Schroders capital

June 2023

GROUND RENTS INCOME FUND PLC (GRIO)

Full year results to 30 September 2022 and summary unaudited results to 31 March 2023

Marketing material.

CONTENTS

OVERVIEW, FINANCIAL RESULTS AND MARKET CONTEXT

Executive Summary

Challenging and complex regulatory environment but strong support in favour of EGM proposals

Building safety	Most significant regulatory reform to the UK's built environment in almost 40 years, including large developers pledging to remediate buildings at their cost. Year end Accounts include a disclaimer of opinion within the Auditor's report but good progress since, with proportion of portfolio value subject to a Material Uncertainty Clause (MUC)* reducing from 21% to 16% as at 31 March 2023.
Financials	Over the year to 30 September 2022, portfolio valuation decreased £10.4m, or 8.7%, to £109.0m; and Net Asset Value (NAV) pence per share (pps) decreased 10.6 pps, or -10.3%, to 92.5 pps. Good progress since, with portfolio valuation and unaudited NAV improved to £110.9m and 94.3 pps respectively as at 31 March 2023.
Earnings	Recurring underlying earnings decreased £0.4m, or 10.5%, to £2.8m or 3.0pps over the financial year to 30 September 2022, reflecting 98% dividend cover. Weakness due to increased fees related to building safety and leasehold reform, partly offset by rent reviews and a reduction in the Manager's fee.
Dividend	Increased frictional costs from building safety and leasehold reform are putting pressure on dividend sustainability. There is also a risk that future dividend payments may be withheld until the Auditor removes its disclaimer of opinion. Further clarity to be provided in forthcoming interim accounts to 31 March 2023.
Strategy	New Investment Policy and 'Continuation Vote' means we are now well positioned to execute the strategy of improving the liquidity of the underlying portfolio and optimise value for shareholders through a managed realisation of assets.

*The Company's independent valuer, Savills, in conjunction with industry peers, and as recommended by the Royal Institution of Chartered Surveyors (the RICS) have applied a Material Valuation Uncertainty Clause (MUC) to assets thought to be impacted by building safety related defects as defined by the Building Safety Act 2022. The valuation of these assets is therefore reported as being subject to a MUC as set out in VPS 3 and VPGA 10 of the RICS Valuation – Global Standards ('RICS Red Book'). For the avoidance of doubt, the MUC does not mean that the valuation cannot be relied upon, rather, it has been included to ensure transparency of the assumptions that Savills have made in preparing the valuation. Source: Schroders, June 2023.

Results to 30 September 2022 and summary to 31 March 2023

Key metrics

Year ended	30 September 2021 (audited)	30 September 2022 (audited)	31 March 2023 (unaudited)[2]	Comment
Ground rent income	£4,942,648	£4,945,755	£2,586,344	Upwards only rent reviews. Annual ground rent of £5.1m as at 31 March 2023.
Ancillary income	£751,139	£650,239	£304,563	Reduction in insurance commission and subdued consent fees.
Recurring distributable earnings[1]	£3,159,112	£2,827,535	£958,245	Increased frictional costs, partly offset against rental growth.
Profit after tax (excluding property revaluations)	£5,924,831	£2,822,065	£966,193	
Profit per share (excluding property revaluations)	6.11 pence	2.94 pence	1.01 pence	
Dividends paid per share	3.96 pence	3.01 pence	1.25 pence	Quarterly dividend per share reduced to 0.5p.

As at	30 September 2021 (audited)	30 September 2022 (audited)	31 March 2023 (unaudited)	Comment
Property valuation	£119,380,000	£109,020,000	£110,936,000	Improvement since year end.
Cash	£1,090,027	£1,912,499	£1,459,949	
Debt	£19,500,000	£21,000,000	£21,000,000	
Net asset value per share	103.1 pence	92.5 pence	94.3 pence	
Group Loan to Value	16.3%	19.3%	18.9%	

Past performance is not a guide to future performance and may not be repeated. The value of investments and the income from them may go down as well as up and investors may not get back the amount originally invested.

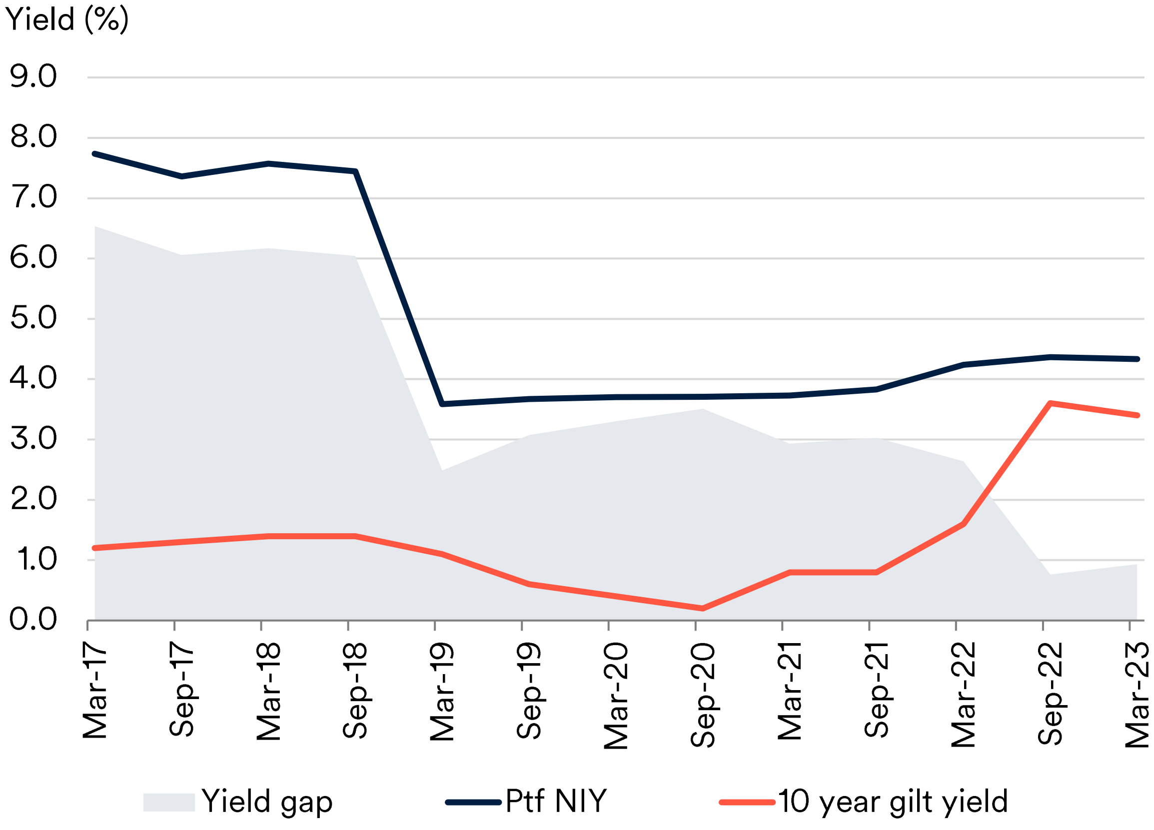
Source: Schroders, June 2023. [1]Excludes nonrecurring items such as Beetham Tower litigation costs and freehold disposals. [2]Six months to 31 March 2023.

Market context

Headwinds continue with low levels of liquidity

- The residential ground rent market is not immune to wider economic uncertainty and fear of a ‘credit crunch’, together with the continued building safety and leasehold reform headwinds
- Transactional activity remained weak since the Government announced leasehold reform agenda in 2017, with the attraction of inflation-hedged income balanced against operational complexity
- Building safety the biggest issue, with no transactions completed for assets with known building safety remediation requirements, which is why MUC continues to be applied
- Government’s leasehold reform agenda continues an important but secondary factor, with some investors attempting to use the ‘0.1% rule’, that has yet to become law, to reduce bids for ground rent portfolios. Conversely, those assets with no outstanding building safety issues and where the rent is below the ‘0.1% rule’ are more attractive at the right price, subject to an extensive due diligence process

Portfolio Net Initial Yield (NIY) vs. 10 year gilt yield



Source: Schroders, Marketwatch.com, June 2023.

Discrete yearly performance

Ground Rents Income Fund Plc

Discrete Yearly Performance (%)	Q1 2022–Q1 2023	Q1 2021–Q1 2022	Q1 2020–Q1 2021	Q1 2019–Q1 2020	Q1 2018–Q1 2019
Share price[1]	-40.5	-8.7	0.7	-26.0	-17.8
Shareholder Total Return[2]	-37.3	-4.4	6.2	-23.6	-14.6
NAV Total Return[3]	3.8	-7.3	-1.5	-0.1	-6.0

Ground Rents Income Fund Plc – Risk Considerations:

The Company borrows for investment purposes. This will magnify any gains or losses made by the Company.

The Company has no maturity date. The Company may only be terminated by a continuation vote, a shareholders' voluntary liquidation or by a compulsory liquidation if the Company were unable to pay its debts. The Company owns a portfolio of assets with the income generated from the collection of ground rents.

Potential legislative reform may impact the Company's value and future income streams. However, any reform would be required to strike a fair balance between leaseholders and landlords with legitimate property interests.

The Company invests in real estate which may be viewed as a higher risk and illiquid investment and may, therefore, be adversely affected by a decrease in market liquidity for the assets in which it invests.

You may not be able to sell your product easily or you may sell at a price that significantly impacts on how much you get back. This product does not include any protection from future market performance so you could lose some or all of your investment.

The Company will invest solely in property located in the UK. This can carry more risk than investments spread over a number of countries. The performance of the Company would be adversely affected by a downturn in the property market in terms of capital value or a weakening of rental yields. The Company invests in real estate which may be viewed as a higher risk and illiquid investment and may, therefore, be adversely affected by a decrease in market liquidity for the assets in which it invests.

The Company has the ability to use gearing as part of its investment strategy. The use of gearing will increase the risk profile of the Company and the volatility of the value of Shares, and will amplify losses in the event of a decline in gross asset values. Gearing may create significant underperformance, particularly in times of a falling property market. Borrowing costs may, from time to time, exceed returns on property.

Past performance is not a guide to future performance and may not be repeated. The value of investments and the income from them may go down as well as up and investors may not get back the amounts originally invested.

Source: Schroders, Refinitiv, June 2023. [1]Schroders, Datastream, bid to bid price with net income reinvested in GBP. [2]Schroders, Datastream, bid to bid price. [3]Schroders, NAV to NAV (per share) plus dividends paid.

BUILDING SAFETY REFORM AND DISCLAIMER OF OPINION

Building Safety Reform and impact on the Company

Key risk non-recoverable costs and impact on cashflow

Building Safety Act 2022 (‘BSA’) increased complexity of challenges facing the Company but progress being made, including Developer Pledge

- Most significant regulatory reform to the UK’s built environment in almost 40 years and aims to improve building standards and protect leaseholders in their own homes
- Robust processes in place to manage building safety issues and determine any likely residual liability for the Company, including regular communication with leaseholders who are understandably frustrated by issues impacting their homes
- Consistent with the ‘polluter pays’ principle, 48 of the UK’s largest developers have recently signed legal contracts obliging them to pay to remediate building safety defects in relevant buildings they have constructed/refurbished (currently representing 11 of the Company’s 23 assets with building safety defects outstanding)

Risks

- Potential for pressure on the Company’s **cashflow, or ultimately non-recoverable costs** to do with building safety projects, particularly to do with non-cladding remediation costs at properties where the original developer is no longer in existence (‘orphaned properties’). This is because the Building Safety Framework overrides usual lease obligations whereby all costs reasonably incurred by the landlord are ultimately recoverable from leaseholders
- **The Government** has also emphasised landlords must remediate buildings quickly, despite the need to reassess properties under the new PAS9980 guidelines and an industry wide lack of resources and relevant expertise. This includes new powers for interested third parties to **pursue landlords**
- The Company’s asset owning subsidiaries will be required to enter into various **Funding Agreements** with both government and developers for building safety projects across the Managed Estate. This will require various warranties, trigger project milestones and impact portfolio liquidity
- **The Building Safety Framework is complex and nuanced, and each individual aspect adopts different definitions in places**. For example, insurance underwriters’ assessment of risk does not align with the PAS9980 guidelines, which may still lead to higher insurance premiums or additional costs for leaseholders
- **Mitigants:** Continue to focus on ensuring leaseholders' safety and protecting shareholder value by understanding building safety requirements, pursuing third-party funding and progressing remediation. The majority of costs up to this point have also been cladding related, and leaseholders are liable for their fair share of non-cladding related (capped) costs. We expect to mitigate a material proportion of costs associated with known building safety issues, supported by the recent verification process

Source: Schroders, June 2023.

Auditor disclaimer of opinion

Good progress verifying valuation assumptions

- Understanding the practical and financial impact of the BSA, together with the proportion of portfolio subject to a MUC (£22.6m, or 21%, of value as at year end, including building safety discount of £11.4m), has delayed publication of Accounts, which includes a disclaimer of opinion within the Auditor's report
- Such a disclaimer is caused by the Auditor being unable to verify the building safety valuation adjustments made by the valuer
- There is a risk that future dividend payments may be withheld until the Auditor removes its disclaimer of opinion. This is despite the Company having significant reserves and good visibility on earnings
- Notwithstanding, good progress since with proportion of portfolio value subject to a Material Uncertainty Clause (MUC) reducing to 16% of value as at 31 March 2023 (£17.3m, including building safety discount of £9.3m)
- **Further clarity to be provided in forthcoming interim accounts to 31 March 2023**

Illustrative portfolio assets (31 March 2023)

The Gateway, Leeds

552 units; non-managed and original developer no longer in existence; £138,000 annual rent; value of £696,000, including discount of £2.5m.

Government funding being progressed.

Watermans Place, Leeds

122 units[1]; non-managed and original developer signed Government's Pledge; £26,875 annual rent; value of £529,000, including discount of £100,000.

Developer settlement agreement under consideration.

[1]Residential units only, excluding ten commercial units (zero ground rent).
Source: Schroders, June 2023.

Building Safety Reform and impact on the Company

Good progress is being made mitigating building safety risks

Remediation, as of 30-Sept-22	Number of Assets MEST / NMEST / Total	% of Portfolio Value (30-Sept-22) MEST / NMEST / Total
Assets requiring remediation:	8 / 22 / **30**	8.9% / 12.0% / **20.8%**
Building safety remediation works completed:	0 / 4 / **4**	0.0% / 5.0% / **5.0%**
Remediation, current	**Number of Assets MEST / NMEST / Total**	**% of Portfolio Value (31-Mar-23) MEST / NMEST / Total**
Assets requiring remediation:	6 / 17 / **23**	5.9% / 8.8% / **14.7%**
Analysed as:		
Committed Pledged developer	3 / 8 / **11**	5.0% / 4.4% / **9.4%**
Developer no longer in existence (orphaned asset)	1 / 4 / **5**	0.3% / 1.5% / **1.8%**
Government funding applications ongoing (exc. Pledged developer assets):	3 / 6 / **9**	0.9% / 2.9% / **3.8%**
Remedial work commenced:	1 / 5 / **6**	0.4% / 4.6% / **5.0%**

Source: Schroders, June 2023. [1]Based on known non-cladding costs at assets without a Pledged developer.

Clarifications

- Managed Estate (**MEST**) – GRIO is responsible for management
- Non-Managed Estate (**NMEST**) – a third party, such as a Residents' Management Company is responsible for management

Key observations

- As at 31 March 2023, approximately **16%** of portfolio valuation subject to MUC as a result of the BSA, representing a building safety valuation discount of **£9.3m**
- Good progress being made mitigating building safety risks:
- As at today, the number of assets requiring remediation decreased to **23**, representing approximately **15%** of the portfolio valuation
- We are aware of approximately **£104 million of ongoing building safety remediation projects at 15 assets.** Of which, **£230,000 may ultimately be nonrecoverable**[1]
- As at today, building safety works at six properties already completed at no significant cost to the Company

Next steps

- Protect shareholders' interests and leaseholders' homes by progressing remediation projects, including securing third-party funding and engaging/pursuing RMCs (where relevant)

LEASEHOLD REFORM

Leasehold reform

Additional reforms not expected until end 2023

- The Government has banned creation of new residential ground rents and is progressing with a second, more comprehensive programme of reform, but detail of its intentions are yet to be published
- The Government's intentions most relevant to the Company's portfolio are in relation to **reforming the enfranchisement process to make it 'easier, faster, fairer and cheaper' for leaseholders by:**

1 Capping the treatment of ground rent in the premium calculation at 0.1% of the property's 'freehold value'
   - Relevant to GRIO because current residential ground rents range between negligible% and 1.2%

2 Prescribing the capitalisation rates (yields) in the premium calculation 'at market value'
   - Relevant to GRIO because the cap rate is applied to the ground rent to determine the premium payable

Source: Schroders, June 2023.

CURRENT POSITION

- Residential leaseholders have a statutory right, subject to qualification, to buy the freehold of their property (collectively for an apartment block or individually for houses), or extend their lease by an additional 90 years at a 'peppercorn' (nil) rent
- Alternatively, a leaseholder can negotiate on a non-statutory basis, avoiding the cost and complication of the legislative process
- A landlord receives a premium (price) for the loss of its legitimate interest in the property when a leaseholder takes up these rights. This enfranchisement premium comprises three elements: **Term; Reversion**; and **Marriage Value**
- Due to the Company's long-dated portfolio, only nine leaseholders p.a. over the past three years have enfranchised, representing 0.04% by portfolio value p.a. and completed at 26% above the prevailing investment valuation. Nearly all were leasehold houses
- **Since listed in 2012, GRIO has not received a request to collectively enfranchise an apartment block with more than five units**

Enfranchisement reform

Assessing the potential impact on GRIO's portfolio

Portfolio	Ground rent (%)	Valuation (%)
Unlikely to be fully in scope of residential legislation	21.6	24.1
Residential ground rent and below 0.1%	25.4	25.0
Residential ground rent and between 0.1% and 0.2% (in aggregate/net above 0.1% cap)	33.4 / 6.9	34.0 / 6.9
Residential ground rent and above 0.2% (in aggregate/net above 0.1% cap)	16.2 / 10.9	13.6 / 9.1
Residential ground rent but underlying freehold value yet to be determined	3.4	3.3
Total (portfolio aggregate)	100.0	100.0

Source: Schroders, May 2023.

- The enfranchisement and investment markets are connected but governed by different participants and dynamics
- We have worked with Rightmove to provide illustration of the potential impact of enfranchisement reform

Observations/risks to the analysis

- 47% of ground rent or 49% of value below 0.1% or not in scope
- 50% of ground rent or 48% of value above 0.1% but this reduces to c.17% for both figures on a 'net above' basis
- Negligible historical enfranchisements because:
  1. Enfranchisement is generally driven by leaseholders seeking to protect the ability to mortgage their property. Portfolio WAULT of 392 years is significantly higher than lenders' minimum requirement of c. 120 years
  2. The capital required by leaseholders to enfranchise is high relative to the low level of ground rent payable, compounded by average ownership period of four years for apartments in the UK
- **The impact of enfranchisements may continue to be limited and the leasehold reform discount applied to the portfolio of £4.0 million (as at 31 March 2023) may not be fully realised**
- 3% of the portfolio by is caught by residential legislation but further analysis is needed to be confident in the estimate of value

STRATEGY

Summary of new strategy

Challenging and complex regulatory environment but strong support in favour of EGM proposals

New strategy

- Strong support from shareholders for change to the Company's 'Continuation Vote' approved at an EGM in April 2023, with the requirement for a vote extended to end December 2024. Additional time is to be used to improve portfolio liquidity
- The new Investment Policy formally acknowledges the change in strategy, focussing on optimising value for shareholders via a managed realisation of assets, together with a continued focus on delivering best-in-class residential asset management for leaseholders

Objectives

1. **Improve portfolio liquidity and manage risk:**
    I. Resolve complex building safety issues, including verifying valuation adjustments to remove audit disclaimer, to secure a **recovery in values** (all else being equal) and **protect leaseholders**
    II. Continue to seek greater clarity on **leasehold reform**
    III. Resolve various **legacy issues**
    IV. Continue to enhance the Company's operational platform, including leaseholder engagement
2. **Refinance** existing debt facility
3. Begin **asset disposals** but mindful of seeking to optimise total portfolio value and complete orderly wind up of the Company

Risks

- Liabilities and/or illiquidity that may arise from building safety remediation projects, including third-party action/funding
- Additional legislation detrimental to the Company, other landlords and wider market
- Wider economic uncertainty, such as higher for longer base rates to curb inflation

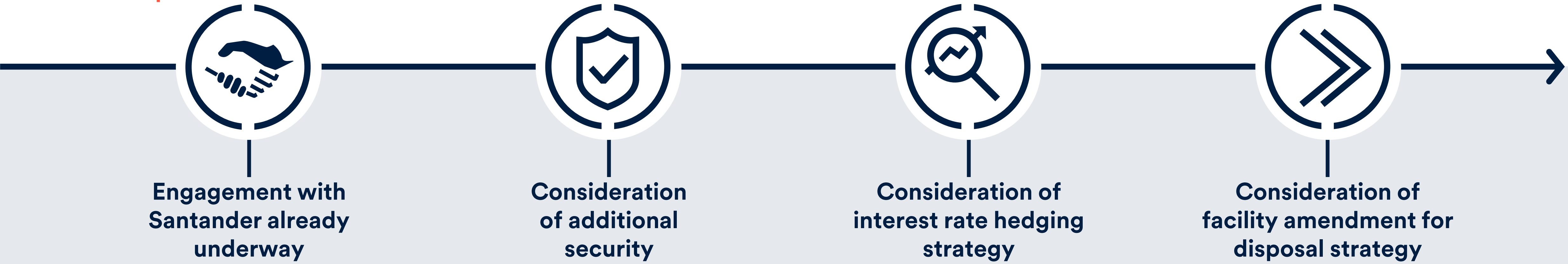
Executing strategic objectives

Financial derisk – summary of terms and next steps

Summary

- The Company has a £25 million facility with Santander UK Plc which matures in January 2025, comprising a £12.5 million term loan and a £12.5 million revolving credit facility (RCF)
- The interest payable on the term facility is fixed at 2.7% per annum, while the RCF attracts a rate of 1.9% above 3-month SONIA per annum, subject to a cap of 1.0% on £5.5 million of the total £12.5 million. The total effective interest rate is 2.8% per annum
- At 30 September 2022, £21 million was drawn on the Company's RCF and term loan combined. The Loan to Value (LTV) on the charged pool of assets is 41.8% versus a covenant of 50%, and £4 million of the facility remains undrawn
- The Company has £61.2 million of uncharged assets as per the independent portfolio valuation and the Group level LTV based on gross assets is 19% against a restriction of 25%

Next steps



Source: Schroders, May 2023.

CONCLUSION

Continued headwinds but progress is being made, reflected in the reduced MUC being post year end

Focused on improving portfolio liquidity and ultimately optimising value for shareholders through a managed realisation of assets

Conclusion

Strong shareholder support in favour of EGM proposals

- Challenging operating environment, reflected in the continuing MUC
- A significant amount of work is ongoing to manage risks and, although the valuation discounts are not expected to be fully incurred, the associated legal and other costs, combined with reduced ancillary income, are diluting earnings
- Clear strategy focussed on improving the liquidity of the underlying portfolio, optimise value for shareholders and continue deliver best-in-class residential asset management

Objectives

1. **Improve portfolio liquidity and manage risk**:
   i. Resolve complex **building safety** issues, including verifying valuation adjustments to remove audit disclaimer, to secure a **recovery in values** (all else being equal) and **protect leaseholders**
   ii. Continue to seek greater clarity on **leasehold reform**
   iii. Resolve various **legacy issues**.
   iv. Continue to enhance the Company's operational platform
2. **Refinance** existing debt facility
3. Begin **asset disposals** but mindful of seeking to optimise total portfolio value

Source: Schroders, June 2023.

APPENDICES

Portfolio summary

Overview of the portfolio as at 30 September 2022

- Portfolio to capture rising and above target inflation (see fan chart) with 73% of ground rent income reviews are index-linked, of which 90% is RPI-linked[1]
- Fixed and doubling leases provide performance, even in deflationary environment
- Residential ground rents that double more frequently than every 20 years represents only 1.8% of rent
- Median ground rents are sensible
- GRIO retains management responsibilities, by way of an appointed property manager, across 18% of the ground rent or 17% of value. The remainder is managed by leaseholders by way of Residents Management Companies or otherwise

Detailed review type	Ground rent income (£k)	% of ground rent total	Market value (£m)	% of market value total
Index-linked	3,682	72.5	85.9	78.8
Doubling	743	14.6	12.3	11.3
Fixed	332	6.5	6.3	5.8
Flat (no review)	323	6.4	4.6	4.2
Total	5,080	100.0	109.0	100.0

Unit type	No. of units (%)	Median ground rent (£)	Ground rent income (%)	Portfolio valuation (%)
Apartments	73.7	250	69.1	63.6
Houses	14.3	100	10.2	11.2
‘Residential’ subtotal	88.0	250	79.3	74.8
Students	10.3	340	2.9	3.6
Commercial	1.7	250	17.8	21.6
Total	100.0	250	100.0	100.0

[1]Other indices are Open Market Value (4.3% of portfolio ground rent income), Average Weekly Earnings Index (2.6%) and Nationwide Building Society House Price Index (2.9%).
Source: Schroders, January 2023. Shown for illustrative purposes only and should not be viewed as a recommendation to buy or sell.

Portfolio summary

Overview of the portfolio as at 30 September 2022

- **392 years** Weighted Average Unexpired Lease Term, with shortest term remaining of **82 years**
- **41% of income reviewing over the next 5 years; 72% over next 10 years**
- Diversified geographically with c.19,000 units across c.400 addresses
- Highest regional concentration is North East (32% of portfolio ground rent income, 29% of total portfolio valuation)
- Largest asset is **VITA Student Village in York** (£9.4m valuation or 9% of the total portfolio valuation)
- **The top 10 assets represent 32%** of the total portfolio valuation

Years to next review	Ground rent income (%)
0–5	40.9
5–10	31.0
10–15	13.1
15–20	3.5
Over 20	5.1
Flat (no review)	6.4
Total	100.0

Asset location	Portfolio ground rent income (%)	Portfolio valuation (%)
North East	32.0	29.2
North West	27.9	26.9
London	11.8	11.9
Midlands	11.6	12.6
South West	10.0	11.7
South East	5.3	6.0
Wales	1.4	1.6
Total	100.0	100.0

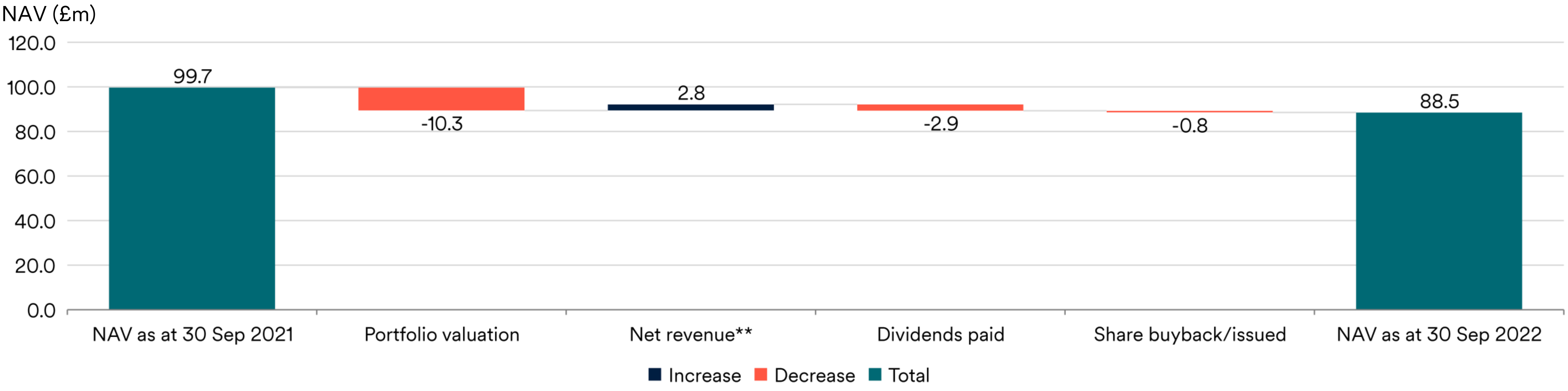
Property	Current valuation (£m)	Portfolio valuation (%)
Lawrence Street Student Village, York	9.4	8.6
One Park West, Liverpool	3.3	3.0
Wiltshire Leisure Village, Wiltshire	3.3	3.0
First Street, Manchester	3.1	2.8
Rathbone Market, London	3.1	2.8
Brentford Lock West, London	3.0	2.8
Masshouse Plaza, Birmingham	2.9	2.7
Brewery Wharf, Leeds	2.4	2.2
Richmond House, Southampton	2.3	2.1
The Portland, Hull	1.7	1.6
Total	34.5	31.6

Source: Schroders, January 2023. Shown for illustrative purposes only and should not be viewed as a recommendation to buy or sell.

NAV movement for the year ended 30 September 2022

NAV decrease of 10.3% and a NAV total return of 1.3%

- NAV of £88.5 million or 92.5 pps as at 30 September 2022, which compares with £99.7 million or 103.1 pps as at 30 September 2021
- NAV decline of 10.6 pps or -10.3% with a NAV total return, including dividends paid of £2.9 million, of -7.4%
- The Loan to Value (LTV)* on the charged pool of assets is 41.8% versus a covenant of 50%, and £4 million of the facility remains undrawn. Uncharged assets are valued at £61.2 million, resulting in a group LTV of 19.3%



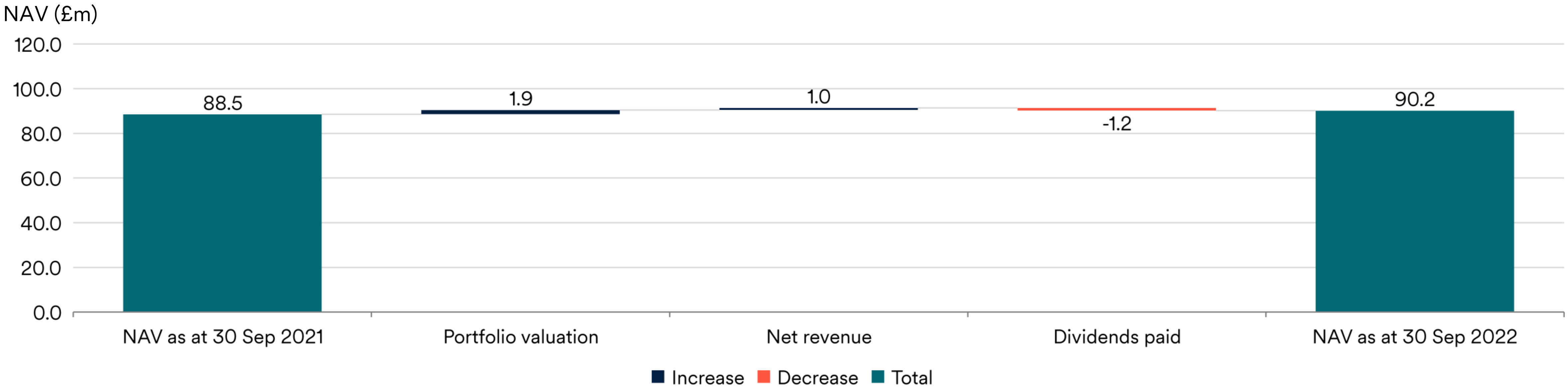
Past performance is not a guide to future performance and may not be repeated. The value of investments and the income from them may go down as well as up and investors may not get back the amount originally invested.

Source: Schroders, May 2023. *Loan to value ('LTV') – a ratio which expresses gearing by dividing the outstanding loan amount by the value of the assets on which the loan is secured. **Net revenue excluding costs in relation to Beetham Tower, Manchester.

NAV movement for the six month ended 31 March 2023

NAV increase of 1.9% and a NAV total return of 1.3%

- NAV of £90.2 million or 94.3 pps as at 31 March 2023, which compares with £88.5 million or 92.5 pps as at 30 September 2022
- NAV increase of 1.8 pps or 1.9% with a NAV total return, including dividends paid of £1.2 million, of 3.3%*
- The Loan to Value ('LTV') on the charged pool of assets is 41.8% versus a covenant of 50%, and £4 million of the facility remains undrawn. Uncharged assets are valued at £62.1 million, resulting in a group LTV of 18.9%



Past performance is not a guide to future performance and may not be repeated. The value of investments and the income from them may go down as well as up and investors may not get back the amount originally invested.

Source: Schroders, May 2023. *Based on six month period to 31 March 2023.

Balance sheet

Summary

As at	30 September 2021 £ million	30 September 2022 £ million	31 March 2023 £ million
Investment properties	119.4	109.0	110.9
Cash	1.1	1.9	1.5
Net payables	(1.3)	(1.4)	(1.2)
Debt	(19.5)	(21.0)	(21.0)
Net Asset Value	**99.7**	**88.5**	**90.2**
NAV (pps)	103.1p	92.5p	94.3p
Loan to Value (%)	16.3%	19.3%	18.9%

Source: Schroders, March 2023.

Statement of Comprehensive Income

Year ended	30-Sep-21 £m	30-Sep-22 £m	31-Mar-23 £m
Ground Rental income	4.9	4.9	2.6
Insurance commission	0.4	0.4	0.2
Consent fees	0.3	0.2	0.1
Other income	0.1	0.1	0.0
Gain on the disposal of investment property	0.3	0.0	0.0
Operating Income	6.0	5.6	2.9
Legal and other professional fees	(0.7)	(0.9)	(0.8)
Director costs (fees and insurance)	(0.1)	(0.2)	(0.1)
Schroders management fee	(1.0)	(0.9)	(0.5)
Other expenses	0.0	(0.1)	(0.1)
Provision for Beetham Tower remedial works	(0.5)	0.0	0.0
Disposal/litigation costs for Beetham Tower	2.9	0.0	0.0
Operating profit	6.6	3.5	1.4
Net unrealised valuation (loss)/gain on investment property	(4.7)	(10.3)	1.9
Finance costs – net interest payments	(0.7)	(0.7)	(0.4)
Profit/(loss) after tax and total comprehensive profit/(loss)	1.2	(7.5)	2.9

Source: Schroders, June 2023.

Balance sheet resilience

Group LTV is 19.3% as at 30 September 2022

- The Company has two debt facilities – a £12.5 million fixed term loan and a £12.5 million revolving credit facility (expires January 2025)
- As at 30 September 2022, an aggregate £21 million was drawn. The interest payable on the term facility is fixed at 2.7% per annum, while the RCF attracts a rate of 1.9% above 3-month SONIA per annum, subject to a cap of 1.0% on £5.5 million of the drawn amount. At the year end, the effective interest rate was therefore 2.8%

Lender	Facility £million	Interest rate (%)[1]	Loan to Value ('LTV') ratio (%)[2]	LTV ratio covenant (%)	Interest cover ratio (%)[3]	ICR ratio covenant (%)	Forward looking ICR ratio (%)[4]
Santander	25.0	2.8	41.8	50.0	377.2	270.0	0.0

Source: Schroders, May 2023.
[1]Total effective interest rate based on the SONIA rate applicable to the RCF as at the Interest Payment Date ('IPD') of 10 November 2022, inclusive of 0.74% fee on undrawn balance.
[2]Loan balance divided by Santander secured portfolio bank valuation.
[3]For the quarter preceding the IPD, ((rental income received less void holding costs)/interest payable).

Building Safety Reform and impact on the Company

Overview of provisions set out in the Building Safety Act 2022 ('BSA')

<table>
<tr><th>Type of building in portfolio*</th><th>Pledged Developer</th><th>Developer and other 'Polluters' still in existence</th><th>Developer no longer in existence ('orphaned property')</th></tr>
<tr><td>Not relevant building
(under 11 metres)</td><td colspan="3">1. The Government considers that there is no systemic fire safety issue in buildings below 11 metres in height
2. Leaseholder cost protections introduced by the BSA do not apply
3. Still able to pursue the developer and other parties involved in the original development via existing means and new redress measures available for all properties regardless of height, should the property not be fit for habitation</td></tr>
<tr><td>Relevant building (over 11 metres or has at least five storeys);

Relevant defect (causes a building safety risk from fire or structural collapse, which has arisen as a result of anything done or not done in connection with the original construction in the last 30 years).</td><td>Developer liable to pay for all building safety remediation costs should they have been defects due to the original design and construction of the property.

Government funding already received or relevant service charge costs already incurred reimbursed by the developer.</td><td>Landlord can pursue developer under BSA. In interim or if unsuccessful:

Cladding defects
Remediation costs met by Government funding.

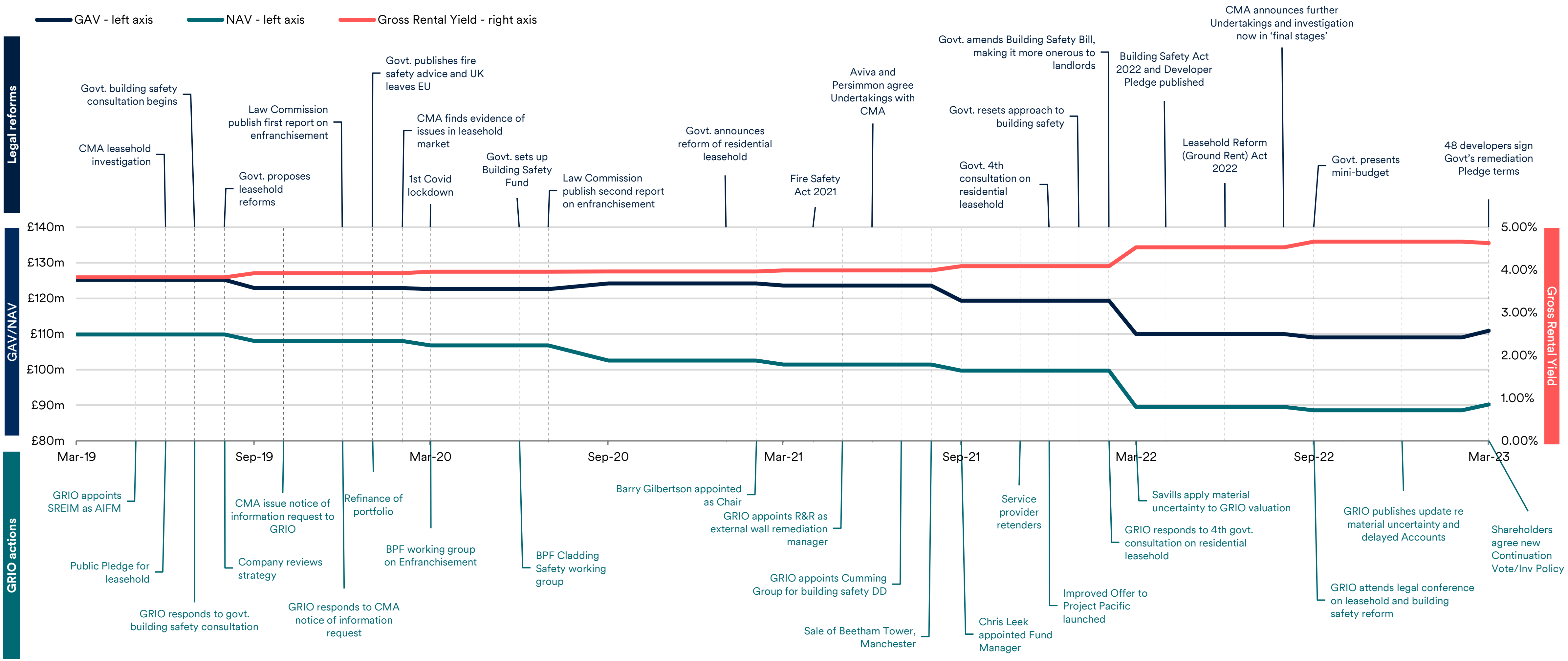
Non-cladding defects
Remediation costs cascade down a 'waterfall':
1. Developer and other 'Polluters'
2. Landlord subject to 'contribution condition'
3. 'Qualifying' leaseholders paying a capped contribution (usually £10,000, or £15,000 in London). 'Non-qualifying' leaseholders, including professional buy-to-let investors, subject to their share of all costs chargeable under their lease
4. Landlord(s)</td><td>Cladding defects
Remediation costs met by Government funding

Non-cladding defects
Remediation costs cascade down a 'waterfall':
1. Developer and other 'Polluters'
2. Landlord subject to 'contribution condition'
3. 'Qualifying' leaseholders paying a capped contribution (usually £10,000, or £15,000 in London). 'Non-qualifying' leaseholders, including professional buy-to-let investors, subject to their share of all costs chargeable under their lease
4. Landlord(s).</td></tr>
</table>

Source: Schroders, May 2023. *Assumes multi-occupancy residential building owned by third-party landlord (not leaseholder-owned).

Strategy timeline

Significant activity since Schroders appointment in May 2019 and subsequent Board appointments



Past performance is not a guide to future performance and may not be repeated. The value of investments and the income from them may go down as well as up and investors may not get back the amount originally invested.

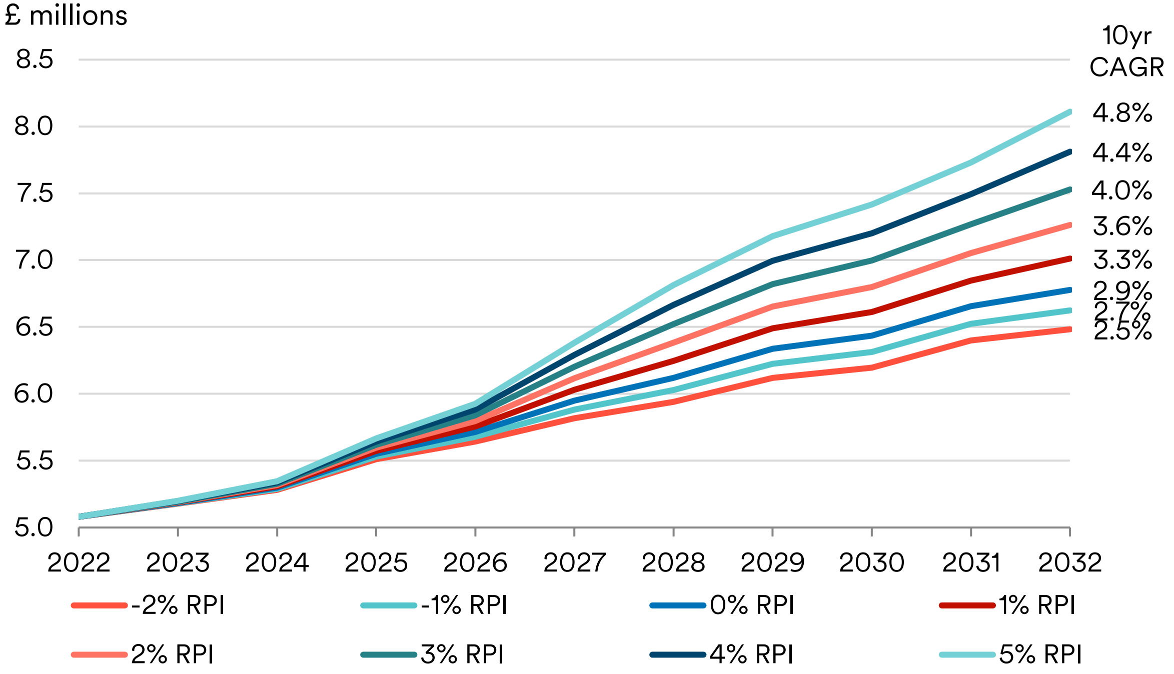
Source: Schroders, May 2023.

Ground Rents Income Fund Plc

Inflation-linked income

Background	Listed in August 2012 and Schroders appointed as Investment Manager in May 2019 to support the GRIO Board with the complex challenges relating to building safety and leaseholder reform
Diversified	Portfolio of c.19,000 units across 392 assets
Predictable	Upwards only rental increases over all durations
Long-term	Weighted average unexpired lease term of 392 years
Non-correlative	Historically uncorrelated to other sectors – resi, commercial or alternatives
Inflation-hedged	73% of the portfolio index-linked, of which 90% RPI 41% of the portfolio to be reviewed over next five years
Income	2 pps p.a. dividend (c. 5.0% dividend yield)[1], subject to sustainability and REIT rules. **There is also a risk that future dividend payments will be withheld until the Auditor's disclaimer of opinion is removed**

Illustrative ground rent revenue – inflation sensitivity



Portfolio well placed to capture rising and above target inflation.

Ground rent expected to increase 4.0% p.a. over next ten years assuming RPI inflation of 3.0% p.a.[2]

Source: Schroders, ONS, June 2023. [1]Share price of 40 pence as at 12/06/23. [2]Bank of England target Consumer Prices Index (CPI) inflation of 2.0%. Historically, annual RPI has been 100 basis points (one percentage point) higher than CPI. [3]RPI will be aligned with the Consumer Prices Index, including owner occupiers' housing costs (CPIH), no earlier than February 2030. Historically, annual RPI has been between 60 and 100 basis points higher than CPIH. This means rental growth following the change may be smaller but this will impact all RPI-linked assets, including other ground rent portfolios and index-linked gilts. For ease, the above sensitivity does not incorporate this transition.

Ground Rents Income Fund Plc team

GRIO team supported by Schroders Group and non-executive Board

Non-executive Board

Barry Gilbertson
Chairman

Bill Holland
Non-Executive Director

Katherine Innes Ker
Non-Executive Director

Jane Vessey
Non-Executive Director

Schroders team

Chris Leek
Investment Manager

Nick Montgomery
Head of UK Real Estate

Alex Cooke
Asset Manager

Lauren Collier
Executive Assistant

Christopher Moore
Accounting Manager

Gavin Comer
Fund Controller

Schroders Group

Schroder Real Estate Direct Investment Committee
Chaired by Sophie Van Oosterom

UK Direct Investment Team
Nick Montgomery

Research and Performance
Jeremy Marsh

Accounting, Insurance and Tax
Rick Murphy, Derek Reeves, Lucy Henry

Distribution and Company Secretary
James Lowe, Matthew Riley

PR and Public Policy
Andy Pearce, Sheila Nicoll

Legal and Compliance
Luong Truong, David Thomas-Adderson

Source: Schroders, June 2023.

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