skillset and experience of the Board.

The Board will encourage any recruitment agencies it engages to find a range of candidates that meet the objective criteria agreed for each appointment. The Board also considers the diversity and inclusion policies of its key service providers. Further information about the Board and their biographical details can be found on pages 23 and 24.

Responsible investment policy

The Company's and the Manager's approach to responsible investment, including in relation to ESG issues, is set out in the occupier and community engagement, efficiency and transparency report on page 8.

Key Information Document ('KID')

The Manager published a KID for the Company's ordinary shares in December 2024, in accordance with the Packaged Retail and Insurance-Based Investment Products Regulations. The calculation of figures and performance scenarios contained in the KIDs have been neither set nor endorsed by the Board nor the Manager.

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

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

Key stakeholders

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

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

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

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

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

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

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

Engagement with key stakeholders and impact on decisions

As detailed in ‘Promotion’ on page 16, the Company engages with its shareholders. The Board considered feedback by shareholders in relation to the Continuation Vote. The Company, via the Manager, also engaged with various regulatory bodies to encourage responsible leasehold reform that fairly balances the legitimate interests of responsible landlords with the interests of leaseholders, whilst also delivering industry wide improvements in terms of transparency, value for money, and service levels.

As detailed in 'Purpose, Values and Culture' on page 16, the Board engages with service providers, and receives regular reporting, either directly, or through the Manager or Company Secretary, on performance and other matters. The effect of such engagement, if relevant, is detailed in the Chair’s Statement, Managers’ Review, Audit and Risk Committee Report and Management Engagement Committee Report.

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

In terms of local communities and the environment, the Board expects the Manager to engage with local communities, councils and individuals. Further information on the Manager’s approach to these matters is set out in the Manager’s Review and the Occupier and Community Engagement, Efficiency and Transparency Report on pages 8 to 14.

No dividends were declared during the year ended 30 September 2024. Details of the dividends paid during the year ended 30 September 2023 are set out in note 16 of the notes to the Group consolidated financial statements.

In light of the outsourced business model (set out further in the Directors’ Report on pages 25 to 30), the impact of the Company’s operations on occupiers, local communities and the environment is generated through the impact of its service providers, in particular, the Manager and managing agents.

The Manager’s Review on pages 10 to 11 sets out the key decisions which were taken during the year. Amidst the ‘cost of living crisis’ the Manager also works closely with tenants to help manage their safety and wellbeing and help manage cash flow.

Principal risks and uncertainties

The Board is responsible for the Group’s system of risk management and internal control and for reviewing its effectiveness. The Board has adopted a detailed matrix of principal risks affecting the Group’s business as a REIT and has established associated policies and processes designed to manage and, where possible, mitigate those risks, which are monitored by the Audit and Risk Committee on an ongoing basis. This system assists the Board in determining the nature and extent of the risks it is willing to take in achieving the Group’s strategic objectives. The principal risks, emerging risks and the monitoring system are also subject to robust assessment at least annually. The last assessment took place in November 2024. Although the Board believes that it has a robust framework of internal control in place this can provide only reasonable, and not absolute, assurance against material financial misstatement or loss and is designed to manage, not eliminate, risk. Actions taken by the Board and, where appropriate, its committees, to manage and mitigate the Group’s principal risks and uncertainties are set out in the table below.

Review of the Company's Business and Operations continued

Emerging risks and uncertainties

During the year, the Board also discussed and monitored risks that could potentially impact the Group's ability to meet its strategic objectives. There were no emerging risks identified during the year, which were not already being considered through the review of principal risks and uncertainties.

The "Risk Level' column below highlights at a glance the Board's assessment of any increases or decreases in risk during the year after mitigation and management. The arrows show the risks as increased or decreased, and horizontal arrows show risks as stable.

Risk and Issue	Mitigation of Risk	Risk Level
Issue: The market for onward sale of the Group's assets is small. Fire safety and leasehold reform have further impacted liquidity. Risk: This may result in volatility of the price achieved when selling or valuing assets, including the inability to sell asset.	• The Group's Investment Policy is primarily to realise the assets of the Company in a controlled, orderly, and timely manner. • External valuer provides independent valuation of all assets at least half-yearly. • Members of the Audit Committee meet with the external valuer to discuss the basis of their valuations and their quality control processes on an annual basis.	**High** (2023: High). Since September 2023, this risk has further increased, as evidenced by the application of a material uncertainty clause, that is now across 97% of the portfolio.
Issue: Increased regulation of freeholders to protect residents from building safety issues. Risk: A building catches fire, harming residents with follow-on reputational risks.	• The Manager reviewed and updated fire strategy decisions in the managed estate. • Fire safety management policies and procedures, risk assessments, and fire records were improved in keeping with the "Golden Thread" principle of the Hackitt Review. • Maintenance regimes improved to increase testing and planned preventative maintenance. • The Manager continues to work closely with the Government, local fire authorities and fire safety experts to ensure fire safety and address any remedial actions following Grenfell Tower learnings. • The Manager engages in regular correspondence with the directors of residents' management companies and their managing agents, in the non-managed estate. There is a partnership between the Company and a fire and rescue service to provide high-level advice and assistance in formulating and implementing policy. • Implementation of formal building façade policy in response to recent Government advice. • Implementation of revised policy with respect to fire risk assessments • Increased interaction with non-managed estate highlighting best practice. •The property manager is currently distributing fire safety information to residents through an online portal • The Board implemented an expert-led independent assurance project reviewing fire safety activities for portfolio assets.	**High** (2023: High)
Issue: An inappropriate investment strategy, or failure to implement the strategy. Risk: Share price underperformance and trading at a larger discount to Net Asset Value ('NAV'). Any valuation impact of the strategy is exacerbated by gearing.	• Diversification of its ground rents portfolio through its investment restrictions and guidelines which are monitored and reported on by the Manager • Board and Manager secured shareholder approval to change of strategy • Determining borrowing policy, and ensuring the Manager operates within borrowing restrictions and guidelines • Receiving from the Investment Manager timely and accurate management information including performance data, attribution analysis, business plans and financial projections • Monitoring the implementation and results of the investment process with the Manager • Reviewing marketing and distribution activity and making use of a buyback mechanism as necessary • Engaging with shareholders.	**High** (2023: High). This risk has increased as the further market uncertainty experienced since 30 September 2023 makes it more challenging to implement the strategy of realising assets.
Issue: Leasehold reform legislation restricting ground rents or potentially making it easier and cheaper for leaseholders to acquire their freehold and other political developments related to leasehold reform and building safety reform. Risk: These developments could lead to a reduction in income generated by, and value of the Company's assets based on a	• The Company is actively engaged with Government, via the Royal Institution of Chartered Surveyors ('RICS'), the British Property Federation ('BPF') and others in order to ensure that all stakeholders are carefully considered in any proposed legislation. This includes emphasising the requirements of Article 1 of Protocol No. 1 of the European Convention on Human Rights to provide appropriate compensation to investors in this sector. • Where leases double frequently, offers have been made to remove these.	**High** (2023: High). Since 30 September 2023, this risk has increased due to the entry into force of the Leasehold Reform Act 2022.

Risk and Issue	Mitigation of Risk	Risk Level
value which reflects a transfer of value from the Company to leaseholders. These might also alter the parties required to pay to remediate defects (to the freeholder's detriment), reduce the value of assets, increase demand on due diligence, and impact cashflows and/or liquidity.		
Issue: The properties ultimately owned by the Group have structural defects. Risk: Properties are unable to be used, and/or deteriorate in value.	• Insurance is maintained to cover against certain events. The Manager has a monitoring programme in place to mitigate against certain types of asset risk. Other than in exceptional circumstances, leaseholders are responsible for the costs of repair of issues with the fabric of buildings. • Enhanced due diligence process in place with specific focus on building facades, warranties and defective lease clauses (including inherent defects).	**Medium** (2023: Medium)
Issue: The Group has no employees and has delegated certain functions to a number of service providers. Risk: Failure of controls and poor performance of any service provider could lead to disruption, reputational damage or loss.	• Service providers are appointed subject to due diligence processes and with clearly documented contractual arrangements detailing service expectations. • Regular reports are provided by key service providers and the quality of services provided are monitored. • Review of annual audited internal controls reports from key service providers, including confirmation of business continuity arrangements. • Details of disaster recovery arrangements are obtained from key service providers. • Re-tender of property management arrangements for managed estate. • Engagement with non-managed estate service providers. • Little ability to influence the management functions of non-managed estate.	**Medium** (2023: Medium)
Issue: The Group must comply with the requirements of the REIT regime. Risk: No longer being able to avail itself of the tax benefits of adhering to the REIT regime.	• Board monitors compliance through reports from the Manager. • Deloitte conducts an annual health check for the Company. • Annual external audit covers review of investment trust status	**Low** (2023: Low)
Issue: Building safety. Risk: Requirement to fund costly building safety remediation works, where third parties do not contribute. Assets may be unsaleable in the interim.	• The Manager has conducted reviews following the Government's PAS 9980 technical guidance regarding the fire risk appraisal of external wall construction and cladding of existing multistorey and multi-occupied residential buildings. • Good levels of engagement from third parties involved in the development of buildings with fire safety issues, including funding remediation. • Government funding available to remediate buildings over 11 metres in height. • The Manager has identified developers to pay for remediation for the majority of affected assets. • Remediation works have progressed, with remediation for 22 assets either outstanding or in progress • Also see building safety regulatory and reputational risk above.	**Medium** (2023: Medium)
Issue: The Company's service providers are all exposed to the risk of cyber attacks. Risk: Cyber attacks could lead to loss of personal or confidential information, unauthorised payments, or inability to carry out operations in a timely manner.	• Service providers report on cyber risk mitigation and management at least annually, which include confirmation of business continuity capability in the event of a cyber attack.	**Low** (2023: Low)
Issue: Loss of assets. Risk: Assets are not safely held or are lost through exposure to Depositary, or other counterparty, or through cyber hacking.	• The Depositary reports on the safe custody of the Group's assets, including cash and portfolio holdings, which are independently reconciled with the Manager's records. • Review of audited internal controls reports covering custodial arrangements is undertaken. • An annual report from the Depositary on its activities, including matters arising from custody operations is reviewed.	**Low** (2023: Low)
Issue: Breaches of the TISE Listing Rules, the Companies Act or other regulations with which the Group is required to comply. Risk: Delisting, fines or other consequences, adverse publicity.	• Confirmation of compliance with relevant laws and regulations by key service providers. • Shareholder documents and announcements, including the Group's published annual report are subject to stringent review processes. Procedures have been established to safeguard against disclosure of inside information.	**Low** (2023: Low)

Review of the Company's Business and Operations continued

Risk assessment and internal controls

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

Viability statement

Provision 31 of the UK Corporate Governance Code requires the Board to make a statement on its assessment of the prospects of the Company over a period which should be significantly longer than 12 months. The directors have assessed the viability of the Company over a three year period, taking into account the Company's position at 30 September 2024, the position at the date of signing, and the potential impact of the material uncertainty in relation to going concern driven by the principal risks it faces for the review period, including the potential costs for building safety remediation, substantially all of which are expected to be met by third parties, uncertainty about leasehold reform, the Company's ability to renew or repay its loan facility in July 2026, and compliance with banking covenants.

In their assessment the directors have considered each of the Group's principal risks and uncertainties detailed on pages 17 to 20, and the impact of the Company's next continuation vote, to be put before shareholders on or before 18 November 2027.The last Continuation Vote was held on 18 November 2024 and passed with 91.62% of the votes cast being in favour of continuation, and 8.38% of the votes cast being against.

The directors have also considered the likelihood and potential impact of the leasehold reform. The previous Government introduced the draft Leasehold and Freehold Reform Bill and, at the same time, launched a Consultation regarding the proposed restriction of existing residential ground rents, including the suggestion that no compensation would be paid to freeholders. The ultimate outcome remains uncertain, where further legislation may be tabled to cap existing ground rents.

The directors have also considered the significant fall in the value of the Group's investment portfolio, the Group's income and expenditure projections and the £19.5 million term loan repayable on 10 July 2026, where all future proceeds from disposals within the charged pool of assets would be used to repay the loan facility, alongside amortisation of £62,500 per quarter from January 2025, with disposal proceeds netting against the aggregate remaining amortisation amounts. The loan facility has a Loan-to-Value ('LTV') covenant of 50% and Interest Cover covenant of 270%. The Interest Cover Ratio ('ICR') will reduce to 160% in January 2025 at expiry of the existing hedge facility. The Group was in full compliance with the covenants throughout the year.

As at 11 November 2024, the interest payment date used for testing loan covenant compliance, the LTV calculated adopting the bank valuation was 36.4% with headroom of £14.6 million, and Interest Cover was 307.8% with headroom of £1.1 million. If the loan facility is unable to be refinanced in July 2026, without sufficient assets being sold to cover the outstanding loan, or the option for additional financing, this may cast doubt on the conclusion below that the Company is expected to be able meet its liabilities as they fall due over the three-year period.

The Company's Investment Policy was changed on 24 April 2023 to require that the assets of the Company will be realised in a controlled, orderly and timely manner, set out in further detail on the inside front cover. While the directors expect that the Company will be able to continue in operation and meet its liabilities as they fall due over the viability period, if the Investment Policy is fully achieved within the three year viability period, income would reduce to zero and shareholders may choose to liquidate the Company and its subsidiaries, having served their purposes.

Based on the Group's processes for monitoring operating costs, the share price discount, the Manager's compliance with the investment objective, asset allocation, the portfolio risk profile, gearing, counterparty exposure, liquidity risk and financial controls, and notwithstanding the material uncertainty highlighted in the going concern section below, the directors have concluded that there is a reasonable expectation, subject to the uncertainties outlined above, that the Company will be able to continue in operation and meet its liabilities as they fall due over the three-year period from 14 January 2025 to 14 January 2028.

Going concern

In forming its assessment of using the going concern basis when preparing the financial statements, the Board and Manager have prepared both base case and severe, but plausible, downside scenarios.

Furthermore, the Board has examined significant areas of possible financial risk when considering the preparation basis of the Group's and Company's Financial Statements.

The Group continues to face significant uncertainties in connection with a number of factors including building safety and leasehold reform, which lead to greater uncertainty around the future net income from, and valuation of, its portfolio of assets, as well as the ability to comply with covenants and refinance or repay the loan facility due in July 2026. However, the Group has received a positive response to the Continuation Vote held on 18 November 2024, extending the Group's life to at least 18 November 2027, which removes a key area of previous uncertainty.

Leasehold reform

The previous Government's leasehold reform agenda, launched in 2017, aimed to limit ground rents on new leases and ban leasehold tenure for new-build houses. The Law Commission's 2020 recommendations sought to make leasehold enfranchisement easier and fairer.

The Leasehold Reform (Ground Rent) Act 2022 ended ground rents for new, qualifying long residential leases in England and Wales, reducing the supply of residential ground rents. In 2023, the Government reaffirmed its commitment to fairer housing and introduced the Leasehold and Freehold Reform Bill to simplify enfranchisement. A consultation suggested restricting existing ground rents without compensation, leading to a Material Uncertainty Clause ("MUC") in valuations.

Despite the Bill becoming law in May 2024, it does not restrict existing ground rents but includes potentially unlawful enfranchisement provisions. A Judicial Review ('JR') and a compensation claim at the European Court of Human Rights are ongoing.

The new Labour Government plans a measured approach to reform, consulting on enfranchisement premiums and seeking further reforms, including a draft bill to address existing ground rents and promote commonhold tenure. The Company continues to engage with the Government and industry bodies.

Building Safety

The Building Safety Act 2022 and associated regulations represent the most significant regulatory reform to the UK's built environment in almost 40 years. The Company supports the Building Safety Framework's aims to improve standards, protect leaseholders from remediation costs, and hold responsible parties accountable. However, the Framework significantly impacts the real estate market, introducing a new regulatory regime and causing delays and frustration among landlords and leaseholders.

The Government's 'Pledge' with developers mandates remediation of critical fire safety defects at their cost, with 55 developers signing the legally binding Self Remediation Terms (SRT). The BSA differentiates between cladding and non-cladding defects and leaseholders' cost protections, potentially sharing non-cladding remediation costs between landlords and leaseholders where the original developer no longer exists. Most remediation costs have been cladding-related, with limited non-recoverable costs incurred by the Company.

Despite the complex and evolving regulatory landscape, the Company expects to mitigate significant risks and costs associated with known building safety issues.

Loan finance and compliance with covenants

As of 30 September 2024, the Company held a £19.5 million facility with Santander, maturing on 10 July 2026. Santander's independent valuation of the security pool is £53.6 million, reflecting an LTV ratio of 36.4%, compared to an LTV covenant of 50%. This valuation includes a MUC due to leasehold reform and building safety uncertainties. The ICR was 310% in November 2024, against a covenant of 200%, which will reduce to 160% in January 2025.

Savills' independent portfolio valuation of the portfolio as of 30 September 2024 was £38.4 million, resulting in a bank LTV of 50.8%, which could breach the covenant if Santander's valuer adopts similar metrics. However, the latest bank valuation remains relevant for covenant testing. Post the sale of Vita York and a £7.5 million loan repayment, the bank valuation would need to fall significantly for an LTV breach.

Several cure rights are available if a covenant breach occurs, including additional cure deposits, loan prepayments, and adding further investment property assets as security. These rights are exercisable up to four times during the facility's life, excluding the ICR covenant deposit cure available from 1 February 2025 which is exercisable without limit.

The Group is forecast to remain in compliance with covenants under the Base Case for the life of the facility to 10 July 2026. This is expected following the more measured approach of the new Labour Government and improving wider economic background.

Continuation Vote and New Investment Policy

The Investment Policy is to realise assets in a controlled, orderly, and timely manner. The objective is to achieve a balance between periodically returning cash to shareholders whilst optimising the realisation value of the Company's investments. This includes delivering best-in-class residential asset management with fairness, transparency, and affordability for leaseholders.

The Continuation Vote mechanism, approved in April 2023, required a Continuation Resolution by 31 December 2024. More than 70% of all shares were cast, with 92% of shareholders voting in favour at an EGM on 18 November 2024. The next Continuation Resolution is due before 18 November 2027 and every three years thereafter.

If the investment objective is fully achieved within the going concern period, income would reduce to nil, and shareholders may choose to liquidate the Company and its subsidiaries. However, this is not expected during the going concern period.

Other considerations

The Group has consistently met HMRC REIT distribution requirements, historically distributing profits quarterly above the required levels. However, due to a Modified Audit Opinion for the accounts for the years ended 30 September 2022, 2023 and 2024, the Company is currently prohibited by law from distributing further profits until the Modified Auditors' Report is removed.

Review of the Company's Business and Operations continued

Going concern continued

Cash Flow Forecasts

The Manager has prepared detailed forward-looking cash flow forecasts for the Group, covering a going concern period of at least 12 months from the signing of the financial statements (to March 2026).

These forecasts include Base Case and Severe Downside Case scenarios.

Base Case Assumptions:

- Leasehold Reform: No further significant changes in valuation, continued adoption of the MUC, and further clarity on leasehold reform from the Government.
- Building Safety: Non-cladding, non-recoverable costs of £1.2 million expected over the going concern period from the date of this report to 31 March 2026, with a 50% recovery factor applied.
- Hedging arrangements and Covenants: Hedging arrangements remain in place until January 2025, and compliance with covenants based on Savills' portfolio valuation.
- External Debt: Assumes full repayment of £12 million loan in July 2026 if refinancing is not possible. This has been modelled into the base case assumptions as a result of its significance and proximity to the going concern period.
- Disposal Strategy: Sale of assets in year ended 30 September 2025.
- Other Assumptions: Inflation forecast based on latest from Schroders Economics Group, recommencement of dividend payments and payment of out-of-scope Manager fees.

Severe Downside Case Assumptions:

- Building Safety: Cladding and non-cladding, non-recoverable costs of £14.4 million over the next three years.
- External Debt: Assumes full repayment of £12 million loan in July 2026 if refinancing is not possible.
- Other Assumptions: Decline in ground rent income by 10%, property valuations by 15%, and non-ground rent income by 50%.

The Group cannot support the severe downside or base case costs without mitigating measures, such as asset sales and third-party funding. The cash balance could turn negative by the last quarter for the year ended 30 September 2025 without these measures.

Conclusion

The Board has assessed the Group's going concern status, considering potential financial impacts and reviewing cash flow forecasts. They concluded that the Group and Company can continue operations and meet operating liabilities over the going concern period from the date of this report to 31 March 2026.

The Group continues to face material uncertainties in connection with a number of factors including building safety and leasehold reform, which lead to greater uncertainty around the future net income from, and valuation of, its portfolio of assets, compliance with covenants and the ability to either refinance or repay the loan that is expiring in July 2026.

These factors result in a material uncertainty in relation to going concern. The directors are exploring mitigating options available to the Group and remain confident in the Group's ability to continue operations. The Group is also considered viable over a three-year period, able to cover non-recoverable operating costs.

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

On behalf of the Board

Barry Gilbertson
Chair

14 January 2025

Board of Directors

Barry Gilbertson

Independent non-executive Chair

Date of appointment: 10 February 2021

Experience

Barry is a consultant with a focus on real estate, strategy and risk, with more than 45 years' experience advising on property, including formerly as an adviser to the Bank of England (2003-2010) and as President of the Royal Institution of Chartered Surveyors (2004-2005). Barry is a former partner in PricewaterhouseCoopers LLP (formerly Coopers & Lybrand) (1996-2011) and former non-executive consultant to Knight Frank LLP (2011-2013). He has held advisory appointments with the United Nations and the UK Government.

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

Barry served as a trustee and governor on the Council of The University of Bath from 2014 to 2020, previously serving on the Finance Committee and chairing the new Remuneration Committee (from 2018 to 2020); served as a trustee on the board of the College (now University College) of Estate Management (from 2006 to 2014); holds Visiting Professor appointments at two UK universities and was awarded Honorary Membership of four international professional bodies. Among his voluntary roles, Barry was Chairman of The City of Bath UNESCO World Heritage Site (2017-April 2024).

Committee membership

Audit and Risk Committee, Management Engagement Committee (chair)

Bill Holland

Independent non-executive director

Date of appointment: 1 September 2019

Experience

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

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

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

Committee membership

Audit and Risk Committee (chair), Management Engagement Committee

Board of Directors continued

Jane Vessey

Independent non-executive director (resigned as a director on 31 December 2024)

Date of appointment: 27 September 2021

Experience

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

Jane has provided training on all aspects of asset management to investment management companies, including leading training courses at the Investment Association. She has lectured at a number of business schools and until recently was a visiting lecturer at Cranfield School of Management.

Committee membership

Audit and Risk Committee, Management Engagement Committee

Katherine Innes Ker

Independent non-executive director

Date of appointment: 27 September 2021

Experience

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

Katherine is Chair of the Mortgage Advice Bureau plc, Senior Independent director and Chair of the Remuneration Committee of building products company Forterra plc, and Chair of Toob Limited, a full fibre broadband network provider. Katherine was appointed to the board of Stelrad Group plc as Senior Independent director and Chair of the Nomination Committee on 1 February 2024.

Katherine was a non-executive director at Vistry Group plc until May 2023 and Go-Ahead Group plc until November 2020, a non-executive director of Taylor Wimpey plc from 2001 to 2011, chairing the Remuneration Committee from 2004 to 2011, and non-executive director of Bryant Group plc prior to its acquisition by Taylor Woodrow. She was also a non-executive director at St Modwen Properties PLC from 2010-2013. Other appointments include Gigaclear Limited until 2018 and Colt Telecom Group SA until 2015. Katherine has a degree in Chemistry and a PhD in Molecular Biophysics from Oxford University.

Committee membership

Audit and Risk Committee, Management Engagement Committee

Directors' Report

The directors submit their report and the audited consolidated financial statements for the Company and its subsidiaries for the year ended 30 September 2024.

Dividend policy

On 29 June 2023, a dividend policy of assessing the payment of dividends on a semi-annual basis following the full year audited and interim accounts being released was put to shareholders for an advisory vote and was passed with 99.86% of votes cast. Details of the interim dividends paid, prior to the release of the 30 September 2022 Annual Report and Consolidated Financial Statements which contained a Modified Auditors' Report for the prior year, are set out in note 16 of the notes to the Group consolidated financial statements.

As noted in the Chair's Statement, the Modified Auditors Reports for the years ended 30 September 2022, 2023 and 2024 currently prevent the Company from paying dividends.

Listing requirements

Throughout the year ended 30 September 2024, the Group complied with the conditions set out in the TISE Listing Rules as applicable to the Company. The directors monitor the compliance at Board meetings and take advice from the Group's TISE Listing sponsor where required.

Directors

The following persons served as directors during the year and as at the date of signing the financial statements, save for Jane Vessey, who resigned as a director on 31 December 2024:

Barry Gilbertson
Bill Holland
Katherine Innes Ker
Jane Vessey (Resigned 31 December 2024)

Further information about the directors of the Company and their biographical details can be found on pages 23 and 24. There are no arrangements providing for compensation for loss of office or employment (through resignation, purported redundancy or otherwise) that occur because of a successful takeover bid.

Share capital

As at the date of this report, the Company had 95,667,627 ordinary shares of 50 pence each in issue. There were no changes to the share capital during the financial year under review, no shares were bought back and no shares are held in treasury.

Accordingly, the total number of voting rights in the Company at the date of this report is 95,667,627. There are no warrants outstanding. Full details of the Company's share capital are set out in note 15 on page 53 and details of the powers of the Board in relation to the issuing or buying back by the Company of its shares may be found in the Explanatory Notes to the Notice of AGM on page 67. All shares rank equally with respect to voting, dividends and any distribution on winding up.

Political donations

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

Risk management

The information on risk management objectives and policies required to be included in this report may be found on page 19 of the Strategic Report and is incorporated by reference.

Future developments

The Strategic Report on pages 2 to 22 sets out the likely future developments in the business of the Company and the Group.

Key service providers

Manager

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

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

The Schroders Group manages £777.4 billion (as at 30 September 2024) on behalf of institutional and retail investors, financial institutions and high net-worth clients from around the world, invested in a broad range of asset classes across equities, fixed income, multi-asset and alternatives.

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

The management fee payable in respect of the year ended 30 September 2024 amounted to £1,427,315 (2023: £1,112,849). Further details of the amounts payable to the Manager are set out in Note 19 to the financial statements on page 54.

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

Directors' Report continued

Depositary

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

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

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

Corporate Governance

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

Compliance statement

The TISE Listing Rules require the Company to report against a code of corporate governance, or explain the reasons for not doing so. This Corporate Governance Statement, together with the Chair's Statement on page 4, the Manager's Report on page 10, Statement of Directors' Responsibilities on page 27 and the viability and going concern statements set out on page 20, indicate how the Company has complied with the UKCG Code's principles of good governance and its requirements on internal control.

The Board believes that the Company has, throughout the year under review, complied with all relevant provisions set out in the UKCG Code, save in respect of the appointment of a Senior Independent Director, the Chair's membership of the Audit and Risk Committee, and the absence of a nomination or remuneration committee, where departure from the UKCG Code is considered appropriate given the Company's size and adoption of a fully outsourced model. The Board has considered whether a Senior Independent Director should be appointed. As the Board comprises entirely non-executive directors, the appointment of a Senior Independent Director is not considered necessary. However, the Chair of the Audit and Risk Committee effectively acts as the Senior Independent Director and is available to directors and/or shareholders if they have concerns which cannot be resolved through discussion with the Chair. In line with common practice for investment companies, and considering the composition of the Audit and Risk Committee in terms of its combination of skills, experience, and knowledge, it is considered appropriate for the Chair to be a member of the Audit and Risk committee. The Strategic Report and Directors' Report provide further details on the Company's internal controls (including risk management), governance and diversity policy. An evaluation of the Board was deferred within the financial year ended 30 September 2024 until after the financial year ended 30 September 2024 due to ongoing discussions in relation to the composition of the Board.

Operation of the Board

Chair

The Chair is an independent non-executive director who is responsible for leadership of the Board and ensuring its effectiveness in all aspects of its role. The Chair's other significant commitments are detailed on page 2526.

Role and operation of the Board

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

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

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

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

Training and development

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

Conflicts of interest

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

Directors' and officers' liability insurance and indemnity

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

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

Directors' attendance at meetings

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

Whenever possible all directors attend the AGM.

Director	Board[1]	Audit and Risk Committee	Management Engagement Committee
Barry Gilbertson	9 of 9	5 of 5	4 of 4
Bill Holland	9 of 9	5 of 5	4 of 4
Katherine Innes Ker	8 of 9	5 of 5	3 of 4
Jane Vessey (Resigned 31 December 2024)	8 of 9	4 of 5	3 of 4

[1]Four quarterly meetings were held during the year and the remainder of the meetings were ad-hoc meetings convened at short notice to consider particular issues.

During the year, one strategy meeting and two general meetings were held. Additionally, directors held 13 project calls, for which attendance was optional and the majority of the Board was present. These addressed building safety and leasehold reform matters. Overall, there was a total of 34 meetings requiring Board director involvement during the year under review. The Chair additionally attended 23 regular catch-up calls with the Manager during the year under review.

Shareholders

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

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

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

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

Board committees

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

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

Statement of Directors' Responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation. Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the Group and the Company financial statements in accordance with UK-adopted international accounting standards.

Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable UK-adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

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

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

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

Directors' confirmations

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

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

By order of the Board

Barry Gilbertson
Chair
14 January 2025

Audit and Risk Committee Report

The responsibilities and work carried out by the Audit and Risk Committee during the year under review are set out in the following report. The duties and responsibilities of the Committee may be found in the terms of reference which are set out on the Company's webpages, www.groundrentsincomefund.com. Membership of the Committee is as set out on pages 23 and 24. The Board has satisfied itself that at least one of the Committee's members has recent and relevant financial experience and that the Committee as a whole has competence. The Committee held five meetings in the financial year under review and instructed the Company's solicitors, Addleshaw Goddard, to review its terms of reference.

The Committee discharged its responsibilities by:

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

Annual report and financial statements

During its review of the Group's financial statements for the year ended 30 September 2024, the Committee, having deliberated on the Company's principal risks and uncertainties, considered the following significant issues, including consideration of principal risks and uncertainties in light of the Group's activities, and issues communicated by the auditors during their reporting:

Issue considered	How the issue was addressed
Internal controls and risk management	• Consideration of several key aspects of internal control and risk management operating within the Manager, Depositary and registrar, including assurance reports on their controls.
Valuation and existence of investments	• Review of portfolio holdings and assurance reports on controls from the Manager and Depositary. • Review of information provided by the Manager at project calls scheduled since early December 2022 to understand in detail the risk of residual remediation liabilities falling to the Company and how this was reflected in the valuation. • Meeting with valuer of the portfolio to discuss findings. Engaged at length with the valuer, including receiving information from other valuation experts about the appropriateness of the approach taken by the valuer. • Review of likely recoverability of building safety costs.
Credit indebtedness of Group controlled entities	• Consideration of IFRS 9 in estimating the expected credit loss for certain Group financial assets.
The going concern and viability of the Company over a three-year horizon	• Consideration of the effect of the continuation resolution and change of investment policy, as well as the impact of the September 2024 valuation containing a material valuation uncertainty clause, and the Company's ability to refinance, on the ability of the Company to continue as a going concern and its viability for the three-year period chosen by the Board.
Recognition of ground rent and other income	• Consideration of income received against forecast.
Compliance with the real estate investment trust qualifying rules in S1158 of the Corporation Tax Act 2010	• Consideration of the Manager's report confirming compliance and review of minimum distribution calculation.
Calculation of the Manager's fees	• Consideration of methodology used to calculate the fee, matched against the criteria set out in the AIFM agreement.
Overall accuracy of the annual report and financial statements	• Consideration of the draft annual report and financial statements and the letter from the Manager in support of the letter of representation to the auditors.

Engagement with the Auditors in relation to the Modified Auditors Report

The Audit and Risk Committee engaged with the Manager, the Valuer, and the Auditor to understand the valuation uncertainties and audit activities which had taken place during the year, and since the period end, and the conclusions of this work, as detailed in the Modified Auditors' Report. The Committee also reviewed the disclosures in the Annual Report relating to the Modified Auditors' Report and considered related accounting issues and their impact on the Company's principal risks and uncertainties.

Internal control

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

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

Internal audit

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

Auditors' appointment

Resolutions to re-appoint PricewaterhouseCoopers LLP as auditors to the Company, and to authorise the directors to determine their remuneration will be proposed at the AGM. This is the third year that Victoria Tallon, the senior statutory auditor, has conducted the audit of the Company's financial statements.

PricewaterhouseCoopers LLP has provided audit services to the Company since it was appointed on 23 April 2012. The Committee considered carefully the merits of reviewing the appointment, but concluded that, given the ongoing challenges associated with leasehold reform and building safety, and the revised investment policy to realise assets in a controlled, orderly and timely manner, this was not appropriate nor required, as the Company is not a public interest entity within the meaning of the relevant regulations.

External auditors' remuneration and independence

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

Effectiveness of the independent audit process

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

Provision of non-audit services

The Committee has reviewed the FRC's Guidance on audit committees and has formulated a policy on the provision of non-audit services by the Company's auditors. The auditors may, if required, provide certain non-audit services and this will be judged on a case-by-case basis, in line with the latest FRC guidance taking into account any threats to independence this may cause, the fees, the suitability of the audit firm to provide these, and the criteria which govern the compensation of those performing the audit.

The auditors have not provided any non-audit services to the Company during the year (2023: none).

Whistleblowing

The Audit and Risk Committee has reviewed the arrangements by which staff of the Manager and the Company Secretary may, in confidence, raise concerns about possible in matters of financial reporting or other matters. The Committee is satisfied that suitable arrangements are in place for the proportionate and independent investigation of such matters and for appropriate follow-up action.

Bill Holland
Audit and Risk Committee Chair
14 January 2025

Recommendations made to, and approved by, the Board:

- That, as a result of the work performed, the Committee has concluded that the annual report and financial statements for the year ended 30 September 2024, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position, performance, business model and strategy, and has reported on these findings to the Board. The Board's conclusions in this respect are set out in the Statement of Directors' Responsibilities on page 27.

- That PricewaterhouseCoopers LLP be re-appointed as auditors.

Management Engagement Committee Report

The Management Engagement Committee is responsible for (1) the monitoring and oversight of the Manager's performance and fees, and confirming the Manager's ongoing suitability, and (2) reviewing and assessing the Company's other service providers, including reviewing their fees. All directors are members of the Committee. Barry Gilbertson is the chair of the Committee. Its terms of reference are available on the Company's webpages, www.groundrentsincomefund.com. The Committee held four meetings in the financial year under review and instructed the Company's solicitors, Addleshaw Goddard, to review its terms of reference.

<table>
<tr><th colspan="2">Approach</th></tr>
<tr><th>Oversight of the Manager</th><th>Oversight of other service providers</th></tr>
<tr><td>The Committee:

• reviews the Manager's performance, over the short- and long-term, against the peer group and the market.
• considers the reporting it has received from the Manager throughout the year, and the reporting from the Manager to the shareholders.
• assesses management fees on an absolute and relative basis, considering peer group and industry figures, as well as the structure of the fees, including out-of-scope fees under the AIFM agreement.
• reviews the appropriateness of the Manager's contract, including terms such as notice period.
• assesses whether the Company receives appropriate administrative, accounting, company secretarial and marketing support from the Manager</td><td>The Committee reviews the performance and competitiveness of the following service providers on at least an annual basis:

- Depositary
- Corporate Broker
- Registrar
- Lender
- Property Managing Agent
- Valuer
- Legal advisor

The Committee also receives a report from the Company Secretary on ancillary service providers, and considers any recommendations.
The Committee noted the Audit and Risk Committee's review of the auditor's effectiveness.</td></tr>
<tr><th colspan="2">Application during the year</th></tr>
<tr><th>Oversight of the Manager</th><th>Oversight of other service providers</th></tr>
<tr><td>The Committee undertook a detailed review of the Manager's performance and agreed that it has the appropriate depth and quality of resource to deliver the Company's investment objective.

The Committee also reviewed the terms of the AIFM agreement and agreed they remained fit for purpose.

The Committee reviewed the other services provided by the Manager and agreed they were satisfactory.</td><td>The annual review of each of the service providers was satisfactory.
The Committee noted that the Audit and Risk Committee had undertaken a detailed evaluation of the Manager, registrar, and Depositary's internal controls.</td></tr>
</table>

Recommendations made to, and approved by, the Board:

- That the ongoing appointment of the Manager on the terms of the AIFM agreement was in the best interests of shareholders as a whole.
- That the out-of-scope fees for the Manager be approved.
- That the Company's service providers' performance remained satisfactory.

Directors' Remuneration Report

Introduction

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

At the EGM held on 5 August 2024, 99.55% of the votes cast (including votes cast at the Chair's discretion) in respect of approval of the remuneration policy and report were in favour, while 0.45% were against. 3,400 votes were withheld.

Directors' remuneration policy

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

It is the Board's policy to determine the level of directors' remuneration having regard to amounts payable to non-executive directors in the industry generally, the role that individual directors fulfil in respect of board and committee responsibilities, and time committed to the Company's affairs, taking into account the aggregate limit of fees set out in the Company's articles of association. The aggregate limit of directors' fees is currently £200,000 (amended following the EGM on 24 April 2023).

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

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

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

Implementation of policy

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

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

As the Company does not have any employees, no employee pay and employment conditions were taken into account when setting this remuneration policy and no employees were consulted in its construction.

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

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

Fees paid to directors

The following table sets out the gross amounts paid by the Company to directors for their services in respect of the year ended 30 September 2024 and the preceding financial year, excluding the impact of taxes and National Insurance contributions. One-off payments for additional work were agreed of £15,000 for the Chair, £7,500 for the Audit and Risk Committee Chair, and £3,750 for each of the other independent non-executive directors. The performance of the Company over the financial year is presented on page 2, under the heading 'Performance and Strategy'. The information in the below table has been audited.

	Fees (£)		Taxable benefits (£)		Total (£)		Changes in annual fee over two years ended 30 September 2024
Director	2024[1]	2023[2]	2024	2023	2024	2023	
Barry Gilbertson	75,000	85,000[3]	-	-	75,000	85,000	(11.8%)
Bill Holland	50,000	50,000	615	1,419	50,615	51,419	(1.6%)
Katherine Innes Ker	37,500	37,500	-	339	37,500	37,839	(0.9%)
Jane Vessey (Resigned 31 December 2024)	37,500	37,500	-	-	37,500	37,500	-
Total	200,000	210,000[3]	615	1,758	200,615	211,758	(5.3%)

[1]For the year ended 30 September 2024, one-off payments for additional work were agreed of £15,000 for the Chair, £7,500 for the Audit and Risk Committee Chair, and £3,750 for each of the other independent non-executive directors.
[2] For the year ended 30 September 2024, one-off payments for additional work were agreed of £15,000 for the Chair, £7,500 for the Audit and Risk Committee Chair, and £3,750 for each of the other independent non-executive directors.
[3]Includes £10,000 that relates to work performed in prior year ('FY 2022').

Directors' annual report on remuneration (unaudited)

This report sets out how the directors' remuneration policy was implemented during the year ended 30 September 2024.

Consideration of matters relating to directors' remuneration

Directors' remuneration was last reviewed by the Board in July 2024.

One-off payments for additional work were agreed of £15,000 for the Chair, £7,500 for the Audit and Risk Committee Chair, and £3,750 for each of the other independent non-executive directors.

Expenditure by the Company on remuneration and distributions to shareholders

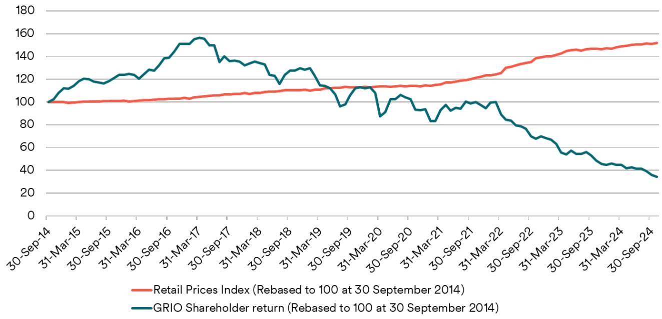
The table below compares the remuneration payable to directors to distributions made to shareholders during the year under review and the prior financial year. In considering these figures, shareholders should take into account the Company's investment objective.

	Year ended 30 September 2024 £'000	Year ended 30 September 2023 £'000	Change %
Remuneration payable to directors	200	210[1]	(4.8)
Dividends	0[2]	1,196	(100)
Total distribution paid to shareholders	0	1,196	(100)

[1]Includes £10,000 that relates to work performed in prior year (FY 2022).
[2] Throughout the year ended 30 September 2024, and for six months of the year ended 30 September 2023, the Company was prohibited from paying dividends due to the Modified Auditors' Report.

Ten year share price and NAV total returns

The graph below compares the Company's share price total return with the NAV, to illustrate the performance of the Company since inception.



Directors 'share interests

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

	Ordinary shares at 30 September 2024	Ordinary shares at 30 September 2023
Barry Gilbertson	38,813	38,813
Bill Holland	38,710	38,710
Jane Vessey (Resigned 31 December 2024)	39,000	39,000

There have been no changes notified since the year end.

On behalf of the Board

Barry Gilbertson
Chair

14 January 2025

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

Report on the audit of the financial statements

Disclaimer of opinion

Because of the significance of the matter described in the Basis for disclaimer of opinion paragraph below, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly we do not express an opinion on Ground Rents Income Fund plc's financial statements (the "financial statements").

We were engaged to audit the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: Consolidated and Company Statements of Financial Position as at 30 September 2024; Consolidated Statement of Comprehensive Income, Consolidated and Company Statements of Cash Flows, and Consolidated and Company Statements of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies. The financial reporting framework that has been applied in their preparation is UK-adopted international accounting standards.

Basis for disclaimer of opinion

During the course of our audit, we identified a pervasive limitation of scope in relation to the valuation of investment properties valued at £71.5m per the Consolidated Statement of Financial Position as at 30 September 2024, due to the application of a Material Valuation Uncertainty Clause ("MVUC") across substantially all of the portfolio by the valuer. We have been unable to gain sufficient appropriate audit evidence to support those valuations. We are further unable to gain sufficient appropriate audit evidence over the carrying value of the investment in subsidiaries and recoverability of the intercompany receivables balances within the Company financial statements, given the inherent linkage of these balances to the investment property valuations. Consequently, we were unable to determine whether any adjustments were necessary to the Group and Company financial statements.

Independence

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

Material uncertainty related to going concern

Notwithstanding our disclaimer of an opinion on the financial statements, we have considered the adequacy of the disclosure made in note 1 to the Group financial statements concerning the Group's ability to continue as a going concern and the disclosure made in note 2 of the Company financial statements concerning the Company's ability to continue as a going concern. The Group and Company currently face significant uncertainties in connection with a number of factors including building safety and leasehold reform, which lead to significant uncertainty around the future net income from, and valuation of, its portfolio of assets. As a result, the Group may require potential additional funding which is currently uncommitted and may also impact the Group's ability to comply with their Loan to Value ("LTV") debt covenant based on asset valuations. Although outside the directors' defined going concern assessment period, the significant uncertainty may also impact the Group's ability to repay an external loan of £12m due for repayment in July 2026. These conditions, along with the other matters explained in note 1 to the Group financial statements and note 2 of the Company financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Group's and the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group and the Company were unable to continue as a going concern.

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

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

- we obtained management's cash flow forecasts for both the base case and severe downside scenarios and evaluated and assessed the process by which the Group's and Company's future cash flow forecasts were prepared;
- we obtained the terms of the Group's financing facility and the covenants in place in relation to this facility, which show that the Group's cash flow forecasts are in compliance with all covenant conditions for at least 12 months from the date of the approval of the financial statements;
- we agreed the opening position of the Group's cash flow forecasts to the September 2024 management accounts. We also agreed the gross debt and cash per the September 2024 management accounts to the Group's bank statements; and
- we evaluated the appropriateness of the base and severe downside scenario used in management's determination of the going concern basis of preparation, which included an assessment of any key assumptions underpinning the cash flows throughout the going concern period.

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

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

Our audit approach

Overview

Audit scope

- The Group includes 37 statutory entities, excluding dormant entities, all of which are included within scope to support the Group and Company audit opinion. All components are managed by the same finance team and operate entirely within the UK.

Materiality

- Overall Group materiality: £796k (2023: £1,104k) based on 1% of total assets.
- Overall Company materiality: £555k (2023: £719k) based on 1% of total assets.
- Performance materiality: £597k (2023: £828k) (Group) and £416k (2023: £539k) (Company).
- For income statement line items we applied a lower specific materiality of £81k (2023: £88k) for the Group and £80k (2023: £83k) for the Company. For 2024 this is based on 5% of profit/loss before tax excluding revaluation loss.

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

How we tailored the audit scope

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

The Group includes 37 statutory entities, excluding dormant entities, all of which are included within scope to support the Group and Company audit opinion. All components are managed by the same finance team and operate entirely within the UK.

The impact of climate risk on our audit

As part of our audit we made enquiries of management to understand the extent of the potential impact of climate risk on the Group's and Company's financial statements, and we remained alert when performing our audit procedures for any indicators of the impact of climate risk. Our procedures did not identify any material impact as a result of climate risk on the Group's and Company's financial statements.

Materiality

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

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

	Group and Company overall materiality	**Group and Company specific materiality for income statement account balances**
Overall materiality	Group: £796k (2023: £1,104k). Company: £555k (2023: £719k)	Group: £81k (2023: £88k) Company: £80k (2023: £83k)
How we determined it	1% of total assets	5% of profit/loss before tax excluding revaluation loss
Rationale for benchmark applied	The key measure of the Group and Company's performance is the valuation of investment properties and the balance sheet as a whole. Given this, consistent with the prior year, we set an overall Group materiality level based on total assets.	In addition to the overall materiality, a specific materiality was applied to income statement account balances. In 2024, this was determined on the basis of 5% profit/loss before tax excluding revaluation loss. A specific materiality was considered as the most appropriate method to ensure sufficient coverage across the income statement.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between £0k and £701k. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2023: 75%) of overall materiality, amounting to £597k (2023: £828k) for the Group financial statements and £416k (2023: £539k) for the Company financial statements.

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

We agreed with those charged with governance that we would report to them misstatements identified during our audit above £40k (Group audit) (2023: £55k) and £28k (Company audit) (2023: £37k) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Reporting on the Strategic report and Directors' Report

Notwithstanding our disclaimer of an opinion on the financial statements, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 30 September 2024 is consistent with the financial statements.

Because of the significance of the matter described in the Basis for disclaimer of opinion paragraph above we have been unable to form an opinion whether, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year has been prepared in accordance with applicable legal requirements.

Notwithstanding our disclaimer of an opinion on the financial statements, in light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit and performed subject to the pervasive limitation described above, we did not identify any material misstatements in the Strategic report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

Our responsibility is to conduct an audit of the financial statements in accordance with ISAs (UK) and to issue an auditors' report. However, because of the matters described in the Basis for disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Capability of the audit in detecting irregularities, including fraud

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

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to the REIT regime, the Leasehold and Freehold Reform Act 2024, the Building Safety Act, and The International Stock Exchange regulatory principles and we considered the extent to which non- compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006 and UK tax legislation. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to improve financial performance, and management bias in accounting estimates and judgements. Audit procedures performed by the engagement team included:

- reviewing relevant meeting minutes, including the Board of Directors;
- auditing the tax computations to ensure compliance with UK tax legislation;
- challenging assumptions and judgements made by management in their significant accounting estimates (due to risk of management bias) in particular around the valuation of investment properties;
- discussions with the Audit and Risk Committee and management including consideration of known or suspected instances of non-compliance with laws and regulations or fraud; and
- identifying and testing journal entries, in particular journal entries posted with unusual account combinations.

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

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

Arising from the limitation of our work referred to in the Basis for disclaimer of opinion paragraph above:

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and
- we were unable to determine whether adequate accounting records have been kept by the Company.

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

- returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Victoria Tallon (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors, London

14 January 2025

Consolidated Statement of Comprehensive Income

For the year ended 30 September 2024

	Note	2024 £	2023 £
Continuing operations			
Revenue	2	**6,108,180**	5,724,087
Management Fees Recovered	19	**183,182**	–
Operating expenses	3	**(3,973,057)**	(3,248,703)
Profit on sale of investment properties		**99,333**	64,861
Net revaluation loss on investment properties	8	**(31,330,461)**	(2,886,611)
Operating loss		**(28,912,823)**	(346,366)
Finance income	5	**142,090**	46,604
Finance expenses	6	**(943,424)**	(825,144)
Net finance expense		**(801,334)**	(778,540)
Loss before tax		**(29,714,157)**	(1,124,906)
Taxation	7	**–**	–
Loss after tax and total comprehensive loss		**(29,714,157)**	(1,124,906)
Basic and diluted loss per share	13	**(31.1p)**	(1.2p)

The accompanying notes on pages 42 to 55 form an integral part of the consolidated financial statements.

Consolidated Statement of Financial Position

As at 30 September 2024

	Note(s)	2024 £	2023 £
Assets			
Non-current assets			
Investment properties	8	**71,450,000**	106,095,000
		71,450,000	106,095,000
Current assets			
Trade and other receivables	9	**2,615,047**	2,753,044
Interest rate derivative contracts		**–**	216
Cash and cash equivalents	18	**5,525,003**	1,601,872
		8,140,050	4,355,132
Total assets		**79,590,050**	110,450,132
Liabilities			
Non-current liabilities			
Financial liabilities measured at amortised cost	11 & 18	**(19,172,995)**	(20,850,428)
		(19,172,995)	(20,850,428)
Current liabilities			
Trade and other payables	10	**(3,770,110)**	(3,398,191)
Financial liabilities measured at amortised cost	11 & 18	**(159,589)**	–
		(3,929,699)	(3,398,191)
Total liabilities		**(23,102,694)**	(24,248,619)
Net assets		**56,487,356**	86,201,513
Equity			
Share capital	15	**47,833,813**	47,833,813
Capital redemption reserve	15	**669,500**	669,500
Retained earnings		**37,698,200**	38,823,106
Loss for the year		**(29,714,157)**	(1,124,906)
Total equity		**56,487,356**	86,201,513
Net asset value per ordinary share	14	**59.0p**	90.1p

The consolidated financial statements on pages 42 to 55 were approved and authorised for issue by the Board of directors and signed on its behalf by:

Barry Gilbertson
Director
14 January 2025

Bill Holland
Director
14 January 2025

Ground Rents Income Fund plc
Company registered number: 08041022

The accompanying notes on pages 42 to 55 form an integral part of the consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 30 September 2024

	Note	2024 £	2023 £
Cash flows from operating activities			
Cash generated from operations	17	**2,828,221**	1,434,252
Interest paid on bank loan and bank charges		**(745,324)**	(698,887)
Net cash generated from operating activities		**2,082,897**	735,365
Cash flows from investing activities			
Interest received		**142,090**	46,604
Receipts from the sale of investment properties		**3,413,873**	103,249
Net cash generated from investing activities		**3,555,963**	149,853
Cash flows from financing activities			
Bank loan payments	11	**(1,500,000)**	–
Debt issue costs	6	**(215,729)**	–
Dividends paid to shareholders	16	**–**	(1,195,845)
Net cash used in financing activities		**(1,715,729)**	(1,195,845)
Net increase/(decrease) in cash and cash equivalents	18	**3,923,131**	(310,627)
Net cash and cash equivalents at the beginning of the year	18	**1,601,872**	1,912,499
Net cash and cash equivalents at the end of the year	18	**5,525,003**	1,601,872

The accompanying notes on pages 42 to 55 form an integral part of the consolidated financial statements

Consolidated Statement of Changes in Equity

For the year ended 30 September 2024

	Share capital £	Capital redemption reserve £	Retained earnings £	Total equity £
At 1 October 2022	**47,833,813**	**669,500**	**40,018,951**	**88,522,264**
Comprehensive loss				
Loss for the year	–	–	(1,124,906)	(1,124,906)
Total comprehensive loss	–	–	(1,124,906)	(1,124,906)
Transaction with owners				
Dividends paid	–	–	(1,195,845)	(1,195,845)
At 30 September 2023	**47,833,813**	**669,500**	**37,698,200**	**86,201,513**
Comprehensive loss				
Loss for the year	–	–	(29,714,157)	(29,714,157)
Total comprehensive loss	–	–	(29,714,157)	(29,714,157)
At 30 September 2024	**47,833,813**	**669,500**	**7,984,043**	**56,487,356**

The accompanying notes on pages 42 to 55 form an integral part of the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 30 September 2024

1 Accounting policies

Ground Rents Income Fund plc (the 'Company') is a closed-ended investment company domiciled and incorporated in the UK as a public company limited by shares. The Company has been listed on TISE and traded on the SETSqx platform of the Stock Exchange since 13 August 2012. The Company's registered address is 1 London Wall Place, London, EC2Y 5AU. The consolidated financial statements of the Company comprise the Company and its subsidiaries (together referred to as the 'Group').

Statement of compliance

The financial statements of the Group have been prepared in accordance with UK-adopted International Accounting Standards ('IFRS') and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards.

Basis of preparation

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

Going concern

In forming its assessment of using the going concern basis when preparing the financial statements, the Board and Manager have prepared both base case and severe, but plausible, downside scenarios.

Furthermore, the Board has examined significant areas of possible financial risk when considering the preparation basis of the Group's and Company's Financial Statements.

The Group continues to face significant uncertainties in connection with a number of factors including building safety and leasehold reform, which lead to greater uncertainty around the future net income from, and valuation of, its portfolio of assets, as well as the ability to comply with covenants and refinance or repay the loan facility due in July 2026. However, the Group has received a positive response to the Continuation Vote held on 18 November 2024, extending the Group's life to at least 18 November 2027, which removes a key area of previous uncertainty.

Leasehold reform

The previous Government's leasehold reform agenda, launched in 2017, aimed to limit ground rents on new leases and ban leasehold tenure for new-build houses. The Law Commission's 2020 recommendations sought to make leasehold enfranchisement easier and fairer.

The Leasehold Reform (Ground Rent) Act 2022 ended ground rents for new, qualifying long residential leases in England and Wales, reducing the supply of residential ground rents. In 2023, the Government reaffirmed its commitment to fairer housing and introduced the Leasehold and Freehold Reform Bill to simplify enfranchisement. A consultation suggested restricting existing ground rents without compensation, leading to a Material Uncertainty Clause ("MUC") in valuations.

Despite the Bill becoming law in May 2024, it does not restrict existing ground rents but includes potentially unlawful enfranchisement provisions. A Judicial Review (JR) and a compensation claim at the European Court of Human Rights are ongoing.

The new Labour Government plans a measured approach to reform, consulting on enfranchisement premiums and seeking further reforms, including a draft bill to address existing ground rents and promote commonhold tenure. The Company continues to engage with the Government and industry bodies.

Building Safety

The Building Safety Act 2022 and associated regulations represent the most significant regulatory reform to the UK's built environment in almost 40 years. The Company supports the Building Safety Framework's aims to improve standards, protect leaseholders from remediation costs, and hold responsible parties accountable. However, the Framework significantly impacts the real estate market, introducing a new regulatory regime and causing delays and frustration among landlords and leaseholders.

The Government's 'Pledge' with developers mandates remediation of critical fire safety defects at their cost, with 55 developers signing the legally binding Self Remediation Terms (SRT). The BSA differentiates between cladding and non-cladding defects and leaseholders' cost protections, potentially sharing non-cladding remediation costs between landlords and leaseholders where the original developer no longer exists. Most remediation costs have been cladding-related, with limited non-recoverable costs incurred by the Company.

Despite the complex and evolving regulatory landscape, the Company expects to mitigate significant risks and costs associated with known building safety issues.

Notes to the Consolidated Financial Statements continued

1 Accounting policies continued

Loan finance and compliance with covenants

As of 30 September 2024, the Company held a £19.5 million facility with Santander, maturing on 10 July 2026. Santander's independent valuation of the security pool is £53.6 million, reflecting an LTV ratio of 36.4%, compared to an LTV covenant of 50%. This valuation includes a MUC due to leasehold reform and building safety uncertainties. The ICR was 310% in November 2024, against a covenant of 200%, which will reduce to 160% in January 2025.

Savills' independent portfolio valuation of the portfolio as of 30 September 2024 was £38.4 million, resulting in a bank LTV of 50.8%, which could breach the covenant if Santander's valuer adopts similar metrics. However, the latest bank valuation remains relevant for covenant testing. Post the sale of Vita York and a £7.5 million loan repayment, the bank valuation would need to fall significantly for an LTV breach.

Several cure rights are available if a covenant breach occurs, including additional cure deposits, loan prepayments, and adding further investment property assets as security. These rights are exercisable up to four times during the facility's life, excluding the ICR covenant deposit cure available from 1 February 2025 which is exercisable without limit.

The Group is forecast to remain in compliance with covenants under the Base Case for the life of the facility to 10 July 2026. This is expected following the more measured approach of the new Labour Government and improving wider economic background.

Continuation Vote and New Investment Policy

The Investment Policy is to realise assets in a controlled, orderly, and timely manner. The objective is to achieve a balance between periodically returning cash to shareholders whilst optimising the realisation value of the Company's investments. This includes delivering best-in-class residential asset management with fairness, transparency, and affordability for leaseholders.

The Continuation Vote mechanism, approved in April 2023, required a Continuation Resolution by 31 December 2024. More than 70% of all shares were cast, with 92% of shareholders voting in favour at an EGM on 18 November 2024. The next Continuation Resolution is due before 18 November 2027 and every three years thereafter.

If the investment objective is fully achieved within the going concern period, income would reduce to nil, and shareholders may choose to liquidate the Company and its subsidiaries. However, this is not expected during the going concern period.

Other considerations

The Group has consistently met HMRC REIT distribution requirements, historically distributing profits quarterly above the required levels. However, due to a Modified Audit Opinion for the accounts for the years ended 30 September 2022, 2023 and 2024, the Company is currently prohibited by law from distributing further profits until the Modified Auditors' Report is removed.

Cash Flow Forecasts

The Manager has prepared detailed forward-looking cash flow forecasts for the Group, covering a going concern period of at least 12 months from the signing of the financial statements (to March 2026). These forecasts include Base Case and Severe Downside Case scenarios.

Base Case Assumptions:

- Leasehold Reform: No further significant changes in valuation, continued adoption of the MUC, and further clarity on leasehold reform from the Government.
- Building Safety: Non-cladding, non-recoverable costs of £1.2 million expected over the going concern period from the date of this report to 31 March 2026, with a 50% recovery factor applied.
- Hedging arrangements and Covenants: Hedging arrangements remain in place until January 2025, and compliance with covenants based on Savills' portfolio valuation.
- External Debt: Assumes full repayment of £12 million loan in July 2026 if refinancing is not possible. This has been modelled into the base case assumptions as a result of its significance and proximity to the going concern period.
- Disposal Strategy: Sale of assets in year ended 30 September 2025.
- Other Assumptions: Inflation forecast based on latest from Schroders Economics Group, recommencement of dividend payments, and payment of out-of-scope Manager fees.

Notes to the Consolidated Financial Statements continued

1 Accounting policies continued

Severe Downside Case Assumptions:

- Building Safety: Cladding and non-cladding, non-recoverable costs of £14.4 million over the next three years.
- External Debt: Assumes full repayment of £12 million loan in July 2026 if refinancing is not possible.
- Other Assumptions: Decline in ground rent income by 10%, property valuations by 15%, and non-ground rent income by 50%.

The Group cannot support the severe downside or base case costs without mitigating measures, such as asset sales and third-party funding. The cash balance could turn negative by the last quarter for the year ended 30 September 2025 without these measures.

Conclusion
The Board has assessed the Group's going concern status, considering potential financial impacts and reviewing cash flow forecasts. They concluded that the Group and Company can continue operations and meet operating liabilities over the going concern period from the date of this report to 31 March 2026.

The Group continues to face material uncertainties in connection with a number of factors including building safety and leasehold reform, which lead to greater uncertainty around the future net income from, and valuation of, its portfolio of assets, compliance with covenants and the ability to either refinance or repay the loan that is expiring in July 2026.

These factors result in a material uncertainty in relation to going concern which may cast significant doubt on the Group's ability to continue as a going concern. The directors are exploring mitigating options available to the Group and remain confident in the Group's ability to continue operations. The Group is also considered viable over a three-year period, able to cover non-recoverable operating costs.

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

The financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

Adoption of new and revised standards

During the year, the Group has elected to adopt the following amendments early for the annual reporting period commencing 1 October 2023:

- *Supplier finance arrangements – Amendments to IAS 7 and IFRS 7*
- *Sale or contribution of assets between an investor and its associate or joint venture Amendments to IFRS 10 and IAS 28*

The amendments listed above did not have any impact on the amounts recognised in prior periods and have/are not expected to materially affect the current or future periods respectively.

New standards and interpretations not yet adopted by the Group

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 30 September 2024 reporting periods and have not been early adopted by the Group. These standards, amendments or interpretations are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Use of estimates and judgements

The preparation of financial statements in accordance with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses.

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

The most material estimate is:

Carrying value of investment properties
Investment properties are stated at fair value. Fair value is inherently subjective because the valuer makes assumptions which may not prove to be accurate. The Group uses external professional valuers to determine the relevant amounts. For the current year, these estimates include valuation adjustments to reflect potential future remediation because of recent building safety and leasehold reform legislation. See note 8 for further detail.

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

Notes to the Consolidated Financial Statements continued

1 Accounting policies continued

Basis of consolidation

Subsidiaries are all entities over which the Group has control. The Group controls an entity where it is exposed to, or has rights to, variable returns from its involvement with the entity and can affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Revenue

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

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

- Any rent adjustments based on open market estimated rental values or indexed-linked rent reviews which are recognised, based on management estimates, from the rent review date in relation to unsettled rent reviews; and

- Contingent rents, being those lease payments that are not fixed at the inception of the lease, which are recognised in the year they are earned and as defined by the lease.

Management Fees Recovered

Management fees recovered from third parties are recognised as other income in the period earned, when the services have been rendered and invoiced. These fees are measured at the fair value of the consideration received or receivable and are presented as a separate line item under continuing operations in the Consolidated Statement of Comprehensive Income.

Finance income and expenses

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

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

Taxation

Tax on the profit for the year comprises current tax. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the year-end date. Under the UK REIT regime, the Group is exempt from UK corporation tax on qualifying profits and gains arising from its UK property rental business.

Deferred tax

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

Exceptional items

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

Notes to the Consolidated Financial Statements

continued

1 Accounting policies continued

Investment properties

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

Cash and cash equivalents

Cash comprises call deposits held with banks.

Capital management

The capital managed by the Group consists of cash held across different bank accounts in several banking institutions. The Group's objectives when managing capital are set out in note 12. The Group also utilises a debt facility as detailed in note 11.

Derivative financial assets and liabilities

Derivative financial assets and liabilities comprise an interest rate cap for hedging purposes, as an economic hedge. This has been initially recognised at cost and subsequently revalued to fair value of nil (2023: £216), with the revaluation gains or losses recognised in the Consolidated Statement of Comprehensive Income.

Financial assets and liabilities

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

Deferred income

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

Provisions and Contingent liabilities

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

Contingent liabilities are possible obligations whose existence will be confirmed by uncertain future events that are not wholly within the control of the entity. A contingent liability will be disclosed in the Consolidated Financial Statements when there is a possible outflow.

Bad debt provision

The Group assesses trade receivables and other financial assets for impairment at each reporting date using the expected credit loss model as per IFRS 9. This involves recognising expected credit losses and adjusting for changes in credit risk since initial recognition. The provision is recognised in the Consolidated Statement of Comprehensive Income within operating expenses, reducing the carrying amount of trade receivables through an allowance account. Uncollectible receivables are written off against this allowance. The provision is reviewed and adjusted at each reporting date to reflect the best estimate of expected credit losses, with recoveries of previously written-off amounts credited against the same line item.

Ordinary share capital

Ordinary share capital is classed as equity. Incremental costs directly attributable to the issue of new ordinary shares are charged to retained earnings.

Dividend distribution

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

Notes to the Consolidated Financial Statements

continued

2 Segmental reporting

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

	2024 **£**	2023 £
By activity		
Ground rent income	**5,323,810**	5,161,073
Other income	**784,370**	563,014
	6,108,180	5,724,087

All income of the Group is derived from activities carried out within the UK. The Group is not reliant on any one property or group of connected properties for the generation of its revenues.

3 Operating expenses

	2024 **£**	2023 £
Directors' salaries (note 4)	**221,403**	234,371
Auditors' remuneration – see below	**351,516**	323,847
Management fees (note 19)	**1,427,315**	1,112,849
Professional fees	**1,141,220**	946,272
Insurance	**30,378**	32,640
Sponsor fees	**50,000**	130,000
Valuation fees	**55,000**	55,000
Registrar fees	**14,163**	26,830
Listing fees	**15,233**	22,303
Public relations and printing costs	**34,757**	23,925
Bad Debt Expense (note 9)	**487,719**	–
Other operating expenses	**144,353**	340,666
Operating expenses	**3,973,057**	3,248,703

Services provided by the Company's auditors comprise:	**2024** **£**	2023 £
Fees payable to the auditors for the audit of parent company and consolidated financial statements	**193,125**[1]	209,974[2]
Fees payable to the auditors for other services:		
• The audit of the Group's subsidiaries	**158,391**	113,873
	351,516	323,847

[1] Includes £51,000 related to the 2023 audit of parent company and consolidated financial statements.
[2] Includes £70,000 related to the 2022 audit of parent company and consolidated financial statements.

No non-audit services were provided by the Company's auditors during the year (2023: none).

4 Directors' emoluments

The directors are the only officers of the Company and there are no other key personnel. The average number of directors during the year was 4 (2023: 4). The directors' annual remuneration for services is set out in the Directors' Remuneration Report on pages 31 to 32. The total charge for directors' fees is shown in note 3 and is inclusive of employer's National Insurance Contributions. There were no post-employment benefits, other long-term benefits, termination benefits or share-based payments accrued or paid out in the year (2023: none).

Notes to the Consolidated Financial Statements

continued

5 Finance income

	2024 £	2023 £
Interest on bank deposits	**142,090**	46,604

6 Finance expenses

	2024 £	2023 £
Loan interest	**730,726**	669,260
Amortisation of loan arrangement fees and bank charges	**212,482**	149,286
Net change in fair value of financial instruments	**216**	6,598
	943,424	825,144

Following the refinance of the loan facility during the period, £149,572 capitalised loan arrangement and associated professional fees relating to the existing loan facility were fully amortised. In relation to the new loan facility, £215,729 loan arrangement and associated professional fees were capitalised
and deducted from the total outstanding loan amount. Total capitalised loan arrangement and associated professional fees of £167,416 at the year-end date are to be amortised over the remaining loan term to July 2026. See note 11 for further details.

7 Taxation

The Company joined the UK REIT taxation regime on 14 August 2012. Under the UK REIT regime, the Group is exempt from UK corporation tax on qualifying profits and gains arising from its UK property rental business. For the year ended 30 September 2024, the Group did not have any residual profits (2023: £nil). No tax charge arose in the year (2023: £nil).

As a UK REIT, the Company is subject to a distribution condition. Broadly, this condition requires that at least 90% of the group's qualifying UK property rental business profits for the year ended 30 September 2023 are distributed by 30 September 2024, unless the Company is prevented by law from making distributions. If a distribution is not made, then the Company could be subject to a tax charge, however the Company is currently prevented by law from making distributions due to the Modified Auditors Report included within the Annual Report and Financial Statements for the year ended 30 September 2024, and as such, no tax adjustment is required. The position is being monitored going forward.

	2024 £	2023 £
Loss before tax	**(29,714,157)**	(1,124,906)
Standard rate of corporation tax in the UK	**25%**	22%
	£	£
Loss before taxation multiplied by the standard rate of corporation tax	**(7,428,539)**	(247,479)
Effects of:		
Unrealised revaluation loss not tax deductible	**7,832,615**	635,054
Property profit not taxable under the REIT regime	**(404,076)**	(387,575)
Total tax charge for year	**–**	–

Deferred tax

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

Factors affecting current and future tax charges

From 1 April 2023, there is no longer a single Corporation Tax rate. The Corporation Tax main rate increased to 25% for profits above £250,000. A small profits rate of 19% is applied for companies with profits of £50,000 or less. Companies with profits between £50,000 and £250,000 pay tax at the main rate, reduced by a marginal relief. If there are any non-qualifying profits and gains for the Company, these are subject to the relevant corporation tax rate.

Notes to the Consolidated Financial Statements continued

8 Investment properties

	£
Fair value	
At 1 October 2022	109,020,000
Disposals	(38,389)
Net revaluation loss recognised in Consolidated Statement of Comprehensive Income	(2,886,611)
At 30 September 2023	106,095,000
Disposals	**(3,314,539)**
Net revaluation loss recognised in Consolidated Statement of Comprehensive Income	**(31,330,461)**
At 30 September 2024	**71,450,000**

Fair value hierarchy

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

The fair value hierarchy has the following levels:
Level 1: Quoted prices (unadjusted) in active markets for identical assets and liabilities;
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (that is, as prices) or indirectly (that is, derived from prices); and
Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs). All investment property held by the Group is classified as level 3.

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

Key assumptions within the basis of fair value are:

The value of each of the properties has been assessed in accordance with the relevant parts of the Royal Institution of Chartered Surveyors' ('RICS') Valuation – Global Standards (incorporating the IVSC International Valuations Standards) effective from 31 January 2022 together where applicable with the UK National Supplement effective 14 January 2019, together the 'Red Book', which is consistent with IFRS 13 measurement requirements.

The RICS Red Book provides two definitions of fair value. The one appropriate for the IFRS basis of accounting is as follows: "The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.".

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

The Group's investment property was revalued at 30 September 2024 by Savills. The valuer within Savills is a RICS Registered Valuer. The valuer has confirmed to the directors that the fair value as set out in the valuation report has been primarily derived using comparable investment market transactions on an arm's length basis.

The properties have been valued individually and not as part of a portfolio. The valuation considers external factors such as interest rates and the availability of other fixed rate investments in the market. The valuation of a ground rent investment property is principally dependent on the aggregate income generated, and the potential for this to increase in future through rent reviews.

Material Valuation Uncertainty ('MUC') clause

The independent valuation of the portfolio is reported as being subject to 'Material Valuation Uncertainty' as set out in VPS 3 and Valuation Practice Guidance Applications ("VPGA") 10 of the RICS Valuation – Global Standards. Consequently, less certainty and a higher degree of caution should be attached to their valuation than would normally be the case.

The buildings not affected by the MUC are solely commercial buildings. By value, these excluded buildings are 3.5% of the portfolio (2023: 82%)

Leasehold Reform

In November 2023, the Government published a consultation paper proposing a number of options to impose a cap (including peppercorn ground rents) retrospectively on residential ground rents and stating that "regardless of the option taken forward, we would not expect to compensate freeholders for lost revenue" and that their plan would be to "override lease terms through primary legislation".

The results of the consultation have not yet been published and a general election was called with the Leasehold and Freehold Reform Act 2024 being included in the legislative wash-up immediately prior to the dissolution of Parliament and became law on 24 May 2024. The new Act requires secondary legislation to bring the reforms into force.

The new Act did not cap ground rents, however, there remain material uncertainties as to the application of the new Act and the extent of further legislation which has been proposed by the new Government to deal with issues outstanding from the new Act. The King's Speech in July 2024 included a

Notes to the Consolidated Financial Statements continued

8 Investment properties continued

commitment to publish a new bill, the Leasehold and Commonhold Reform Bill, which would regulate ground rents for existing leaseholders and remove the threat of forfeiture as a means of ensuring compliance with a lease agreement.

Leasehold reform uncertainty has negatively affected market sentiment generally. This is reflected in the benchmark multipliers and then further adjustments are made to reflect the ground rents that exceed 0.1% of capital value. Including discounts applied in prior years, these further adjustments amount to £5.7 million (2023: £4.2 million).

Following a 25% reduction in most benchmark YPs as of 31 March 2024, there was an additional 17% decrease for the valuation as at 30 September 2024.

Building Safety

Building safety continues to be a significant issue affecting the market. The Group did not develop any of the buildings in the portfolio and this, along with some of the buildings being "pledged" offers some protection against potential liabilities. Note 20 to these accounts sets out further details on contingent liability considerations.

The Manager has been working through the buildings in their portfolio requiring remediation and has engaged with all stakeholders including the Government on the Building Safety Fund and the Cladding Safety Scheme, which both provide funding to remediate buildings. In addition, the Manager provided a risk matrix including all available information relating to building safety known at the valuation date, such as legal advice received by the Company, a summary of each affected asset including developer due diligence, and technical assessments were completed. The valuer used this information in determining valuation adjustments for fire safety risks of £6.1 million (2023: £9.1 million). These adjustments applied to 23 properties as at 30 September 2024 (2023: 24), which represent 13% of the portfolio valuation (2023: 18%).

It is important to note that this valuation adjustment is not attributable to known building issues, but instead reflects a general discount to the value of affected assets to reflect the risk of the Group meeting remediation costs, along with management time and lack of liquidity of the assets following the change in legislation during the period.

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

Valuation Category – type of rent review

As at and for the year ended 30 September 2024	**Indexed**	**Doubling**	**Fixed increases**	**Flat**
Purchase price (£)	**73,680,000**	**13,439,000**	**6,462,000**	**5,946,000**
Fair value (£)	**58,737,000**	**6,599,000**	**3,188,000**	**2,926,000**
Gross rent roll (£)	**3,900,000**	**743,000**	**331,000**	**336,000**
Rental yield on purchase price	**5.3%**	**5.5%**	**5.1%**	**5.7%**
Rental yield on fair value	**6.6%**	**11.3%**	**10.4%**	**11.5%**
As at and for the year ended 30 September 2023	Indexed	Doubling	Fixed increases	Flat
Purchase price (£)	76,234,000	13,581,000	6,462,000	5,681,000
Fair value (£)	86,419,000	10,806,000	4,772,000	4,098,000
Gross rent roll (£)	3,806,000	745,000	332,000	323,000
Rental yield on purchase price	5.0%	5.5%	5.1%	5.7%
Rental yield on fair value	4.4%	6.9%	7.0%	7.9%

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

Sensitivity analysis – YP sensitivity
The average YP across the portfolio is 13.5 (2023: 20.4). The table below shows the principal sensitivity to the key valuation metrics and the resultant change to the valuation:

+/- effect on valuation – impact on fair value of YP change	**1YP £**	**3 YP £**	**6 YP £**	**9 YP £**	**12 YP £**
At 30 September 2024	**5,310,000**	**15,930,000**	**31,860,000**	**47,790,000**	**63,720,000**
At 30 September 2023	5,206,000	15,618,000	31,236,000	46,854,000	62,472,000

Notes to the Consolidated Financial Statements continued

8 Investment properties continued

Sensitivity analysis – building safety valuation adjustment
As discussed above, the total valuation adjustments for fire safety risks of £6.1 million (2023: £9.1 million) have been applied to specific assets within the portfolio, which represent 13% (2023: 18%) of the portfolio valuation. The valuer has applied percentage-based remediation discounts between 0% and 100% to risk affected assets based on a risk ranking from low to high risk, to reflect potential remediation risks to be borne by a willing purchaser.

The table below shows the independent portfolio valuation along with two further sensitised outcomes – the effect of a reduction (upside) and increase (downside) to the applied discounts:

Sensitised independent valuation as at 30 September 2024	Independent portfolio valuation £	Upside £	Downside £
Assets gross value where remediation discounts have been applied	**15,365,000**	**15,365,000**	**15,365,000**
Remediation discounts applied	**(6,125,000)**	**(4,462,000)**	**(9,260,000)**
	9,240,000	**10,903,000**	**6,105,000**
Remaining portfolio valuation	**62,210,000**	**62,210,000**	**62,210,000**
Total portfolio valuation	**71,450,000**	**73,113,000**	**68,315,000**

The 'Upside' valuation reduces the total existing remediation discount by 27%, leading to an increase in the overall portfolio valuation. The 'Downside' valuation increases the total existing remediation discount by 51%, including a 100% valuation discount for assets deemed to be 'high risk' by the valuer, showing a decrease in the overall portfolio valuation.

Sensitised independent valuation as at 30 September 2023	Independent portfolio valuation £	Upside £	Downside £
Assets gross value where remediation discounts have been applied	28,411,000	28,411,000	28,411,000
Remediation discounts applied	(9,107,000)	(6,681,000)	(14,492,000)
	19,304,000	21,730,000	13,919,000
Remaining portfolio valuation	86,791,000	86,791,000	86,791,000
Total portfolio valuation	106,095,000	108,521,000	100,710,000

The 'Upside' valuation reduces the total existing remediation discount by 27%, leading to an increase in the overall portfolio valuation. The 'Downside' valuation increases the total existing remediation discount by 59%, including a 100% valuation discount for assets deemed to be 'high risk' by the valuer, showing a decrease in the overall portfolio valuation.

Notes to the Consolidated Financial Statements continued

9 Trade and other receivables

	2024 £	2023 £
Trade receivables	**1,460,747**	1,037,415
Other taxes and social security costs	**–**	21,549
Other receivables	**1,068,969**	1,546,440
Prepayments and accrued income	**85,331**	147,640
	2,615,047	2,753,044

As at 30 September 2024 total bad debt provisions of £487,719 (2023: £nil) had been recognised against rental debtors of £1,948,466.

The ageing analysis of trade receivables and bad debt provisions is as follows:

30 September 2024	**Up to 3 months £**	**Over 3 months £**	**Total £**
Trade receivables	**992,988**	**955,478**	**1,948,466**
Provision for doubtful debts	**–**	**(487,719)**	**(487,719)**
	992,988	**467,759**	**1,460,747**
30 September 2023	Up to 3 months £	Over 3 months £	Total £
Trade receivables	348,715	688,700	1,037,415
Provision for doubtful debts	-	-	-
	348,715	688,700	1,037,415

10 Trade and other payables

	2024 £	2023 £
Trade payables	**56,536**	15,959
Other taxes and social security costs	**32,952**	–
Accruals and deferred income	**3,680,622**	3,382,232
	3,770,110	3,398,191

11 Financial liabilities measured at amortised cost

	2024 £	2023 £
Bank loans repayable over one year	**19,340,411**	21,000,000
Capitalised loan arrangement fees net of amortisation	**(167,416)**	(149,572)
	19,172,995	20,850,428
	2024 £	2023 £
Bank loans repayable within one year	**159,589**	–

During the period, the Group completed the refinancing of its £25 million loan facility with Santander, which was due to expire in January 2025. As part of the refinancing, the Company used £1.5 million of cash from disposals to reduce the loan facility to £19.5 million. The new loan's term extends to July 2026. The new loan carries an annual margin of 2.75%, an increase of 90 basis points from the previous margin of 1.85%. Existing hedging arrangements will remain in place until their expiry in January 2025.

The new loan facility requires amortisation of £62,500 per quarter from January 2025, with future disposal proceeds net against the aggregate remaining amortisation amounts.

The new loan is further secured by five additional assets, bringing the total value of charged assets to £53.6 million (latest bank valuation). No security or guarantee exists in relation to the facility over any other Group assets or assets within the parent company.

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

Notes to the Consolidated Financial Statements continued

11 Financial liabilities measured at amortised cost continued

The combined amended facility has a Loan-to-Value ('LTV') covenant of 50% and Interest Cover covenant of 270%. The Interest Cover level will reduce to 160% in January 2025.The Group was in full compliance with the covenants throughout the year As at 11 November 2024, the interest payment date used for testing loan covenant compliance, the LTV calculated adopting the bank valuation was 36.4% with headroom of £14.6 million and Interest Cover was 307.8% with headroom of £1.1 million.

Group borrowings

At 30 September 2024, Group borrowings were 27.3% (30 September 2023: 19.8%) of non-current assets.

12 Financial instruments

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

Financial assets carried at amortised cost

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

	2024		2023	
	Book value	Fair value	Book value	Fair value
	£	£	£	£
Trade receivables	**1,460,747**	**1,460,747**	1,037,415	1,037,415
Other receivables, other taxes and social security costs	**1,131,203**	**1,131,203**	1,672,025	1,672,025
Cash and cash equivalents	**5,525,003**	**5,525,003**	1,601,872	1,601,872

As at 30 September 2024, trade receivables included a £487,719 (2023: nil) provision for doubtful debts as detailed in note 9.

Financial liabilities carried at amortised cost

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

	2024		2023	
	Book value	Fair value	Book value	Fair value
	£	£	£	£
Trade payables	**56,536**	**56,536**	15,959	15,959
Other payables, other taxes and social security costs and accruals	**1,720,773**	**1,720,773**	1,194,119	1,194,119
Bank loans	**19,332,584**	**19,332,584**	20,850,428	20,850,428

Financial risk management

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

Capital risk management

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

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

	2024	2023
	£	£
Cash and cash equivalents	**5,525,003**	1,601,872
Total borrowings (note 11)	**(19,332,584)**	(20,850,428)
Net debt	**(13,807,581)**	(19,248,556)
Total equity	**56,487,356**	86,201,513
Total Capital	**42,679,775**	66,952,957
Gearing ratio	**34.2%**	24.2%

Notes to the Consolidated Financial Statements continued

12 Financial instruments continued

Credit risk
Credit risk is the risk that an issuer or counterparty will be unable or unwilling to meet a commitment that it has entered into with the Group. To mitigate such risks, cash deposits are placed with a number of financial institutions whose financial strength and credit quality have been considered by the directors based on advice received from the AIFM.

Interest rate risk
The Group has limited its exposure to interest rate risk through interest rate movements for interest incurred on bank loans by capping the rate on £5.5 million drawn down as part of the now-refinanced £12.5 million RCF. Any remaining RCF loan prior to the refinance in March 2024 was exposed to interest rate movements. Following the refinance, the hedging finance arrangement will remain in place until January 2025. The Group has limited exposure to interest rate risk through interest rate movements for interest earned on cash balances. The Company places excess cash of the Group on deposit in interest-bearing accounts to maximise returns.

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

Counterparty risk
Counterparty risk exists where the Group can suffer financial loss through the default or non-performance of the counterparties with whom it transacts. The Group's largest counterparty exposure is to its property manager (Rendall & Rittner Limited), who are responsible for ground rent collection for all properties held by the Group, property management services, and other related activities. The Group's exposure to its property manager is subject to certain risks, including credit risk, market risk, and operational risk. The Group manages these risks through a variety of measures, including regular credit control meetings, annual service level reviews and ongoing communication.

The Group also has significant exposure to two other counterparties: Santander, which provides the Group's banking services and is its lender, and HSBC Bank plc ('HSBC'), which also provides the Group's banking services. As both have high long-term ratings (Santander: Standard & Poor's A, Moody's A1, Flitch A+ & HSBC: Standard & Poor's A+, Moody's A1, Flitch AA-) as at date of signing of this annual report, the Group is confident that its exposure is not a significant risk.

13 Loss per share

Basic and diluted loss per share

Losses used to calculate loss per share in the financial statements were:

	2024 **£**	2023 £
Loss attributable to equity shareholders of the Company	**(29,714,157)**	(1,124,906)
Basic and diluted loss per share has been calculated by dividing losses by the weighted average number of ordinary shares in issue throughout the year		
Weighted average number of shares in issue in the year	**95,667,627**	95,667,627
Basic and diluted loss per share	**(31.1p)**	(1.2p)

14 Net asset value per ordinary share

The net asset value ('NAV') per ordinary share is calculated by dividing the total net asset value in the financial statements by the total number of ordinary shares in issue.

	2024 **£**	2023 £
Net assets	**56,487,356**	86,201,513
	Number	Number
Number of ordinary shares in issue	**95,667,627**	95,667,627
	59.0p	90.1p

Notes to the Consolidated Financial Statements continued

15 Share capital and capital redemption reserve

	Number of shares	Share capital[1]	Capital redemption reserve
Issued, authorised and fully paid			
At 30 September 2023 and 30 September 2024	**95,667,627**	**47,833,813**	**669,500**

[1]£0.50 par value per share

At the Company's AGM in March 2024, the Company was given the authority to purchase up to 14.99% of its issued share capital.

16 Dividends

It has previously been the Company's policy to pay quarterly interim dividends to ordinary shareholders. The Company intends to pay dividends on a semi-annual basis in future periods. However, the Company is prevented by law from making distributions due to the Modified Auditors Reports included within the Annual Reports and Financial Statements for the years ended 30 September 2023 and 30 September 2024.

	2024 **£**	2023 £
Dividends declared and paid by the Company during the year	**-**	1,195,845

17 Cash generated from operations

Reconciliation of loss before tax to net cash generated from operations	**2024** **£**	2023 £
Loss before tax	**(29,714,157)**	(1,124,906)
Adjustments for:		
Net revaluation loss on investment properties	**31,330,461**	2,886,611
Profit on sale of investment properties	**(99,333)**	(64,861)
Net finance expense	**801,334**	778,540
Operating cash flows before movements in working capital	**2,318,305**	2,475,384
Movements in working capital		
Decrease/(increase) in trade and other receivables	**137,997**	(1,457,150)
Increase in trade and other payables	**371,919**	416,018
Net cash generated from operations	**2,828,221**	1,434,252

18 Analysis of changes in net debt

	At 1 October 2023 £	Cash flows £	Amortisation of finance costs £	**At 30 September 2024 £**
Cash and cash equivalents	1,601,872	3,923,131	–	**5,525,003**
Bank loans	(20,850,428)	1,715,729	(197,885)	**(19,332,584)**
Total	(19,248,556)	5,638,860	(197,885)	**(13,807,581)**

	At 1 October 2022 £	Cash flows £	Amortisation of finance costs £	**At 30 September 2023 £**
Cash and cash equivalents	1,912,499	(310,627)	-	1,601,872
Bank loans	(20,730,770)	-	(119,658)	(20,850,428)
Total	(18,818,271)	(310,627)	(119,658)	(19,248,556)

Notes to the Consolidated Financial Statements

continued

19 Related party transactions

The Company's balances with fellow group companies at 30 September 2024 are set out in note 12 to the Company's financial statements.

The directors' annual remuneration for services is set out in note 4.

SREIM is paid a tiered annual fee comprising 1.0% of NAV up to £200 million, 0.9% of NAV between £200 million and £400 million, and 0.8% of NAV above £400 million. It is also entitled to charge an additional fund management fee when the Company requires services which are out of scope that are agreed on a case-by-case basis. Transactions between SREIM and Ground Rents Income Fund plc were as follows:

	2024 **£**	2023 £
Management fee paid to SREIM	**1,427,315**	1,112,849

No amounts were due from the Company to SREIM at the year-end date (2023: £nil).

For the year ended 30 September 2024, the investment management fee comprised £597,383 as part of the standard tiered fee and £829,932 as additional out-of-scope fees payable to the Investment Manager by the Group for the period (year ended 30 September 2023: £897,099 standard tiered fee and £215,750 out-of-scope fees).

Of the additional out-of-scope fees, £183,182 is recoverable from third parties and is presented as a separate line item under continuing operations in the Consolidated Statement of Comprehensive Income

20 Contingent Liabilities

There is a potential contingent liability related to building remediation costs if the Group is unable to recover the amounts paid. It is not yet possible to calculate an estimate of its financial effect or the amount or timing of any financial outflows. Work to assess, mitigate and quantify potential liabilities continues. There were no commitments or contingent liabilities at the reporting date (30 September 2023: £Nil).

Background on the issues surrounding building remediation costs is provided in note 8.

21 Events after the year end

On 18 November 2024, the Company held an Extraordinary General Meeting where a resolution was passed to approve the continuation of the Company. The resolution received 91.62% of votes in favour and 8.38% against. The total voting capital represented was 72.21%.

On 19 November 2024, the Group announced the sale of its freehold ground rent interest at Lawrence Street in York, for £7.9 million. This sale aligns with the independent portfolio valuation as of 30 September 2024 and reflects a net initial yield of 4.2%. On the basis of this valuation, following debt repayments, the Company's Loan-to-Value (LTV) ratio was approximately 38.6% for the assets charged to Santander, and 18.9% for the consolidated group.

On 20 December 2024, the Group sold its freehold ground rent interest at another property in Yorkshire for £0.2 million. This sale aligns with the independent portfolio valuation as of 30 September 2024 and reflects a net initial yield of 5.3%.

Company Statement of Financial Position

As at 30 September 2024

	Note	2024 £	2023 £
Assets			
Non-current assets			
Investments	5	**742,267**	913,977
		742,267	913,977
Current assets			
Trade and other receivables	6	**49,190,320**	69,456,522
Cash and cash equivalents	11	**5,525,003**	1,601,872
		54,715,323	71,058,394
Total assets		**55,457,590**	71,972,371
Liabilities			
Current liabilities			
Trade and other payables	7	**(6,048,974)**	(3,786,914)
Total liabilities		**(6,048,974)**	(3,786,914)
Net assets		**49,408,616**	68,185,457
Equity			
Share capital	9	**47,833,813**	47,833,813
Capital redemption reserve	9	**669,500**	669,500
Retained earnings		**19,682,144**	21,773,663
Loss for the period	3	**(18,776,841)**	(2,091,519)
Total equity		**49,408,616**	68,185,457

As permitted by Section 408 of the Companies Act 2006, the Company has elected not to present its own profit and loss account for the financial year. The reasons for this are set out in Note 3 to the Company Financial Statements.

The Company financial statements on pages 56 to 58 were approved and authorised for issue by the Board of directors and signed on its behalf by:

Barry Gilbertson
Director
14 January 2025

Bill Holland
Director
14 January 2025

Ground Rents Income Fund plc
Company registered number: 08041022

The accompanying notes on pages 59 to 64 form an integral part of the Company financial statements.

Company Statement of Cash Flows

For the year ended 30 September 2024

	Note	2024 £	2023 £
Cash flows from operating activities			
Cash generated from operations	10	**3,771,872**	847,782
Net cash generated from operating activities		**3,771,872**	847,782
Cash flows from investing activities			
Interest received		**151,259**	37,436
Net cash generated from investing activities		**151,259**	37,436
Cash flows from financing activities			
Dividends paid to shareholders	4	**–**	(1,195,845)
Net cash used in financing activities		**–**	(1,195,845)
Net increase/(decrease) in cash and cash equivalents	11	**3,923,131**	(310,627)
Net cash and cash equivalents at the beginning of the year	11	**1,601,872**	1,912,499
Net cash and cash equivalents at the end of the year	11	**5,525,003**	1,601,872

The accompanying notes on pages 59 to 64 form an integral part of the Company financial statements.

Company Statement of Changes in Equity

For the year ended 30 September 2024

	Share capital £	Capital redemption reserve £	Retained earnings £	Total equity £
At 1 October 2022	**47,833,813**	**669,500**	**22,969,508**	**71,472,821**
Comprehensive loss				
Loss for the year	–	–	(2,091,519)	(2,091,519)
Total comprehensive loss	–	–	(2,091,519)	(2,091,519)
Transaction with owners				
Dividends paid	–	–	(1,195,845)	(1,195,845)
At 30 September 2023	**47,833,813**	**669,500**	**19,682,144**	**68,185,457**
Comprehensive loss				
Loss for the year	–	–	(18,776,841)	(18,776,841)
Total comprehensive loss	–	–	(18,776,841)	(18,776,841)
At 30 September 2024	**47,833,813**	**669,500**	**905,303**	**49,408,616**

The accompanying notes on pages 59 to 64 form an integral part of the Company financial statements.

Notes to the Company Financial Statements

For the year ended 30 September 2024

1 General information

The Company is a public company limited by shares, domiciled and incorporated in England in the UK. The Company has been listed on TISE and traded on the SETSqx platform of the Stock Exchange since 13 August 2012. The address of its registered office is 1 London Wall Place, London, EC2Y 5AU.

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

2 Accounting policies

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

The accounting policies of the Company are, where relevant, consistent with those of the Group, which can be found in note 1 to the Group financial statements. Accounting policies specific to the Company are set out below.

Statement of compliance

The financial statements of the Company have been prepared in accordance with UK-adopted International Accounting Standards ('IFRS') and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards.

Basis of preparation

These financial statements are prepared on the going concern basis, under the historical cost convention. The functional and presentational currency is sterling.

Going concern

The Board and Manager have assessed the going concern basis for financial statements, considering significant risks like building safety and leasehold reform, which create uncertainties around future net income, asset valuation, and loan refinancing due in July 2026. A positive Continuation Vote on 18 November 2024 extends the Company's life to at least 18 November 2027. A subsidiary of the Company holds a £19.5 million facility with Santander, maturing on 10 July 2026, and is forecast to remain in compliance with covenants. Detailed cash flow forecasts indicate the Company can continue operations and meet liabilities over the going concern period from the date of this report to 31 March 2026. However, the Group and therefore the Company cannot support the severe downside or base case costs without significant measures, such as asset sales and third-party funding. As a result, there exists a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. Despite the material uncertainty in relation to going concern, the Board believes it is appropriate to adopt the going concern basis for preparing financial statements. Further details can be found in Note 1 to the Group consolidated financial statements.

The financial statements do not include the adjustments that would result if the Company was unable to continue as a going concern.

Use of estimates and judgements

The preparation of financial statements in accordance with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses.

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

The material estimates are:

- Expected credit loss

IFRS 9 requires an impairment review to be made for certain financial assets held on the Group's balance sheet using a forward-looking expected credit loss model. Where any impairment is required to be made, appropriate recognition is required in the Company profit and loss account together with appropriate disclosure in the notes to the financial statements. All intercompany loans are considered to be such financial assets and must therefore be assessed at each reporting year for potential impairment, as detailed in note 6.

- Impairment

Investments in subsidiaries are assessed for impairment under IAS 27 (Separate Financial Statements) and IAS 36 (Impairment of Assets). Any impairment identified is recognized in the Company profit and loss account with appropriate disclosure in the notes to the Company financial statements, as detailed in note 5.

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

Investments in subsidiary companies

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

Notes to the Company Financial Statements continued

2 Accounting policies continued

Capital management

The capital managed by the Company and its objectives are set out in note 1 to the Group financial statements.

Dividend distribution

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

3 Results for the year

As permitted by Section 408 of the Companies Act 2006, the Company has elected not to present its own profit and loss account for the financial year. The Company reported a loss after tax for the financial year of £18,776,841 (2023: £2,091,519). Auditors' remuneration and the average number of directors and their remuneration are set out in notes 3 and 4 of the Group consolidated financial statements.

4 Dividends

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

5 Investments

	2024 **£**	2023 £
Investments in subsidiary companies	**742,267**	913,977

At each year end, the Company assesses the recoverable amount of investments in subsidiary companies based on the impairment requirements under IAS 36.

	2024 **£**	2023 £
Investments in subsidiary companies	**1,305,756**	1,305,755
Impairments	**(563,489)**	(391,778)
	742,267	913,977

An impairment assessment of the investments in subsidiary companies was determined by reference to the net assets of subsidiaries. The full movement in the impairment against investments in subsidiary companies has been charged to the Company profit and loss account in the financial year.

The net assets of subsidiaries are influenced by investment property valuations and their sensitivities. Note 8 of the Group consolidated financial statements provides Level 3 unobservable input disclosures. The independent valuation of the portfolio is subject to 'Material Valuation Uncertainty' per RICS standards, requiring more caution. Only 3.5% of the portfolio, solely commercial buildings, are not affected by this uncertainty (2023: 82%).

Details of the subsidiary undertakings of the Company at 30 September 2024, all of which are wholly owned and included in the financial statements, are given below.

Notes to the Company Financial Statements continued

5 Investments continued

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

Company	Type of share	Nature of business	Country of incorporation
Admiral Ground Rents Limited	Ordinary £1	Ground rents	UK
Azure House Ground Rents Limited	Ordinary £1	Ground rents	UK
Banbury Ground Rents Limited	Ordinary £1	Ground rents	UK
BH Ground Rents Limited	Ordinary £1	Ground rents	UK
Clapham One Ground Rents Limited	Ordinary £1	Ground rents	UK
D G Ground Rents Limited	Ordinary £1	Ground rents	UK
East Anglia Ground Rents Limited	Ordinary £1	Ground rents	UK
Ebony House Ground Rents Limited	Ordinary £1	Ground rents	UK
Enclave Court Ground Rents Limited	Ordinary £1	Ground rents	UK
Greenhouse Ground Rents Limited	Ordinary £1	Ground rents	UK
GRIF Student Ground Rents Limited	Ordinary £1	Ground rents	UK
GRIF028 Limited	Ordinary £1	Ground rents	UK
GRIF033 Limited	Ordinary £1	Ground rents	UK
GRIF034 Limited	Ordinary £1	Ground rents	UK
GRIF036 Limited	Ordinary £1	Ground rents	UK
GRIF037 Limited	Ordinary £1	Ground rents	UK
GRIF038 Limited	Ordinary £1	Ground rents	UK
GRIF039 Limited	Ordinary £1	Ground rents	UK
GRIF040 Limited	Ordinary £1	Ground rents	UK
GRIF041 Limited	Ordinary £1	Ground rents	UK
GRIF042 Limited	Ordinary £1	Ground rents	UK
GRIF043 Limited	Ordinary £1	Ground rents	UK
GRIF044 Limited	Ordinary £1	Ground rents	UK
GRIF045 Limited	Ordinary £1	Ground rents	UK
GRIF046 Limited	Ordinary £1	Ground rents	UK
GRIF047 Limited	Ordinary £1	Ground rents	UK
GRIF048 Limited	Ordinary £1	Ground rents	UK
GRIF049 Limited	Ordinary £1	Ground rents	UK
GRIF051 Limited	Ordinary £1	Ground rents	UK
GRIF052 Limited	Ordinary £1	Ground rents	UK
GRIF053 Limited	Ordinary £1	Ground rents	UK
Halcyon Wharf Ground Rents Limited	Ordinary £1	Ground rents	UK
Hill Ground Rents Limited	Ordinary £1	Ground rents	UK
Invest Ground Rents Limited	Ordinary £1	Ground rents	UK
Masshouse Block HI Limited	Ordinary £1	Ground rents	UK
Masshouse Residential Block HI Limited	Ordinary £1	Ground rents	UK
Metropolitan Ground Rents Limited	Ordinary £1	Ground rents	UK
Nikal Humber Quay Residential Limited	Ordinary £1	Ground rents	UK
Northwest Houses Ground Rents Limited	Ordinary £1	Ground rents	UK
OPW Ground Rents Limited	Ordinary £1	Ground rents	UK
The Manchester Ground Rent Company Limited	Ordinary £1	Ground rents	UK
Trinity Land & Investments No.2 Limited	Ordinary £1	Ground rents	UK
Wiltshire Ground Rents Limited	Ordinary £1	Ground rents	UK
XQ7 Ground Rents Limited	Ordinary £1	Ground rents	UK

In addition to the above, the Group wholly owns the subsidiary Midlands Ground Rents Limited, registered at Ground Floor, Dorey Court, Admiral Park, St Peter Port, GY1 2HT, Guernsey.

Notes to the Company Financial Statements continued

6 Trade and other receivables

	2024 £	2023 £
Amounts owed by subsidiary undertakings	**49,032,039**	69,345,529
Other taxes and social security costs	**–**	25,257
Other receivables	**102,811**	69,475
Prepayments and accrued income	**55,470**	16,261
	49,190,320	69,456,522

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

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

	2024 £	2023 £
Amounts owed by subsidiary undertakings (note 12)	**70,669,244**	74,529,321
Impairments	**(21,637,205)**	(5,183,792)
	49,032,039	69,345,529

An impairment assessment of the amounts owed by subsidiaries to the Company was determined by reference to the net assets of subsidiaries. The full movement in the impairment against amounts owed by subsidiaries has been charged to the Company profit and loss account in the financial year.

7 Trade and other payables

	2024 £	2023 £
Amounts owed to subsidiary undertakings (note 12)	**4,697,572**	2,821,344
Trade payables	**19,510**	2,388
Other taxes and social security costs	**13,129**	–
Accruals and deferred income	**1,318,763**	963,182
	6,048,974	3,786,914

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

8 Financial instruments

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

Financial assets carried at amortised cost

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

	2024		2023	
	Book value £	Fair value £	Book value £	Fair value £
Amounts owed by subsidiary undertakings	**49,032,039**	**49,032,039**	69,345,529	69,345,529
Other receivables, other taxes and social security costs	**139,349**	**139,349**	94,732	94,732
Cash at bank and in hand	**5,525,003**	**5,525,003**	1,601,872	1,601,872

As at 30 September 2024, £21.6 million (2023: £5.2 million) of amounts owed by subsidiary undertakings were impaired as set out in note 6. No other trade or other receivables (2023: £nil) were impaired or provided for.

Notes to the Company Financial Statements continued

8 Financial instruments continued

Financial liabilities carried at amortised cost

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

	2024		2023	
	Book value	**Fair value**	**Book value**	**Fair value**
	£	**£**	**£**	**£**
Amounts owed to subsidiary undertakings	**4,697,572**	**4,697,572**	2,821,344	2,821,344
Trade payables	**19,510**	**19,510**	2,388	2,388
Other payables, accruals, other taxes and social security costs	**1,442,449**	**1,442,449**	895,817	895,817

Financial risk management

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

9 Share capital and capital redemption reserve

The movements in share capital and capital redemption reserve during the year are set out in note 15 of the Group financial statements.

10 Cash generated from operations

Reconciliation of loss before income tax to net cash generated from operations

	2024	2023
	£	£
Loss before tax	**(18,776,841)**	(2,091,519)
Adjustments for:		
Impairment loss on investments in subsidiary companies	**171,710**	391,778
Net finance income	**(151,259)**	(37,436)
Operating cash flows before movements in working capital	**(18,756,390)**	(1,737,177)
Movements in working capital:		
Increase in trade and other receivables	**(47,288)**	(12,702)
Decrease in amounts owed by subsidiary undertakings	**20,313,490**	2,871,926
Increase/(decrease) in amounts owed to subsidiary undertakings	**1,876,228**	(505,074)
Increase in trade and other payables	**385,832**	230,809
Net cash generated from operations	**3,771,872**	847,782

11 Analysis of changes in net cash

	At 1 October 2023	Cash flows	At 30 September 2024
	£	£	£
Cash and cash equivalents	1,601,872	3,923,131	**5,525,003**

	At 1 October 2022	Cash flows	At 30 September 2023
	£	£	£
Cash and cash equivalents	1,912,499	(310,627)	1,601,872

Notes to the Company Financial Statements continued

12 Related party transactions

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

	Amounts owed by related parties		Amounts owed to related parties	
	2024	**2023**	**2024**	**2023**
	£	**£**	**£**	**£**
Admiral Ground Rents Limited	**4,601,064**	4,878,431	**–**	–
Azure House Ground Rents Limited	**80,364**	85,359	**–**	–
Banbury Ground Rents Limited	**87,909**	96,274	**–**	–
BH Ground Rents Limited	**1,260,481**	1,324,245	**–**	–
Clapham One Ground Rents Limited	**2,610,222**	2,648,378	**–**	–
D G Ground Rents Limited	**1,233,923**	1,379,372	**–**	–
East Anglia Ground Rents Limited	**344,949**	374,899	**–**	–
Ebony House Ground Rents Limited	**140,904**	150,039	**–**	–
Enclave Court Ground Rents Limited	**98,558**	103,699	**–**	–
Greenhouse Ground Rents Limited	**480,430**	492,075	**–**	–
GRIF Student Ground Rents Limited	**1,090,631**	1,019,821	**–**	–
GRIF033 Limited	**536,066**	552,488	**–**	–
GRIF038 Limited	**41,422**	41,422	**–**	–
GRIF039 Limited	**619,053**	688,498	**–**	–
GRIF040 Limited	**12,641,754**	13,256,556	**–**	–
GRIF041 Limited	**2,242,241**	2,352,762	**–**	–
GRIF042 Limited	**466,044**	508,017	**–**	–
GRIF043 Limited	**1,006,343**	1,002,454	**–**	–
GRIF044 Limited	**1,165,248**	1,231,977	**–**	–
GRIF045 Limited	**641,279**	737,334	**–**	–
GRIF046 Limited	**1,922,967**	2,018,033	**–**	–
GRIF047 Limited	**106,578**	115,344	**–**	–
GRIF048 Limited	**–**	–	**4,697,572**	2,821,344
GRIF051 Limited	**15,827,148**	16,316,780	**–**	–
GRIF052 Limited	**1,449,084**	1,530,871	**–**	–
Halcyon Wharf Ground Rents Limited	**257,499**	276,184	**–**	–
Hill Ground Rents Limited	**3,780,312**	4,022,789	**–**	–
Invest Ground Rents Limited	**165,911**	178,998	**–**	–
Masshouse Block HI Limited	**2,091,195**	2,349,433	**–**	–
Masshouse Residential Block HI Limited	**207,073**	264,206	**–**	–
Metropolitan Ground Rents Limited	**1,971,559**	2,192,284	**–**	–
Nikal Humber Quay Residential Limited	**125,674**	140,171	**–**	–
Northwest Houses Ground Rents Limited	**729,678**	774,882	**–**	–
OPW Ground Rents Limited	**3,053,578**	3,389,021	**–**	–
The Manchester Ground Rent Company Limited	**3,153,192**	3,313,072	**–**	–
Trinity Land & Investments No.2 Limited	**1,808,767**	1,982,244	**–**	–
Wiltshire Ground Rents Limited	**2,121,248**	2,204,576	**–**	–
XQ7 Ground Rents Limited	**508,896**	536,333	**–**	–
	70,669,244	74,529,321	**4,697,572**	2,821,344

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

Alternative Performance Measures

The Group uses the following Alternative Performance Measures ('APMs') in its Annual Report and Financial Statements. The Board believes that each of the APMs provides additional useful information to the shareholders in order to assess the Company's performance.

Average rate of insurance commission – the total property insurance commission earned expressed as a percentage of the total property insurance cost incurred by leaseholders.

Average rent review pattern – the average rent review per unit weighted against the annual ground rent.

Base yield – the return made on investment property being annual ground rent charged expressed as a percentage of the current property valuation (note 8).

Compound Annual Growth Rate ('CAGR') – the rate of return on an investment over a specified period of time, assuming that the investment has been compounding over that time period.

Dividend cover – the ratio of recurring underlying earnings to dividends paid (note 16 to the Group financial statements) in the period.

Gearing – net debt (note 18 to the Group financial statements) as a percentage of net assets.

Gross income yield – the income generated by an investment property relative to its value.

Group borrowings – the outstanding loan amount (note 11 to the Group financial statements) expressed as a percentage of the current property valuation (note 8 to the Group financial statements).

Initial yield – the annualised net rents generated by the portfolio expressed as a percentage of the current property valuation (note 8 to the Group financial statements).

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

Loan to value ('LTV') – a ratio which expresses gearing by dividing the outstanding loan amount (note 11 to the Group financial statements) by the value of the assets on which the loan is secured.

NAV total return – the return to shareholders calculated on a per share taking into account the timing of dividends, share buybacks and issuance in the period on a time-weighted basis to the increase or decrease in the NAV per share.

Net debt – the outstanding loan amount including capitalised loan arrangement less cash held (note 18 to the Group financial statements).

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

Recurring underlying earnings – profit/loss before tax excluding profit on sale of investment properties, net revaluation gain/loss on investment properties and exceptional items (note 3).

Weighted-average lease term – the average time remaining on all the leases of a property, weighted by the amount of ground rent each lease generates

Years purchased ('YP') – the number of years required for annual ground rent charged to yield the current property valuation (note 8 to the Group financial statements).

AIFMD Disclosures (unaudited)

The Unaudited Alternative Investment Fund Managers Directive ('AIFMD') remuneration and leverage disclosures for Schroder Real Estate Investment Management Limited ('SREIM') for the year to 31 December 2023 are as follows:

Remuneration disclosures (excerpt from the Schroders plc's Annual Report & Accounts for the year ended 31 December 2023)

These disclosures should be read in conjunction with the Schroders plc Remuneration Report on pages 74 to 93 of its 2023 Annual Report & Accounts (available on its website – http://www.schroders.com/ir), which provides more information on the activities of SREIM's Remuneration Committee and its remuneration principles and policies.

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

The Remuneration Committee of Schroders plc has established a remuneration policy to ensure the requirements of the AIFM Directive are met for all AIF MRTs. The Remuneration Committee and the Board of Schroders plc review remuneration strategy at least annually. The directors of SREIM are responsible for the adoption of the remuneration policy and periodically reviewing its implementation in relation to SREIM. During 2023 the Remuneration Policy was reviewed to ensure compliance with the UCITS/AIFMD remuneration requirements and no significant changes were made. The implementation of the remuneration policy is, at least annually, subject to independent internal review for compliance with the policies and procedures for remuneration adopted by the Board of SREIM and the SREIM Remuneration Committee. The most recent review found no fundamental issues but resulted in a range of more minor recommendations relating to process documentation.

Our ratio of operating compensation costs to net operating income guides the total spend on remuneration each year. This is recommended by the Remuneration Committee to the Board of Schroders plc. This approach aligns remuneration with Schroders financial performance. In determining the remuneration spend each year, the underlying strength and sustainability of the business is taken into account, along with reports on risk & compliance, legal and internal audit matters from the heads of those areas.

The remuneration data that follows reflects amounts paid in respect of performance during 2023.

- The total amount of remuneration paid by SREIM to its staff is nil as SREIM has no employees. Employees of SREIM or other Schroders Group entities who serve as Directors of SREIM receive no additional fees in respect of their role on the Board of SREIM.
- The following disclosures relate to AIF MRTs of SREIM. Those AIF MRTs were employed by and provided services to other Schroders group companies and clients. In the interests of transparency, the aggregate remuneration figures that follow reflect the full remuneration for each SREIM AIF MRT. The aggregate total remuneration paid to the 77 AIF MRTs of SREIM in respect of the financial year ended 31 December 2023 is £51.85 million, of which £45.43 million was paid to senior management, £4.35 million was paid to MRTs deemed to be taking risk on behalf of SREIM or the AIF funds that it manages and £2.07 million was paid to control function MRTs.

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

Leverage disclosure for Ground Rents Income Fund plc (the 'Group')

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

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

The Manager has set the expected maximum leverage percentages for the Group and calculated the actual leverages as at 30 September 2024 as shown below:

	Maximum limit set	Actual as at 30 September 2024
Gross leverage	175%	128%
Commitment leverage	175%	138%

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

Annual General Meeting – Recommendations

The Annual General Meeting ('AGM') of Ground Rents Income Fund plc (the 'Company') will be held on 13 February 2025 at 12.00 pm. The formal Notice of Meeting is set out on page 68.

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

Ordinary business

Resolutions 1 to 8 are all ordinary resolutions.

Resolution 1 concerns the Company's accounts, the report of the directors, and the report of the auditors. Resolution 2 concerns the Directors' Remuneration Report, on pages 31 and 32. Resolutions 3 to 5 concern the re-election of directors for another year. As noted previously, Ms Vessey is not seeking re-election as a director at the AGM. Further information on their biographies can be found on pages 23 and 24. Resolutions 6 to 7 concern the re-appointment and remuneration of the Company's auditors.

Special business

Resolution 8 – Directors' authority to allot shares (ordinary resolution) and resolution 9 – Power to disapply pre-emption rights (special resolution).

The directors are seeking authority to allot a limited number of unissued Ordinary Shares for cash without first offering them to existing Shareholders in accordance with statutory pre-emption procedures. Whilst the directors appreciate that the Company's circumstances, and change of investment objective and policy to facilitate an orderly sale of the Company's portfolio, make it unlikely that buyback or share issuance authorities will be used in the normal course of business, it is considered prudent to continue to request these authorities from shareholders.

Appropriate resolutions will be proposed at the forthcoming AGM and are set out in full in the Notice. An ordinary resolution will be proposed to authorise the directors to allot Ordinary Shares up to a maximum aggregate nominal amount of 10% of the issued Ordinary Share capital (excluding any Ordinary Shares held in treasury) as at the date of the Notice. In accordance with the Pre-emption Group's Statement of Principles on disapplying pre-emption rights, a special resolution will also be proposed to give the directors authority to allot Ordinary Shares for cash on a non-pre-emptive basis (up to a maximum aggregate nominal amount of 10% of the Company's issued Ordinary Share capital excluding any Ordinary Shares held in treasury, as at the date of the Notice). This authority includes Ordinary Shares that the Company sells or transfers that have been held in treasury. The Board has established guidelines for treasury shares and will only reissue Ordinary Shares held in treasury at a price equal to or greater than the Company's net asset value ("NAV") (inclusive of current year income) plus any applicable costs.

The directors do not intend to allot Ordinary Shares pursuant to these authorities other than to take advantage of opportunities in the market as they arise and only if they believe the allotment to be advantageous to the Company's existing Shareholders to do so and when it would not result in any dilution of NAV per Ordinary Share. If approved, each of these authorities will expire at the conclusion of the annual general meeting of the Company in 2026 unless renewed, varied or revoked earlier.

Resolution 10: Authority to make market purchases of the Company's own shares (special resolution)

At the annual general meeting of the Company held on 11 March 2024, the Company was granted authority to make market purchases of up to 9,566,762 Ordinary Shares for cancellation or holding in treasury. No Ordinary Shares have been bought back into treasury under this authority, and the Company therefore has remaining authority to purchase up to 9,566,762 Ordinary Shares. This authority will expire at the forthcoming AGM.

The directors believe it is in the best interests of the Company and its Shareholders to have a general authority for the Company to buy back its Ordinary Shares in the market as they keep under review the share price discount to net asset value. A special resolution will be proposed at the forthcoming AGM to give the Company authority to make market purchases of up to 14.99% of the Ordinary Shares in issue as at the date of the Notice. The directors will exercise this authority only if the directors consider that any purchase would be for the benefit of the Company and its Shareholders, taking into account relevant factors and circumstances at the time. Any Ordinary Shares so purchased would be cancelled or held in treasury for potential reissue. If renewed, the authority to be given at the forthcoming AGM will lapse at the conclusion of the annual general meeting in 2026 unless renewed, varied or revoked earlier.

The Board has considered whether any of the Company's share price discount to NAV can be attributed to the performance of the Investment Manager, and also the total expense ratio ('TER') and current fee structure of the Company, and has concluded that any contribution from these factors is immaterial in the context of Board and Shareholder concerns about the legislative reform affecting the sector and the extent of building and fire safety legislation introduced.

Recommendations

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

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of Ground Rents Income Fund plc will be held at 1 London Wall Place, London, EC2Y 5AU on 13 February 2025 at 12.00 pm to consider the following resolutions, of which resolutions 1 to 8 will be proposed as ordinary resolutions and resolutions 9 and 10 will be proposed as special resolutions:

1. To receive the Report of the Directors and the audited financial statements for the year ended 30 September 2024.
2. To approve the Directors' Remuneration Report for the year ended 30 September 2024.
3. To re-elect Barry Gilbertson as a director of the Company
4. To re-elect Bill Holland as a director of the Company
5. To re-elect Katherine Innes Ker as a director of the Company.
6. To re-appoint PricewaterhouseCoopers LLP as auditors to the Company.
7. To authorise the Directors to determine the remuneration of PricewaterhouseCoopers LLP as auditors to the Company.
8. To consider, and if thought fit, pass the following resolution as an ordinary resolution:

   "THAT the Directors be generally and unconditionally authorised pursuant to section 551 of the Companies Act 2006 (the "Act") to exercise all the powers of the Company to allot relevant securities (within the meaning of section 551 of the Act) up to an aggregate nominal amount of £4,814,525 (being 10% of the issued ordinary share capital at the date of this Notice) for a period expiring (unless previously renewed, varied or revoked by the Company in general meeting) at the conclusion of the next Annual General Meeting of the Company, but that the Company may make an offer or agreement which would or might require relevant securities to be allotted after expiry of this authority and the Board may allot relevant securities in pursuance of that offer or agreement."

9. To consider and, if thought fit, to pass the following resolution as a special resolution:

   "THAT, subject to the passing of resolution 8 set out above, the directors be and are hereby empowered, pursuant to Section 571 of the Act, to allot equity securities (including any shares held in treasury) (as defined in section 560(1) of the Act) for cash pursuant to the authority given in accordance with section 551 of the Act by the said resolution 8 and/or where such allotment constitutes an allotment of equity securities by virtue of section 560(2) of the Act as if Section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities up to an aggregate nominal amount of £4,783,381 (representing 10% of the aggregate nominal amount of the share capital in issue at the date of this Notice); and provided that this power shall expire at the conclusion of the next Annual General Meeting of the Company but so that this power shall enable the Company to make offers or agreements before such expiry which would or might require equity securities to be allotted after such expiry."

10. To consider and, if thought fit, to pass the following resolution as a special resolution:

    "THAT the Company be and is hereby generally and unconditionally authorised in accordance with Section 701 of the Act to make market purchases (within the meaning of Section 693 of the Act) of ordinary shares of 50p each in the capital of the Company ("Shares") at whatever discount the prevailing market price represents to the prevailing net asset value per Share provided that: (a) the maximum number of Shares which may be purchased is 14,340,577, representing 14.99% of the Company's issued ordinary share capital as at the date of this Notice; (b) the maximum price (exclusive of expenses) which may be paid for a Share shall not exceed the higher of; (i) 105% of the average of the middle market quotations for the Shares as taken from the International Stock Exchange Official List for the five business days preceding the date of purchase; and (ii) the higher of the last independent bid and the highest current independent bid on the London Stock Exchange; (c) the minimum price (exclusive of expenses) which may be paid for a Share shall be 50p, being the nominal value per Share; (d) this authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company in 2026 (unless previously renewed, varied or revoked by the Company prior to such date); (e) the Company may make a contract to purchase Shares under the authority hereby conferred which will or may be executed wholly or partly after the expiration of such authority and may make a purchase of Shares pursuant to any such contract; and (f) any Shares so purchased will be cancelled or held in treasury."

By order of the Board

Schroder Investment Management Limited
Registered Number: 08041022
14 January 2025

Registered Office
1 London Wall Place
London, EC2Y 5AU

Explanatory Notes to the Notice of Annual General Meeting

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

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

Additional proxy forms can be obtained by contacting the Company's Registrars, Equiniti, on +44 (0)800 032 0641, or you may photocopy the attached proxy form. Lines are open between 08:30 – 17:30, Monday to Friday excluding public holidays in England and Wales.

Please indicate in the box next to the proxy holder's name the number of shares in relation to which they are authorised to act as your proxy. Please also indicate by ticking the box provided if the proxy instruction is one of multiple instructions being given.

Completion and return of a form of proxy will not preclude a member from attending the Annual General Meeting and voting in person.

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

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

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

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

You may also submit your proxy votes via the internet. You can do so by visiting www.shareview.co.uk. You will need to create an online portfolio using your Shareholder Reference Number and follow the on-screen instructions. This information can be found under your name on your form of proxy.

Alternatively, shareholders who have already registered with Equiniti Registrars' online portfolio service, Shareview, can appoint their proxy electronically by logging on to their portfolio at www.shareview.co.uk using their user ID and password. Once logged in, click 'view' on the 'My Investments' page. Click on the link to vote and follow the on screen instructions. Please note that to be valid, your proxy instructions must be received by the Company's registrar no later than 12.00 pm (GMT) on 11 February 2025. If you have any difficulties with online voting, you should contact the shareholder helpline on +44 (0)800 032 0641. Lines are open between 08:30 – 17:30, Monday to Friday excluding public holidays in England and Wales.

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

Shareholders may not use any electronic address provided either in this Notice of Annual General Meeting or any related documents to communicate with the Company for any purposes other than expressly stated.

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

2. Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a 'Nominated Person') may, under an agreement between him or her and the shareholder by whom he or she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the Annual General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he or she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.

The statement of the rights of ordinary shareholders in relation to the appointment of proxies in note 1 above does not apply to Nominated Persons. The rights described in that note can only be exercised by ordinary shareholders of the Company.

3. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company has specified that only those shareholders registered in the Register of members of the Company at close of business on 11 February 2025, or close of business two working days prior to the date of an adjourned meeting, shall be entitled to attend and vote at the meeting in respect of the number of shares registered in their name at that time. Changes to the Register of Members after close of business on 11 February 2025 shall be disregarded in determining the right of any person to attend and vote at the meeting.

4. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST manual. The CREST manual can be viewed at www.euroclear.com. A CREST message appointing a proxy (a 'CREST proxy instruction') regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction previously given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA19) by the latest time for receipt of proxy appointments.

If you are an institutional investor you may be able to appoint a proxy electronically via the Proxymity platform, a process which has been agreed by the Company and approved by the Registrar. For further information regarding Proxymity, please go to www.proxymity.io. Your proxy must be lodged by 12.00 pm (GMT) on 11 February 2025 in order to be considered valid. Before you can appoint a proxy via this process you will need to have agreed to Proxymity's associated terms and conditions. It is important that you read these carefully as you will be bound by them and they will govern the electronic appointment of your proxy.

5. Copies of the articles of association, terms of appointment of

the non-executive directors and a statement of all transactions of each director and of his family interests in the shares of the Company, will be available for inspection by any member of the Company at the registered office of the Company during normal business hours on any weekday (English public holidays excepted) and at the Annual General Meeting by any attendee, for at least 15 minutes prior to, and during, the Annual General Meeting. None of the directors has a contract of service with the Company.

6. The biographies of the directors offering themselves for election and re-election are set out on pages 23 and 24 of the Company's annual report and financial statements for the year ended 30 September 2024.

7. At the time of this Notice, 95,667,627 ordinary shares of 50 pence each were in issue (no shares were held in treasury). Therefore, the total number of voting rights of the Company at the time of this Notice was 95,667,627.

8. A copy of this Notice of Meeting, which includes details of shareholder voting rights, together with any other information as required under Section 311A of the Companies Act 2006, is available from the webpages dedicated to the Company: www.groundrentsincomefund.com.

9. Pursuant to Section 319A of the Companies Act 2006, the Company must cause to be answered at the Annual General Meeting any question relating to the business being dealt with at the Annual General Meeting which is put by a member attending the meeting, except in certain circumstances, including if it is undesirable in the interests of the Company or the good order of the meeting that the question be answered or if to do so would involve the disclosure of confidential information.

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

Shareholder Information

Web pages and share price information

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

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

Individual Savings Account ('ISA') status

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

Non-mainstream pooled investments status

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

Financial calendar

Annual general meeting	February
Half-year results announced	July
Financial year end	30 September
Annual results announced	January

Alternative Investment Fund Managers Directive ('AIFMD') Disclosures

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

Remuneration disclosures

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

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

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

Glossary

AGM means an Annual General Meeting of the Company.

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

Alternative performance measure ('APM') please see page 69 of the 2023 Annual Report for full details of the key APMs used by the Company.

Articles means the Company's Articles of Association, as amended from time to time. Companies Act means the Companies Act 2006.

Company is Ground Rents Income Fund plc.

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

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

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

FCA is the UK Financial Conduct Authority.

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

Group is the Company and its subsidiaries.

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

LSE is the London Stock Exchange.

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

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

RCF is a Revolving Credit Facility.

TISE is The International Stock Exchange, headquartered in Guernsey.

Corporate information

Directors
Barry Gilbertson (Chair)
Bill Holland
Katherine Innes Ker
Jane Vessey (resigned 31 December 2024)

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

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Manchester
M2 3AA

Registered Office
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London
EC2Y 5AU

Depositary
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London
EC4N 7AE

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

Solicitors to the Company
Addleshaw Goddard LLP
One St Peter's Square
Manchester
M2 3DE

Auditors
PricewaterhouseCoopers LLP
7 More London
Riverside
London
SE1 2RT

Property Valuers
Savills Advisory Services Limited
33 Margaret Street London
W1G 0JD

Tax Advisers
Deloitte LLP
2 New Street Square
London
EC4A 3BZ

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

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

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

Dealing codes - Ordinary shares
ISIN: GB00B715WG26
SEDOL: B8K0LM4
Ticker (LSE SETSQX): GRIO
Ticker (TISE): GRI

Global Intermediary Identification Number (GIIN)
RY6D8C.99999.SL.826

Legal Entity Identifier (LEI)
213800SL3SN8P6XCLM37

Website
www.groundrentsincomefund.com

Schroders
capital

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