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MedicX Fund

Annual Report and Financial Statements
to 30 September 2014

WHO WE ARE

MedicX Fund Limited ("MXF", the "Fund" or the "Company", or together with its subsidiaries, the "Group") the specialist primary care infrastructure investor in modern, purpose-built primary healthcare properties in the United Kingdom, listed on the London Stock Exchange in November 2006. It has committed investment of £518.2 million and a portfolio of 137 properties.

Following the acquisition of MedicX Adviser Ltd, the Investment Adviser to MedicX Fund, by Octopus Capital Limited on 1 October 2014, the Investment Adviser subsequently changed its name to Octopus Healthcare Adviser Ltd.

Octopus Healthcare Adviser Ltd, is authorised and regulated by the Financial Conduct Authority and is part of the Octopus Healthcare group. Octopus Healthcare is a specialist investor, developer and manager of healthcare properties with 33 people operating across the UK.

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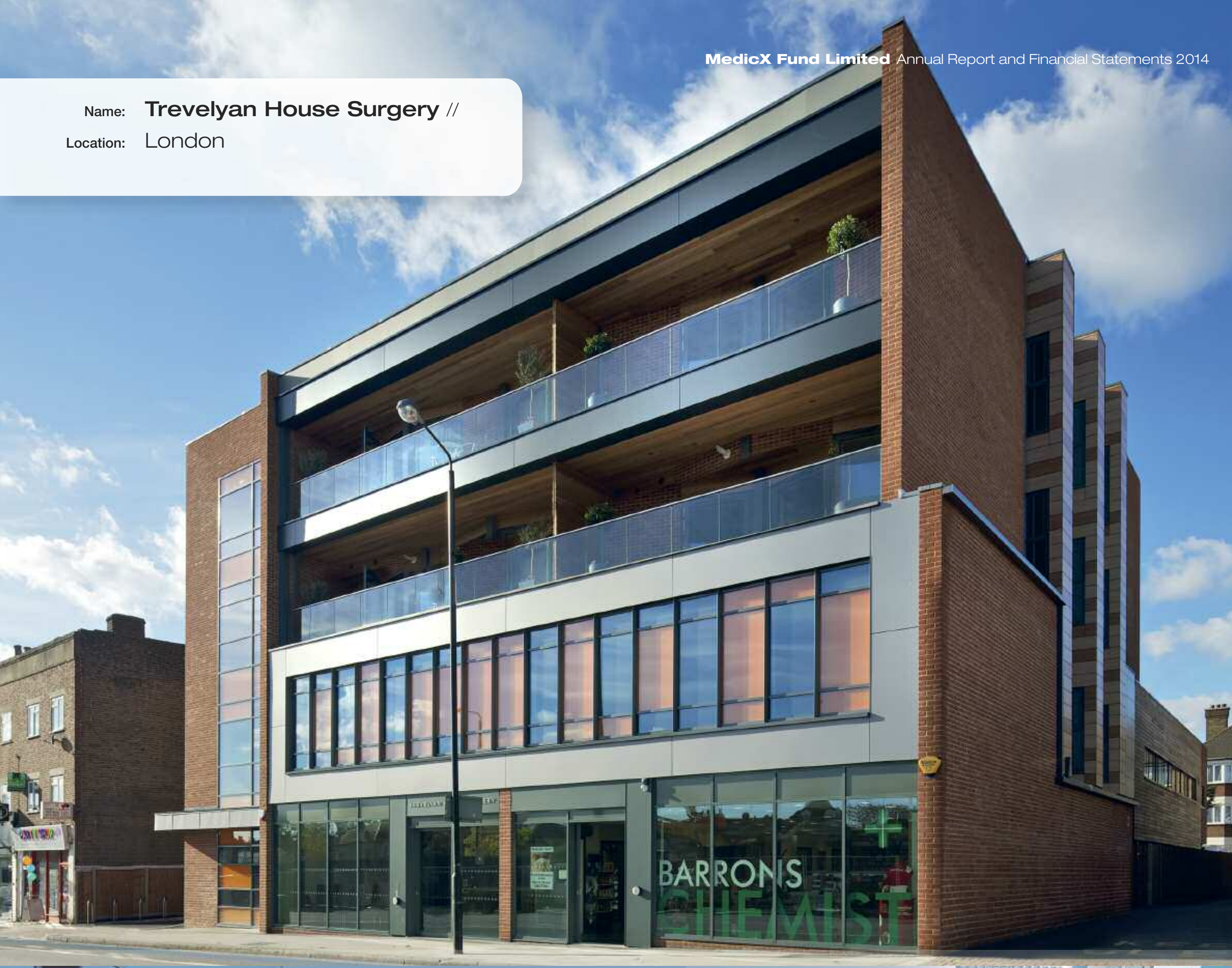
OUR PORTFOLIO

Name: **Hirwaun Medical Centre** //
Location: Wales

Name: **The Meadows Centre for Health //**
Location: Hounslow

Name: **Rhymney Integrated Health and Social Care Centre //**
Location: Wales

Name: **Trevelyan House Surgery //**
Location: London



Name: **Princeway Health Centre //**
Location: Cheshire

Name: **Gwyrch Medical Centre //**
Location: Wales

FINANCIAL HIGHLIGHTS

	2014	2013	
Committed investment (£m)	**518.2**	456.7	+13.5%
Annualised rent roll (£m)	**32.8**	28.8	+13.9%
Adjusted earnings excluding revaluation, performance fee and deferred tax (£m)	**10.7**	9.5	+12.5%
Adjusted net asset value (£m)	**231.6**	190.7	+21.4%
Dividends declared (pence per share)	**5.8**	5.7	1.8%

TOTAL SHAREHOLDER RETURN OF

12.0%[1]

INCREASE IN RENT ROLL OF

£4.0m[3]

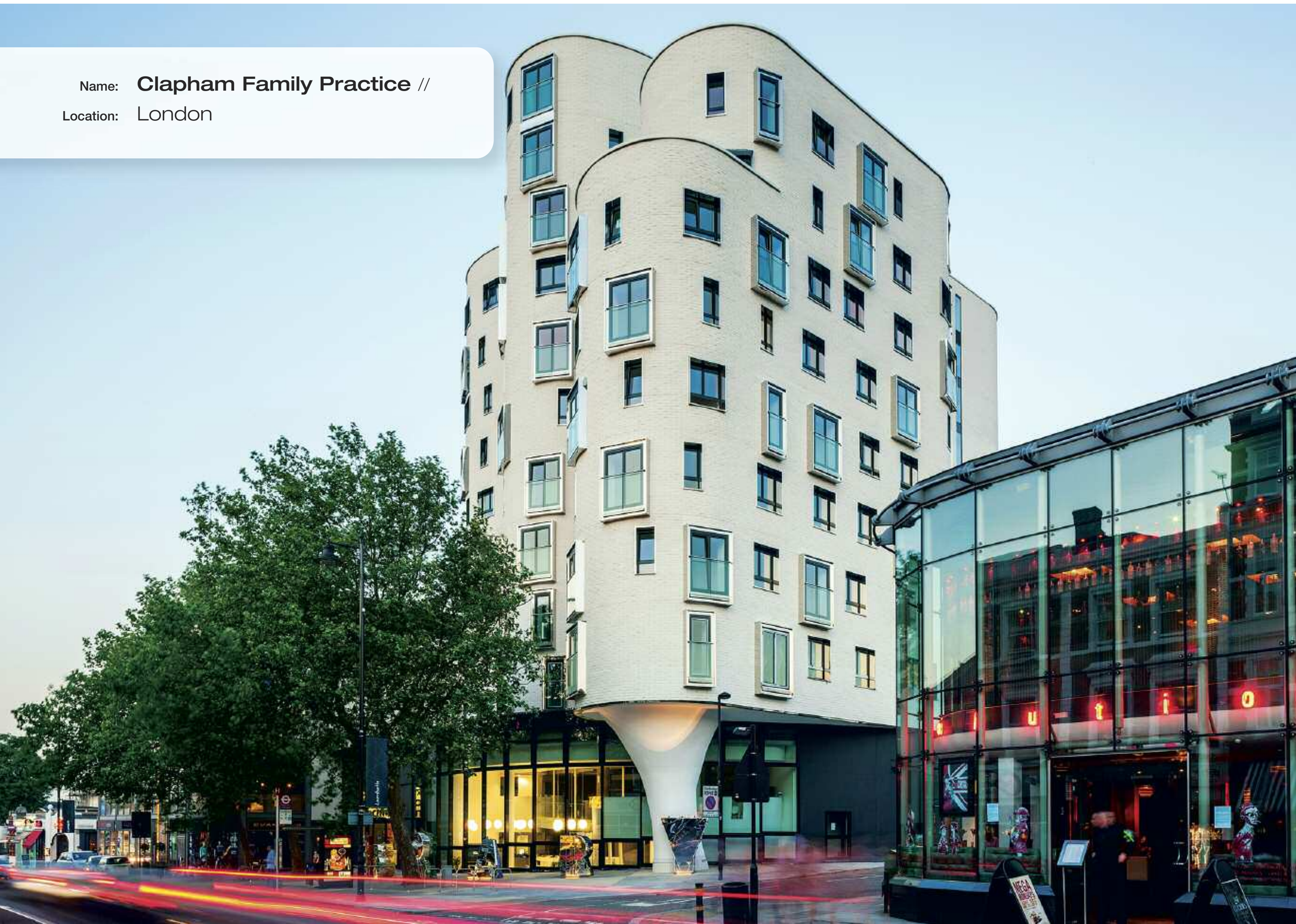
NEW COMMITTED INVESTMENT OF

£61.5m[3]

STRONG PIPELINE OF APPROXIMATELY

£100m[3]

Footnotes as per page 05



Name: **Clapham Family Practice** //

Location: London

KEY ACHIEVEMENTS OF 2014

Financial results

- Total shareholder return of 12.0% for the year (2013: 13.1%)[1]
- Quarterly dividend of 1.45p per share announced in October 2014[2]; total dividends of 5.8p per share for the year or 6.9% dividend yield (2013: total dividends of 5.7p per share; 7.1% dividend yield)[3,4]
- Dividend and underlying dividend cover 53.6% and 67.1% respectively (30 September 2013: 63.8% and 70.7%)[6]
- Adjusted earnings of £10.7 million, an increase of £1.2 million or 12.5% from prior year, equivalent to 3.1p per share (30 September 2013: £9.5 million; 3.6p per share)[5]
- Discounted cash flow net asset value of £331.1 million equivalent to 93.4p per share (30 September 2013: £266.7 million; 97.0p per share)
- Adjusted net asset value less the estimated mark to market liability of fixed rate debt, equivalent to the EPRA NNNAV of £231.6 million equivalent to 65.3p per share (30 September 2013: £190.7 million; 69.4p per share)[7,8]

Investments

- New committed and approved investments since 1 October 2013 of £61.5 million acquired at a cash yield of 6.02%[3]
- £518.2 million committed investment in 137 primary healthcare properties an increase of 13.5% over the year (30 September 2013: £456.7 million, 121 properties)[3,9]
- Annualised rent roll now £32.8 million with 90% of rents reimbursed by the NHS, an increase of £4.0 million, or 13.9%, since 1 October 2013[3]
- Strong pipeline of approximately £100 million of further acquisition opportunities[3]

Funding

- Market capitalisation £297.7 million[3] following share price appreciation and £59.5 million net proceeds raised from 79.5 million shares issued since 1 October 2013 at an average issue price of 76.4p per share
- New £50 million loan note with an agreed term of five years and an all-in fixed rate of 3.80%
- Total drawn debt facilities of £288.4 million with an average all-in fixed rate of debt of 4.35% and an average unexpired term of 13.3 years, close to average unexpired lease term of the investment properties and compared with 4.45% and 15.8 years for the prior year
- Net debt of £255.2 million equating to 49.9% adjusted gearing at 30 September 2014

1 Based on share price growth between 30 September 2013 and 30 September 2014 and dividends received during the year
2 Ex-dividend date 13 November 2014, record date 14 November 2014, payment date 31 December 2014
3 As at 8 December 2014
4 Total dividends declared divided by share price at 8 December 2014 (2013: at 6 December 2013)
5 Excluding (as appropriate) revaluation gain £11.6m, performance fees £1.9m, debt break costs £0.1m, and interest income £0.4m
6 Dividend cover excludes revaluation gains, performance fee and fair value on reset of loans. Adjusted dividend cover includes impact of properties under construction treated as completed properties
7 Net assets adjusted to exclude the impact of deferred tax not expected to crystallise £1.0m and the impact of resetting debt interest costs £1.4m
8 Estimated cost of all fixed rate debt of £1.5m calculated following advice from the Group's lenders
9 Includes completed properties, properties under construction and committed investment (being any acquisition the Fund is legally committed to following exchange of contracts)
10 This excludes a 10% fixed uplift on a small nominal rent, which if included would not impact the overall uplift, but would increase fixed uplift reviews to 3.1% per annum

CHAIRMAN'S STATEMENT

Introduction //

I am pleased to present the eighth annual report for the Fund, on behalf of the Board.

The aim of the Fund is to invest in best in class primary healthcare medical centres, to generate long term income from our investments and achieve stable returns for our investors. We look to invest in properties that will generate returns for shareholders well beyond their original lease term. As a result of this focus and the value-adding property acquisitions carried out over the past few years, the Company has created a market leading modern primary care portfolio. Fund performance has been good and the Fund has generated a total annual shareholder return, as measured by dividends paid and share price growth, over the past five years of 10.4% on average, with a return of 12.0% generated in the year under review.

Results overview

The Fund has had a strong year, following a successful fund raising at the beginning of the year which has been followed by earnings enhancing growth in its portfolio and rent roll, which has been achieved through significant new investment in primary healthcare properties. The Fund has maintained its price discipline and continued to acquire high quality assets meeting the Fund's investment criteria. Additional low cost fixed rate debt has been obtained by way of a loan note, providing further funds for investment. Following the strong growth in previous years, the Fund is well positioned within the primary care investment property market. In spite of the ongoing structural changes to the NHS with delays in approvals of schemes under the new structure, the demand for new purpose-built primary healthcare properties continues to be strong, although lead times to bring projects to fruition have lengthened. The Fund has increased its portfolio with 19 new properties acquired during the year under review.

Nine properties were acquired in March by way of a corporate acquisition with committed investment of £24.6 million. Three of these properties were subsequently sold back to one of the vendors under options agreed at the acquisition leaving the six properties that best met the criteria of the Fund. The properties acquired were completed assets and were immediately revenue generating and the acquisition was accretive to net asset value. Of the other 10 acquisitions, four were fully operational and generating rent on acquisition, whilst the remaining six acquisitions were forward funded developments of new properties successfully secured despite the NHS slowdown. At the year end, the Group had committed investment of £518.2 million across 137 properties of which seven remain under construction.

The Group's net asset value as at 30 September 2014, adjusted to exclude the impact of deferred tax not expected to crystallise, financial derivatives and the impact of resetting debt costs, increased 34.5% to £233.1 million or 65.8 pence per share (30 September 2013: £173.3 million or 63.1p per share).

It is not appropriate to value the Fund's assets without also having regard to the value of all its liabilities and therefore the Fund reports the mark to market value of its debt. Gilt rates have decreased markedly since September 2013 and through 2014 resulting in the erosion of the mark to market benefit of the Fund's debt facilities from £17.4 million at 1 October 2013, to a mark to market liability of the Fund's debt of £1.5 million or 0.4 pence per share at 30 September 2014. The adjusted net asset value less the estimated liability of fixed rate debt is 65.3 pence per share.

Name: **Hirwaun Medical Centre** //
Location: Wales

In line with other infrastructure funds and given the long-term predictable cash flows, we believe it is appropriate to calculate a net asset value based upon discounted cash flows. This basis, as set out in the Investment Adviser's report, gives a net asset value of £331.1 million or 93.4 pence per share, based upon a weighted average discount rate of 7.06% (30 September 2013: £266.7 million; 97.0 pence per share).

Rental income grew by £3.9 million or 16.0% during the year. Costs are in line with expectations given the level of activity and the acquisitions in the year. Finance costs incurred in the period were £2.3 million higher than in the prior year, also in line with expectations, reflecting the additional low cost debt facilities put in place as the portfolio has grown. The long term profile of the debt portfolio held by the Fund and the favourable fixed interest rates on these facilities will continue to deliver value to the Fund over their remaining lives.

Profit before interest and tax, excluding the impact of revaluations and performance fees has increased 13.5% to £23.6 million for the year to September 2014, from £20.8 million in the previous year.

Capital appreciation of the portfolio for the year was £12.1 million with £0.5 million of purchase and related costs written off (in line with sector norms) generating a net valuation gain of £11.6 million. The portfolio valuation gain was consistent with yields in the primary healthcare property sector falling as demand continued to rise through the year and properties coming to market remaining scarce.

Adjusted earnings excluding revaluation impact, performance fees, fair value adjustments for financial instruments and deferred taxation was £10.7 million, an increase of £1.2 million or 12.5% from the prior year.

Funding

Another highly successful fund raise was completed at the beginning of the year, with the issue substantially over subscribed. The proceeds of the fund raise were quickly invested into appropriate primary healthcare property investments. The quality of the portfolio was maintained by targeting investments that will generate long term income and strong returns for shareholders. The majority of investments were made in existing let assets, generating immediate returns to the Fund from acquisition which has helped the Fund improve its dividend cover following the fund raising.

The fund raising was priced at only a small discount to the share price at the time and a premium of 6.2% to the adjusted net asset value ("NAV") plus mark to market value of debt. Thus, after allowing for costs, the fund raising was accretive to NAV per share.

The fund raising resulted in the issue of 85 million shares at 75 pence per share, by way of a placing, open offer and offer for subscription, of which 20 million shares were immediately repurchased by the Company and added to those held in treasury. This issue generated net proceeds of £47.6 million excluding those shares held in treasury.

Treasury shares have been and will continue to be utilised to satisfy further demand for shares in the Company, including any demand for shares under the scrip dividend scheme. These shares will however only be sold at a premium to adjusted NAV.

The Fund has continued to take advantage of movements in borrowing rates during the year to put in place new debt facilities at low fixed cost to achieve a significant spread between its investment returns and its cost of debt.

The Fund raised £50 million through a private placement of loan notes bought by a single institutional investor. The loan notes have a duration of five years maturing in August 2019, with no amortisation and the principal repayable on maturity. The all-in interest rate on the notes is fixed at 3.80%. The loan notes provided funds in two stages, £15 million which was drawn in August with the remainder to be drawn down in December 2014. This complements MedicX Fund's existing long term debt facilities.

On 28 November 2014, the Group repaid the GE Capital real estate loan of £31.2 million that was due in April 2015, by drawing down the full £25 million of the RBS revolving loan facility and utilising existing cash reserves. In the light of low gilt rates and margins currently available from potential lenders, the Group is in active discussions with lenders to provide new loan facilities at attractive rates.

The weighted average unexpired term of all drawn debt at 30 September 2014 is 13.3 years, closely matching the average remaining unexpired lease term of the Fund's portfolio. The debt strategy remains to pick the best time to put in place the right debt facilities at the right cost and duration.

The adjusted gearing as at 30 September 2014 was 49.9%. This has reduced from 56.4% as at 30 September 2013 following the successful fund raising achieved at the beginning of the year. Following the receipt of the second tranche of the loan note funds, repayment of the facility with GE Capital real estate, drawdown from RBS and assuming the funds received were invested in properties immediately, adjusted gearing would be approximately 53%.

The Directors continue to target borrowings of approximately 50% on average over time and not exceeding 65% of the Company's total assets.

The covenants on the debt facilities have been complied with in the year.

Dividends

The Fund maintained its progressive dividend policy, with total dividends declared of 5.8p per Ordinary Share in respect of the financial year ended 30 September 2014. This was an increase from the dividends of 5.7p per Ordinary Share for the year to 30 September 2013. Subject to unforeseen circumstances, the Directors expect that the Company will pay dividends totalling 5.9p for the financial year ending 30 September 2015.

In October 2014, the Directors approved a quarterly dividend of 1.45p per Ordinary Share in respect of the period 1 July 2014 to 30 September 2014. The dividend will be paid on 31 December 2014 to shareholders on the register as at close of business on 14 November 2014 (the "Record Date"). The corresponding ex-dividend date was 13 November 2014.

The Company has offered qualifying shareholders the opportunity to take new Ordinary Shares in the Company, credited as fully paid, in lieu of the cash dividend to be paid on 31 December 2014, by participating in the Scrip Dividend Scheme (the "Scheme") put in place by the Company on 5 May 2010. The results from this offer will be announced on 10 December 2014.

Shareholders are encouraged to consider the advantages of the Scheme. For further information on the Scheme, together with a copy of the Scheme Document (containing the terms and conditions of the Scheme) and relevant mandate forms, please refer to the Scrip Dividend portal on the Company's website (www.medicxfund.com/scrip).

The Fund pays a high proportion of its return in the form of a dividend, yielding 6.9% as at the date of this report. As a consequence of this, part of the dividend is paid from capital rather than earnings.

Inevitably following a fund raise there is a short term impact on dividend cover until proceeds are deployed, and the success of the fund raise at the beginning of the year had a temporary detrimental impact on dividend cover for the year.

Dividend cover measured against adjusted earnings was 53.6% for the full year to 30 September 2014 (2013: 63.8%). The dividend cover on adjusted earnings was 58.9% for the second half of the year which shows a significant improvement on the cover for the first half of only 48.1% which is a reflection of the time taken to deploy funds in income generating assets. Underlying dividend cover adjusted to reflect completion of the properties under construction was 67.1% (assuming full annual rent on all properties and a full year of associated interest costs and other expenses) (2013: 70.7%). On the basis that further debt is raised on similar terms to the existing debt with gearing increased to 60%, and deployment of funds at similar yields, underlying dividend cover would increase to approximately 73%.

It is encouraging to report that an average of 16.2% of the dividends paid in the year ended 30 September 2014 were in the form of scrip dividends compared with 8.8% in the prior year. These dividends did not result in a cash outflow from the Company.

As the Fund continues to grow, deploy capital and complete properties under construction it is expected that dividend cover and underlying dividend cover will improve further and will align themselves. The Fund will continue to look to improve cover over time.

Annual General Meeting

At the Annual General Meeting held on 18 February 2014, shareholders passed all of the resolutions proposed. This included authority for the Directors to issue Ordinary Shares for cash or sell from treasury up to an amount representing 10% of the issued Ordinary Share capital from time to time on a non-pre-emptive basis, provided that such Ordinary Shares shall be allotted for cash at a price which is not less than the Company's adjusted net asset value at the time of the issue.

In addition a separate resolution was passed giving the ability for the Company to acquire its own shares (either for cancellation or to be held as treasury shares) up to a maximum of 14.99% of total shares issued, at a minimum price of 1 pence per share, and a maximum price per share being the higher of: (i) 105% of the average mid-market share price for the five business days preceding the purchase; (ii) the price of the last independent trade; and (iii) the highest current independent bid at the time of the purchase. All purchases under this resolution are to be made in the market for cash and at prices below the prevailing net asset value per share as determined by the Directors. These powers expire immediately prior to the date of the Annual General Meeting of the Company, to be held on 17 February 2015, and it is intended that two similar resolutions will again be put before shareholders at that meeting.

At the 2015 Annual General Meeting, as well as refreshing the above resolutions to issue Ordinary Shares, acquire Ordinary Shares or sell them from treasury, two additional resolutions will be put before shareholders seeking authority to enter into arrangements to increase the number of shares held in treasury by the Company. As at 8 December 2014, the Company held 7,056,692 shares in treasury. Shares held in treasury will continue to be used to satisfy demand under the scrip dividend scheme and to be issued into the market to meet demand and to raise funds for general corporate purposes.

Board changes

With effect from 13 November 2014, Steve Le Page was appointed to the Board of Directors as a non-executive director. Steve Le Page, who is a Chartered Accountant and Chartered Tax Advisor was previously an audit partner and the senior partner for PwC's practice in the Channel Islands. As a former audit partner with very recent experience, Steve is highly qualified to assume the role of the Chairman of the Audit Committee which is expected to be confirmed when Christopher Bennett retires from the Board with effect from 10 December 2014, following eight years' service. I take this opportunity to thank Christopher for his enormous contribution to the Company and the Board and to wish him well with his new ventures.

Share price and outlook

In the year to 30 September 2014, the total shareholder return, as measured by dividends received and share price growth, was 12.0%. Of the return, 7.4% was attributable to dividends received with the remainder from growth in the share price. At 8 December 2014, the mid-market share price was 84.0 pence per share ex dividend, which represents a 6.9% dividend yield based upon the 5.8 pence per share dividends declared for the year, and a premium of 27.7% to the adjusted net asset value of 65.8 pence per share. Additionally, this represents a premium of 28.5% to the adjusted net asset value plus the estimated mark to market liability of debt of 65.3 pence per share and a discount of 10.1% to the discounted cash flow net asset value of 93.4 pence per share.

The Company made an application to the Financial Conduct Authority ("FCA") during the year to register as a self-managed Alternative Investment Fund. For the purposes of the Alternative Investment Fund Manager Directive, MedicX Fund Limited is categorised as a non-EU alternative investment fund and has elected to be its own manager.

The Directors continue to keep under review the possibility of conversion to a Real Estate Investment Trust ("REIT") but have no immediate plans to convert.

As described in more detail in the Investment Adviser report, the Fund's Investment Adviser was acquired by Octopus Capital Limited on 1 October 2014. As a result of this change of ownership the Fund's Investment Adviser is now part of a larger fast-growing UK fund management company with leading positions in several specialist sectors, including its expanding healthcare business. This step change in scale will bring opportunities to the Fund and at the same time I am pleased that Mike Adams as CEO will continue to lead the Investment Adviser team under its new long term owner.

The Fund has had a successful year, continuing to enhance earnings and to deliver solid returns to shareholders. The fundamentals underlying primary healthcare properties continue to provide an attractive investment proposition and with a good pipeline of investment opportunities the Fund is well positioned for further growth.

David Staples
Chairman

9 December 2014

Acquisition of MedicX Group

On 1 October 2014, Octopus Capital Limited ("Octopus Capital") completed its acquisition of MedicX Group including MedicX Adviser Ltd, the Investment Adviser to MedicX Fund. Following this acquisition, MedicX Adviser Ltd changed its name to Octopus Healthcare Adviser Ltd.

Octopus is a fast-growing UK fund management company with leading positions in several specialist sectors, including its expanding healthcare business. Mike Adams, formerly CEO of MedicX Group, will continue to lead the existing team, now rebranded as Octopus Healthcare group. MedicX Fund will remain a core focus for the Octopus Healthcare group and in particular Octopus Healthcare Adviser Ltd.

Market

The primary care investment sector has seen yield compression for prime assets during the year, due to continued investor demand, relative value against other prime property sectors, and limited supply of available prime stock. This has reflected positively on the property valuations of the Fund.

Market rental growth however has remained low, due to a lack of new schemes setting new rental evidence, with settled reviews being based on established historical rental evidence often related to older assets.

Initial yields on prime primary healthcare assets secured on leases with fixed or RPI linked rent reviews are currently between 4.75% and 5.25%, and those for assets secured on leases with upwards only, open market reviews are between 5.45% and 5.60% with other assets at higher yields.

The NHS has continued to evolve over the last year and is evidently moving to centre stage in advance of the general election in May 2015. It is reassuring that both main parties continue to support general practice as the main resource that delivers the majority of all the patient contacts in state healthcare in the United Kingdom.

The Fund's assets are well placed to support GPs and the commissioning groups as they seek to implement changes as they respond to the recently announced NHS five year plan. The current portfolio incorporates a wide range of prime buildings that are well located to deliver the services required. The NHS is seeking to deliver more integrated services in the community with extended opening hours and new acquisitions continue to be focused on their ability to be fit to deliver the demands of this new service driven environment that will meet the needs of the primary care estate over the long term.

Name: **Grange Medical Practice //**
Location: Wales

Portfolio update

The Fund currently has committed investment of £518.2 million in 137 primary healthcare properties, an increase of 13.5% since 1 October 2013. The annualised rent roll of the property portfolio is now £32.8 million, an increase of £4.0 million, or 13.9%, since 1 October 2013.

The valuation of the portfolio undertaken by Jones Lang LaSalle Limited, independent valuers to the Group, stood at £517.7 million as at 30 September 2014 on the basis that all properties were complete, reflecting a net initial yield of 5.68% (5.79% as at 30 September 2013). The results reflect a net valuation gain of £11.6 million for the year of which the capital appreciation of the portfolio was £12.1 million less £0.5 million of purchase and related costs written off during the year.

At 8 December 2014, the portfolio of properties had an average age of 6.9 years, remaining lease length of 15.8 years and an average value of £3.8 million. Of the rents receivable, 90.2% are from government-funded doctors and the NHS, 8.2% from pharmacies and 1.6% from other tenants.

During the year the Group added a total of 19 properties representing a total commitment of £65.8 million at a cash yield of 6.08%.

Six new development projects at Buckley, Peterborough, Stevenage, Devonport, Poringland and Briton Ferry were acquired in the year. These new investments represent a commitment of £26.5 million. These acquisitions were all under construction as at 30 September 2014.

During the year, successful completion was achieved on properties previously under construction at Caerphilly, Wiveliscombe, Watford, Grange over Sands, Arnold, Maidstone, Rugby, Shoreham, Felixstowe, Potters Bar, and Wigston, representing a total commitment of £47.0 million. All of the completed projects were delivered within budget.

Construction continued on the existing project at Prenton, while the construction of the newly acquired projects at Buckley, Peterborough, Stevenage, Devonport, Poringland and Briton Ferry commenced in the year. The outstanding commitment on these properties at 30 September 2014 was £18.6 million, with most projects expected to complete within the next 12 months. Of the projects under construction as at 30 September 2014, the property at Prenton has since been completed within budget.

The Fund has a pipeline of identified investment opportunities of approximately £100 million, of which £7 million relates to completed assets and £93 million relates to forward funding opportunities where the Fund is the preferred investment partner. The lead time for deployment on completed assets is shorter, hence these remain in the pipeline for less time and so make up a smaller proportion of the existing pipeline.

In October 2013 and November 2013 the Group disposed of two of its smaller properties at Wheathampstead (for £0.6 million) and High Wycombe (for £1.0 million). The Group will continue to look to dispose of properties selectively where they no longer meet its long term investment criteria.

As described above, the initial valuation yield on investments is 5.68% compared with the Group's weighted average fixed rate debt of 4.35% and a benchmark 20-year gilt rate of 3.06% at 30 September 2014. This spread has enabled growth through committing investment since 1 October 2013 of £61.5 million. As the investment opportunities of approximately £100 million are converted, the Company is set to continue to grow and deliver value to its shareholders as it locks into the differential available between long term returns and cost of long term funding.

Asset management

During the year to 30 September 2014, the Fund averaged an uplift of 1.8% on its rent reviews, with 42 leases and rents of £4.8 million having been reviewed. Of these reviews, 1.2% per annum was achieved on open market reviews, 3.0% per annum was achieved on RPI based reviews, and 2.7% per annum on fixed uplift reviews[10]. Reviews of £13.4 million of passing rent were under negotiation as at 8 December 2014.

The primary healthcare market remains buoyant due to continued demand and limited supply of new opportunities, predominantly caused by delays in the NHS approving new schemes. Yields have fallen during the year due to the imbalance between supply and demand. Primary healthcare properties continue to provide good value compared with wider prime properties at yields close to or below 5%. In addition, previous acquisitions have provided some potential asset management opportunities and the Fund has realised some rental uplifts and valuation gains from these.

The Fund continually reviews its portfolio for asset management opportunities and has identified a number of opportunities to enhance the portfolio and increase valuations.

Of the £32.8 million annualised rent roll at 8 December 2014, there was £25.0 million, 76.2% subject to open market review, £6.2 million, 18.9% subject to RPI reviews and £1.6 million, 4.9% subject to fixed uplift reviews. The proportion of rent subject to RPI uplifts has increased over the last six years from 7.9% to 18.9%.

Footnotes as per page 05

Discounted cash flow valuation of assets and debt

On the Fund's behalf the Investment Adviser has carried out a discounted cash flow ("DCF") valuation of the Group assets and associated debt at each year end. The basis of preparation is similar to that calculated by infrastructure funds. The values of each investment are derived from the present value of the property's expected future cash flows, after allowing for debt and taxation, using reasonable assumptions and forecasts based on the predominant lease at each property. The total of the present values of each property and associated debt cash flows so calculated is then aggregated with the surplus cash position of the Group.

At 30 September 2014, the DCF valuation was £331.1 million or 93.4 pence per share compared with £266.7 million or 97.0 pence per share at 30 September 2013, the increase resulting partly from the acquisition of a portfolio in March 2014 and the new lower cost debt obtained in the year. The value per share has decreased as a result of the successful fund raising in October 2013.

The discount rates used are 7% for completed and occupied properties and 8% for properties under construction. These represent 2.5% and 3.5% risk premiums to an assumed 4.5% long term gilt rate. The weighted average discount rate is 7.06% and this represented a 4.00% risk premium to the 20 year gilt rate at 30 September 2014 of 3.06%.

The discounted cash flows assume an average 2.5% per annum increase in individual property rents at their respective review dates. Residual values continue to be based upon capital growth at 1% per annum from the current valuation until the expiry of leases, (when the properties are notionally sold), and also assuming the current level of borrowing facilities.

For the discounted cash flow net asset value to equate to the share price as at 30 September 2014 of 83.5 pence per share, the discounted cash flow calculation would have to assume a 0.7% increase in rents per annum, or a 0.3% capital reduction per annum, or a weighted average discount rate of 8.2%. These reductions in rents and capital values would need to take place every year until the expiry of individual property leases.

For the discounted cash flow net asset value to equate to the share price as at 8 December 2014 of 84.0 pence per share, the discounted cash flow calculation would have to assume a 0.8% increase in rents per annum, or a 0.2% capital reduction per annum, or a weighted average discount rate of 8.1%.

Taking the adjusted net asset value less the estimated mark to market liability of fixed rate debt of 65.3 pence per share and assumed purchaser costs of 8.5 pence per share, an implied net initial yield of 5.01% would be required to match the discounted cash flow net asset value of 93.4 pence.

A review of sensitivities has been carried out in relation to the valuation of properties. If valuation yields firmed by 0.5% to a net initial yield of 5.18%, the adjusted net asset value would increase by approximately 14.2 pence per share to 80.0 pence per share and the adjusted net asset value less the estimated mark to market liability of fixed rate debt would increase to 79.6 pence per share.


Name: **Wollaton Park Medical Centre** //
Location: Nottingham

Pipeline and investment opportunity

The spread between the yields at which the Fund can acquire properties and the cost of long term debt and Government gilts remains significant. The Investment Adviser has continued to successfully source properties both through Octopus Healthcare's development arm, Octopus Healthcare Property Ltd, and through its established relationships with investors, developers and agents in the sector. The Fund currently has access to a property pipeline, subject to contract, which is estimated to be worth approximately £100 million in value when fully developed.

Interest in voting rights of the Company

The Investment Adviser has a beneficial interest in the following number of shares in the Company:

	2014	2013
Octopus Healthcare Adviser Ltd	**1,940,822**	1,554,384

During the year the Investment Adviser received dividends on the holding in the Company in addition to fees received for services. With the Scrip Dividend Scheme in place, the Investment Adviser elected to receive its dividends in the form of new Ordinary Shares. The cash equivalent of the dividends received by the Investment Adviser was £107,311, compared with £84,359 in the year ended 30 September 2013.

Mike Adams — Chief Executive Officer
Mark Osmond — Chief Financial Officer

Octopus Healthcare Adviser Ltd

INVESTMENT OBJECTIVES AND POLICY

Investment objectives

The Fund's investment objective is to achieve rising rental income and capital growth from the ownership of a portfolio of mainly modern, purpose built, primary healthcare properties.

The properties in this growing asset class form part of the core UK healthcare infrastructure and provide strong covenants with a long term secure and rising cash flow.

The key objective of the Fund is to increase net income over time to support a rising dividend and provide capital growth. The key areas for this growth will come from rent reviews, expanding or re-configuring space, re-gearing leases and from operating cost reductions. The Investment Adviser regularly reviews the entire property portfolio and has regular meetings with tenants to ensure that buildings are meeting the local healthcare needs and to identify opportunities for value enhancement.

Name: **Market Cross Surgery** //
Location: Lincolnshire

Name: **Meads Medical Centre** //

Location: Uckfield

Investment policy

The Company's investment policy is to acquire the freehold and long leasehold of mainly modern, purpose built primary healthcare properties, some of which may have the potential for enhancement, which will be sourced in the market by the Investment Adviser or from Octopus Healthcare's own pipeline of development and investment opportunities or General Practice Investment Corporation Limited's ("GPI") pipeline pursuant to a framework agreement with the Company. It is intended that those properties will be capable of accommodating GP practices and a range of complimentary medical and other related primary healthcare and ancillary services. Investment risks are mitigated by investing in a well spread portfolio of primary healthcare properties across the UK. In addition, the Company will adhere to the following principles in implementing its investment policy:

Portfolio asset allocation

1 Rents received from any one tenant, or tenants within the same group in any one financial year shall not exceed 20%, of the total rental income of the Company in that financial year;

2 Rents receivable from NHS reimbursable sources in any one financial year shall represent at least 80% of the total rental income of the Company in that financial year;

3 No one property (including all adjacent. or contiguous properties) shall at the time of acquisition represent more than 15% of the gross assets of the Company; and

4 At least 90% by value of the properties held shall be in the form of freehold or long leasehold (over 60 years remaining at the time of acquisition) properties or the equivalent.

Restrictions on borrowing

5 The borrowings of the Company shall not exceed 75% of the adjusted total assets of the Company. However, the Directors intend to target borrowings of approximately 50%, and not exceeding 65%, of the Company's total assets attributable to the Ordinary Shares.

Any material removal, amendment or other modification of the Company's stated investment policy, and additional investment restrictions, will only take place with the approval of Shareholders.

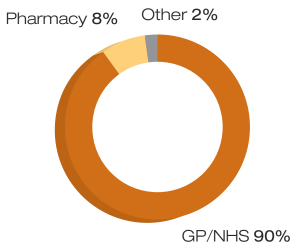
ANALYSIS OF PROPERTY PORTFOLIO – LARGEST INVESTMENTS

Property	Year ended 30 September 2014 Valuation £'000	Year ended 30 September 2014 Percentage of total	Year ended 30 September 2013 Valuation £'000	Year ended 30 September 2013 Percentage of total
Moorgate Primary Care Centre, Bury	**15,910**	**3.16%**	15,610	3.66%
Lytham Primary Care Centre, Lytham	**12,780**	**2.54%**	12,600	2.95%
Princeway Health Centre, Frodsham	**11,040**	**2.20%**	10,430	2.44%
Cobham Hospital, Cobham	**9,670**	**1.92%**	9,300	2.18%
Caerphilly Integrated Resources Centre, Caerphilly	**9,490**	**1.89%**	–	–
Raynes Park Medical Centre, Raynes Park	**9,250**	**1.84%**	9,250	2.17%
Bathgate Primary Health Centre, Bathgate	**8,920**	**1.77%**	8,780	2.06%
Kingsway Medical Centre, Ossett	**8,760**	**1.74%**	8,420	1.97%
Evesham Health Centre, Evesham	**–**	**–**	7,765	1.82%
Marisco Medical Centre, Mablethorpe	**8,050**	**1.60%**	7,610	1.78%
Colne House, Watford	**7,817**	**1.55%**	–	–
Alsager Medical Centre, Alsager	**–**	**–**	7,540	1.77%
10 largest completed properties	**101,687**	**20.21%**	97,305	22.80%
Other properties	**401,219**	**79.79%**	329,344	77.20%
	502,906	**100.00%**	426,649	100.00%

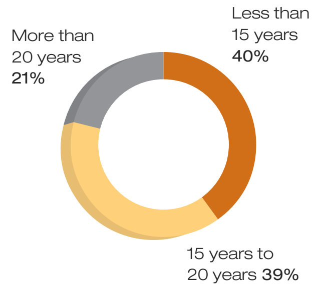
Name: **East Cowes Health Centre** //
Location: Isle of Wight

Portfolio Review[1] //

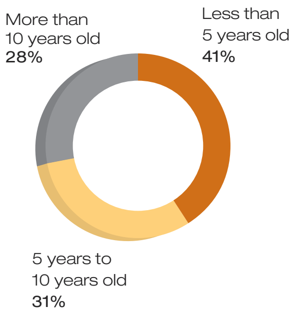
Security of income by tenant type



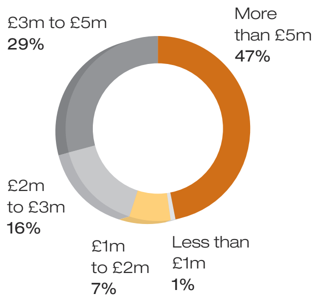
Security of income by lease expiry

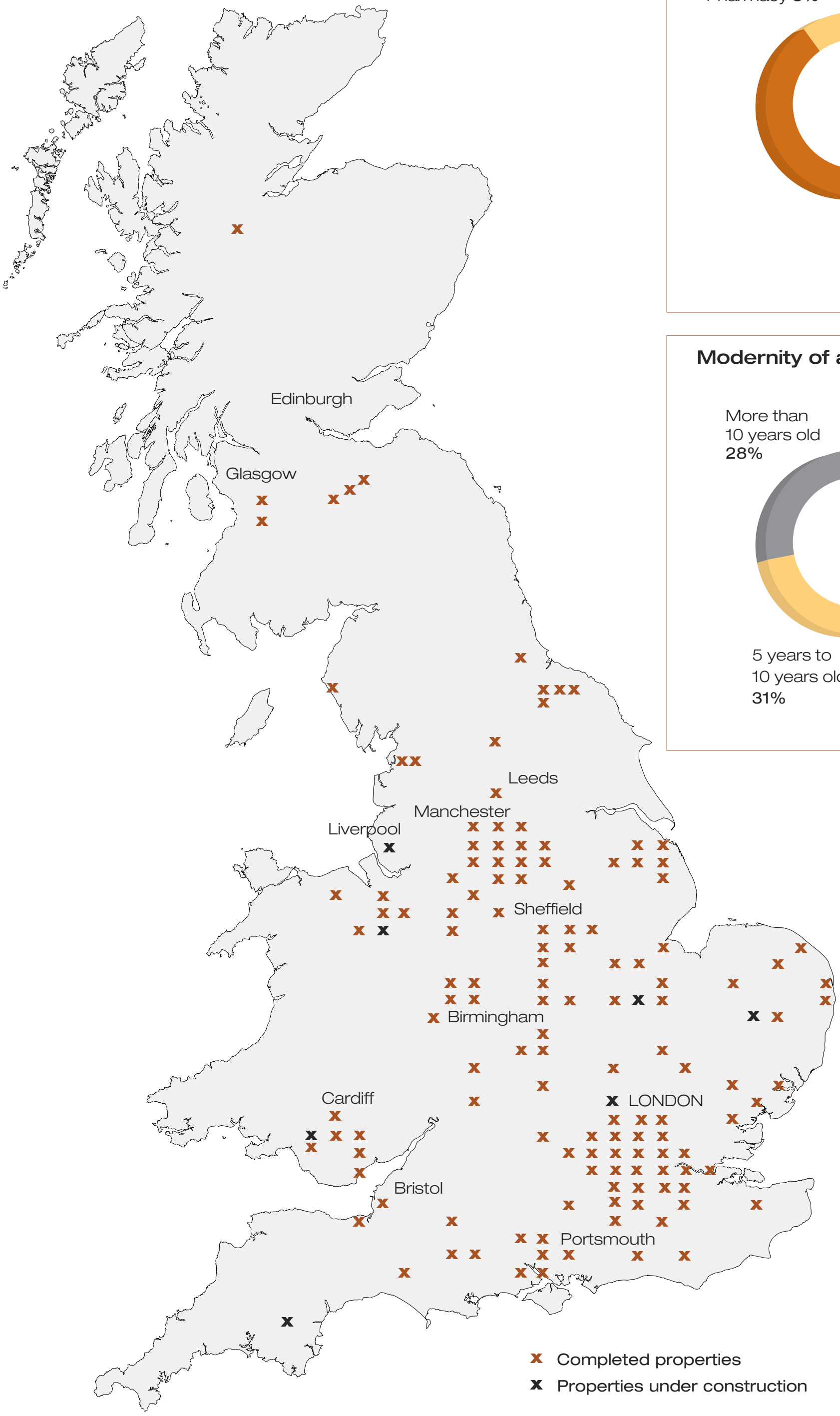


Modernity of assets



Value per property





Portfolio analysis[2] //

AVERAGE UNEXPIRED LEASE TERM	AVERAGE AGE	AVERAGE VALUE
15.8 years	6.9 years	£3.8m

1 As at 30 September 2014; includes completed value of properties under construction
2 As at 8 December 2014; includes completed value of properties under construction

BOARD OF DIRECTORS

→ **David Staples**
Non-Executive Chairman
David Staples (aged 57) is a Chartered Accountant and a Chartered Tax Adviser. He also holds the Institute of Directors' Diploma in Company Direction. For thirteen years until 2003, Mr. Staples was a partner with PwC and led the tax practice in the South East of England advising several well known family and owner-managed businesses. Mr. Staples is currently a non-executive director of five other listed companies: Gottex Fund Management Holdings Limited, Global Fixed Income Realisation Limited, Aberdeen Private Equity Fund Limited, Henderson Far East Income Limited and Duet Real Estate Finance Limited of which he is chairman. He is also a non-executive director of HSBC Private Bank (C.I.) Limited and of certain private equity funds advised by Apax Partners. Mr. Staples is resident in Guernsey.

Mr. Staples was appointed to the Board in October 2008 and has served as Chairman since his appointment.

→ **Christopher Bennett**
Non-Executive Director
Christopher Bennett (aged 49) is a member of the Royal Institution of Chartered Surveyors, and also has an MBA from Cranfield University and a BA in Law & Economics from Durham University. Mr. Bennett is a Jersey resident and is Managing Director of Crestbridge Real Estate, a real estate administration business which he co-founded in 2005. Mr. Bennett was previously with Royal Bank of Scotland International in Jersey where he spent five years in real estate finance. Prior to working for Royal Bank of Scotland International he worked for Mutual Finance (a property finance advisory business) for 18 months, was a self employed property consultant for six years and spent three years in the residential agency sector. His property experience includes property management, development, appraisal, planning and agency in addition to finance, in both commercial and residential markets.

Mr. Bennett was appointed to the Board in September 2006 and is the Audit Committee Chairman.

→ **John Hearle**
Non-Executive Director
John Hearle (aged 61) is a fellow of the Royal Institution of Chartered Surveyors and a Member of the Chartered Institute of Arbitrators. He heads the Healthcare Division of Aitchison Raffety Limited based at St Albans but operating throughout the country. Mr. Hearle is also Group Chairman of Aitchison Raffety Limited and its subsidiaries with offices from London to Birmingham. After working for the District Valuers' Office, he joined Aitchisons in the late 1970s followed by TSB Property Services and then Aitchison Raffety. Mr. Hearle has undertaken various roles and responsibilities including for the Healthcare and the Residential Surveyors' groups (including responsibility for all TSB Property Services' surveyors) and was also responsible for its commercial estate agency and surveying operation. Mr. Hearle is recognised as an expert and an arbitrator by the President of the Royal Institution of Chartered Surveyors and regularly receives appointments for such roles. In addition, in respect of healthcare, he acts as Chairman of the RICS Working Party, and, on occasions, has undertaken a consultancy role to the British Medical Association. He was one of the founding members of the Primary Care Premises Forum and is now their joint Chairman. Mr. Hearle is resident in the UK.

Mr. Hearle was appointed to the Board in September 2006.

→ **Shelagh Mason**
Non-Executive Director
Shelagh Mason (aged 55) is an English property solicitor with 30 years experience in commercial property. She is currently a consultant to Collas Crill specialising in English commercial property, prior to this she was a Partner in Spicer and Partners Guernsey LLP. Her last position in the United Kingdom was as a senior partner of Edge & Ellison. For two years until 2001 she was Chief Executive of a property development company active throughout the United Kingdom and the Channel Islands. Mrs. Mason is a member of the board of directors of Standard Life Investment Property Income Trust, a property fund listed on the London Stock Exchange and a non-executive director of The Renewables Infrastructure Group Limited, an investment company with a portfolio of fully operational onshore wind and solar energy projects in Northern Europe, listed on the London Stock Exchange. She is also a non-executive director of the Channel Islands Property Fund which is listed on the Channel Islands Stock Exchange and also holds other non-executive positions. She is a past Chairman of the Guernsey Branch of the Institute of Directors and a member of the Chamber of Commerce and the Guernsey International Legal Association. Mrs. Mason is resident in Guernsey.

Mrs. Mason was appointed to the Board in September 2006.

→ **Steve Le Page**
Non-Executive Director
Steve Le Page (aged 58) is a Chartered Accountant and a Chartered Tax Adviser. Mr. Le Page was a partner with PwC in the Channel Islands from 1994 until his retirement in September 2013. During his career his main role was as an audit partner working with a wide variety of financial services businesses and structures, including many listed investment funds. Mr. Le Page also led that firm's Audit and Advisory businesses for approximately ten years, and for five of those years was the Senior Partner (equivalent to Chief Executive) for the Channel Islands firm. Since his retirement, Mr. Le Page has built a small portfolio of non-executive director roles, including the listed funds BlueCrest AllBlue Fund Limited and Volta Finance Limited, both of which he serves as Chairman of the Audit Committee. He also has a role advising the States of Guernsey about certain local infrastructure related businesses. He is a past Chairman of the Guernsey International Business Association and a past President of the Guernsey Association of Chartered and Certified Accountants. Mr. Le Page is resident in Guernsey.

Mr. Le Page was appointed to the Board in November 2014 and is due to become Audit Committee Chairman from December 2014.

REPORT OF THE DIRECTORS

Principal activities

MedicX Fund Limited is a closed-ended investment company and was incorporated in Guernsey on 25 August 2006. The Ordinary Shares were admitted to the Official List on 2 November 2006. The Company is the holding company of a number of subsidiaries (together the "Group"). The Group invests in properties in accordance with the Company's investment objectives and policies.

The investment objective is to achieve rising rental income and capital growth from the ownership of a portfolio of mainly modern, purpose built, primary healthcare properties in the United Kingdom.

Business review

A review of the business and future developments is contained in the Chairman's statement and Investment Adviser's report. The principal risks and uncertainties are detailed on page 29.

Results and dividends

The results for the year are shown on page 33. One quarterly dividend of 1.425p per Ordinary Share was paid in December 2013, and three quarterly dividends of 1.45p per Ordinary Share were paid in March, June and September 2014. The Directors have approved a further quarterly dividend of 1.45p per Ordinary Share to be paid on 31 December 2014.

The Company introduced a scrip dividend scheme with effect from the quarterly dividend paid in June 2010, whereby shareholders that qualify for a dividend have the opportunity to receive the dividend as new Ordinary Shares instead of cash, and as such all dividends paid during the year were subject to the scheme. The quarterly dividend to be paid on 31 December 2014 will also be subject to this scheme. The amounts disclosed for dividend payments are the cash equivalent values.

As at 30 September 2014, the Ordinary Share price was 83.5p.

Share issues

Net proceeds of £47.6 million were raised in the placing and open offer completed on 25 October 2013.

Immediately following the issue of shares pursuant to the placing and open offer on 25 October 2013, the Company repurchased 20 million of its own shares at 75.0 pence per share to hold in treasury. Shares from treasury are available to be sold to satisfy demand for the Company's shares at the prevailing market price, and utilised to satisfy the demand for shares in lieu of cash payment of dividends in the same manner as seen in previous periods.

Ordinary Shares of no par value were issued for cash during the year generating net proceeds of £8.7 million, excluding the impact of shares issued in lieu of dividends under the Scrip Dividend Scheme of £3.2 million and those issued under the placing and open offer detailed above. All issues for cash are detailed in note 13.

Financial instruments

The Group utilises financial instruments in its operations. The financial instruments of the Group at both 30 September 2014 and 30 September 2013 comprised trade receivables and payables, other debtors, cash and cash equivalents, non-current borrowings and current borrowings and financial derivatives. Other than its fixed interest rate debt facilities, for which a mark to market calculation is detailed in note 12, it is the Directors' opinion that the carrying values of all financial instruments on the statement of financial position is equal to their fair value.

Following the completion of the drawdown of the GE Capital variable interest rate debt facility a floating-to-fixed interest rate swap for the notional value of £23.7 million was entered into with the lender to fix the interest rate on terms matching the underlying loan. Combined with an additional floating-to-fixed interest rate swap for the notional value of £7.5 million entered into in November 2011, these swaps fully cover the floating interest rate risk of the total loan facility. The swaps, which are the only swaps the Group has, were entered into following draw down and effectively fix the interest rate for the full term of the loan. These swaps are treated as effective hedges, with movements in their fair value between period ends being recognised in other comprehensive income. On 28 November 2014, these swaps were fully repaid when the underlying loan was repaid.

No other financial instruments of the Group were hedged during the year ended 30 September 2014. For a more detailed analysis of the Group's financial risk management please refer to note 17.

Taxation

The Company has obtained exempt company status in Guernsey under the Income Tax (Exempt Bodies) (Guernsey) Ordinance 1989 and the Company is not, therefore, liable to taxation in Guernsey.

The Guernsey registered subsidiaries holding property in the United Kingdom are subject to UK tax on income arising on investment properties situated in the UK, after deducting allowable finance costs, capital allowances and expenses. The UK registered subsidiaries are subject to UK corporation tax on their profits.

Management

In common with most investment funds, the Company does not have any employees. The Board has appointed the Investment Adviser to provide investment advice and to manage the property portfolio and the associated day to day activities for the Company, including management of tenanted properties, accounting and marketing activities. An independent Administrator has been appointed to undertake the secretarial and other administrative duties of the Company.

The Investment Adviser to the Company is Octopus Healthcare Adviser Ltd (formerly MedicX Adviser Ltd), which is authorised and regulated by the Financial Conduct Authority and is a subsidiary of Octopus Healthcare group. Octopus Healthcare group is a specialist investor, developer and manager of healthcare properties. Octopus Healthcare Adviser Ltd is incorporated in England and Wales and is authorised by the Financial Conduct Authority to carry out certain investment advisory activities.

After an initial seven year period (which can be extended on a three year rolling basis), the investment adviser and property management agreement is terminable on a twelve month notice period. On 23 July 2012 the Company agreed to extend the appointment of the Investment Adviser by a further three years until 2 November 2016, with notice required in November 2015, under the existing provisions of the Investment Adviser agreement.

REPORT OF THE DIRECTORS (CONTINUED)

The duties of the Investment Adviser include the sourcing of investment opportunities that meet the investment criteria of the Fund, controlling the acquisition and development of approved projects to completion, management of all complete properties within the portfolio, provision of accounting and management reporting services, maintaining the compliance with all relevant rules and regulations, and providing marketing and investor relations services to the Company. Under the agreement, the Investment Adviser has the ability to delegate certain property management responsibilities to other suitable companies on terms such that the Investment Adviser remains responsible for the performance of those responsibilities.

The Investment Adviser receives a base fee of 0.75% of the Fund's healthcare property assets excluding cash up to an asset value of £300 million subject to a minimum fee of £2.25 million, 0.65% of assets between £300 million and £500 million, 0.5% of assets between £500 million and £750 million, 0.4% of assets between £750 million and £1 billion, and 0.33% of assets over £1 billion. In addition to this, the Investment Adviser is entitled to a property management fee of 3% of all passing rents up to £25 million and 1.5% of passing rents over £25 million of properties under management, a corporate acquisition fee of 1% of the assets acquired in any corporate transaction, and a performance fee of 15% of the total shareholder return in excess of 10% per annum compounded hurdle rate and subject to a high watermark. For the calculation of the performance fee, the average share price for the month of September is used to calculate the total shareholder return rather than the closing share price on the last day.

Further details of the services contract between the Company and the Investment Adviser are described in note 19 of the financial statements.

The performance of the Investment Adviser has been reviewed on an ongoing basis throughout the year by the Board at its quarterly meetings. The Board considers a number of factors including investment performance, the quality and quantity of investment opportunities presented, the skills and experience of key staff and the capability and resources of the Investment Adviser to deliver satisfactory performance for the Company. The Board are satisfied with the performance of the Investment Adviser and consider its continued appointment to be in the best interests of the Company and its shareholders.

The Company has appointed International Administration Group (Guernsey) Limited as its Administrator. This company is a specialist administrator for investment funds, providing support functions and expertise tailored for this industry.

The Administrator acts as administrator and secretary of the Company and its subsidiaries. The Administrator receives an aggregate annual fee of £67,000 for corporate secretarial services and administration services. It is also entitled to additional fees for the duties carried out during equity and debt raising activities, and a set fee of £1,000 for each corporate acquisition. The agreements are terminable on 90 days notice.

The duties of the Administrator include the maintenance of all Company and subsidiary books and records, excluding those maintained by the Investment Adviser, compliance with all relevant rules and regulations, monitoring compliance with the Company's Articles of Incorporation and other administrative duties as required. In conjunction with the Investment Adviser, the Administrator is also responsible for monitoring adherence to the investment restrictions as set in the Company's investment policy on page 15.

The performance of the Administrator has been reviewed on an ongoing basis throughout the year by the Board at its quarterly meetings. The Board considers a number of factors including performance of duties, the skills and experience of key staff, and the capability and resources of the Administrator to deliver the satisfactory performance for the Company. The Board are satisfied with the performance of the Administrator and consider its continued appointment to be in the best interests of the Company and its shareholders.

Directors

The members of the Board are listed on page 18.

The Board consists solely of non-executive directors each of whom is independent of the Investment Adviser; the composition of the Board is four male directors and one female director. The Company has no executive directors or employees.

The Board has assessed its performance using the AIC recommendations, in accordance with the procedure described in the Corporate Governance statement on page 24, which includes reviewing the structure, composition and size of the Board, plus the experience and independence of individual directors, and also includes an assessment of the Chairman. The Board are satisfied that the current structure is appropriate and meets the needs of the business, and that all Directors are independent.

The Directors have beneficial interests in the following number of shares in the Company at the date of this report:

	8 Dec 2014	30 Sep 2014	30 Sep 2013
D Staples (Chairman)	**79,862**	79,862	63,965
S Mason	**26,727**	26,727	18,244
C Bennett (Audit Committee Chairman)	**10,573**	10,573	9,063
J Hearle	**26,082**	26,082	20,890
S Le Page	**–**	–	–
Total	**143,244**	143,244	112,162

No director is under a contract of service with the Company. Details of directors' remuneration are described in the Directors' remuneration report on page 28 and in note 2 to the financial statements.

Substantial shareholdings

At the date of this report the Directors are aware of the following registered holdings in the share capital of the Company that exceeded 3% of the issued share capital of the Company:

	Number of Ordinary Shares	Percentage of Ordinary Shares in issue
Investec Wealth & Investment Limited	38,285,732	10.80%
CCLA Investment Management Limited	32,139,279	9.07%
Brewin Dolphin Limited	24,078,123	6.79%
F&C Asset Management plc	20,916,837	5.90%
Architas Multi Manager Limited	18,003,471	5.08%
East Riding of Yorkshire Council	11,000,000	3.10%
Premier Fund Managers Limited	10,968,147	3.09%

Auditor

So far as each of the Directors is aware at the time the report is approved:

- there is no relevant audit information of which the Company's Auditor is not aware of; and
- the Directors have taken all steps they ought to have taken to make themselves aware of any relevant audit information and to establish that the Auditor is aware of that information.

KPMG LLP has expressed its willingness to continue to act as auditor of the Company and a resolution for their re-appointment will be proposed at the 2015 Annual General Meeting.

Alternative Investment Fund Management Directive (AIFM Directive)

As described on page 26, the Company is categorised as a Non-EU Alternative Investment Fund ("AIF") for the purposes of the AIFM Directive. It has elected to be its own AIF Manager for this purpose and registered under the Directive's private placement regime in the UK with effect from 22 July 2014.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the results overview in the Chairman's statement. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Investment Adviser's report. In addition, notes 17 and 23 to the financial statements include the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

Details of the loan facilities and covenants are contained within note 12 of the financial statements.

At 30 September 2014, the Group had net current liabilities, as the GE Capital real estate loan was due for repayment in April 2015. However, the Group repaid the GE Capital real estate loan on 28 November 2014 by drawing down £25 million of the RBS revolving loan facility and utilising existing cash reserves. The Group expects to repay the RBS revolving loan facility when the second tranche of the loan note facility cash of £35 million is received on 12 December 2014.

The Group has cash reserves and assets available to secure further funding together with long term leases across different geographic areas within the United Kingdom. The Directors have reviewed the Group's forecast commitments, including ongoing commitments to development projects and proposed acquisitions, against the future funding availability, with particular reference to the utilisation and continued access to existing debt facilities and access to restricted cash balances. The Directors have also reviewed the Group's compliance with covenants on lending facilities.

The Group's financial forecasts show that it can remain within its lending facilities and meet its financial obligations as they fall due for the foreseeable future. The Directors also believe that the Group is well placed to manage its business risks successfully in the current economic environment. Accordingly, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

The Report of the Directors has been prepared in accordance with The Companies (Guernsey) Law, 2008.

Shelagh Mason

9 December 2014

REPORT OF THE AUDIT COMMITTEE

Introduction

The Audit Committee (the "Committee") is chaired by Christopher Bennett and the other members are David Staples, Shelagh Mason and Steve Le Page who was appointed in November 2014. The Board consider that the inclusion of the Chairman of the Board on the Audit Committee is appropriate due to the small size of the Board, and in order that the members of the Committee can benefit from Mr. Staples' professional qualifications and experience. Following the publication of these financial statements the intention is for Christopher Bennett to retire from the Board of Directors and to step down as Audit Committee Chairman, at which point Steve Le Page will take his place as Chairman. The Committee operates within its terms of reference as determined by the Board and as published on the Company website. During the year, the Audit Committee carried out its duties as specified in the terms of reference including the reappointment of the external auditor, the reappointment of the internal auditor, monitoring the performance of both, reviewing the financial statements of the Company together with the results and scope of the audit, and setting and monitoring the Company's system of internal controls. It is within the Committee's terms of reference for its members to seek independent professional advice, at the Company's expense, as required in the furtherance of their duties.

The Committee meets at least three times a year and meets the internal and external auditor at least annually without the Investment Adviser. Attendance by the Committee's members at the meetings held in the year to 30 September 2014 is noted on page 25. The Committee reviews the performance and continued suitability of the Fund's external auditor on an annual basis. It assesses the external auditor's independence, qualifications, relevant experience, and effectiveness of audit procedures as well as the robustness of their quality assurance procedures. In advance of each audit, the Committee obtains confirmation from the external auditor that they are independent and of the level of non-audit fees earned by them and their affiliates.

The general intention of the Committee is to avoid the provision of non-audit services by the auditor, other than the review of the interim financial statements, as these have the potential to compromise the independence of the auditor. The Committee acknowledges that in certain situations it may be appropriate for the external auditor to provide such services to the Group for a variety of reasons including cost effectiveness, depth of knowledge and the on-going relationship between the Board and the external auditor. Where non-audit fee levels are considered significant, the Committee considers the appropriateness of the independence safeguards put in place by the auditor.

Note 3 details the total fees paid to KPMG LLP in the financial year ended 30 September 2014. The Committee considers KPMG LLP to be independent of the Company and the Group.

Auditor appointment

KPMG LLP were appointed as the independent auditor to the Company, with effect from 17 June 2013.

As part of its annual review procedures, the Committee obtained sufficient assurance on the quality of the external audit from its own evaluation, the audit feedback documentation and from correspondence and discussion with the audit partner and the Investment Adviser.

In addition, the Company currently intends to put the external audit out to tender at least once every ten years.

There is no formal third party process for evaluation of the performance of the Committee. The Committee did, however, conduct an evaluation of its own performance during the year, in accordance with the AIC guidelines. Following the review, the Committee is satisfied with its performance, that the structure of the Committee is appropriate and that there are no areas where a significant lack of relevant experience exists. The Committee does however look forward to the introduction of Steve Le Page who brings significant recent audit experience with his appointment.

Internal control

The Audit Committee has in place a formal procedure for identifying, evaluating and monitoring the risks most likely to impact the Group, with the key risks listed on page 29 of this Annual Report.

The Committee are mindful of these key risks as well as considering evolving risks such as cyber security and political risk which have the potential to affect the Company. The Committee ensures that the Board takes appropriate advice and debates the issues facing the Company.

The Committee uses a matrix to record internal and external risks that are graded high, medium or low both in relation to their likelihood and their impact and the control processes used to mitigate those risks, setting out the parties responsible for the processes. At each Audit Committee meeting, the matrix is reviewed and updated for changes to the risk profile or processes. The Committee is provided with status updates relating to any matters arising from previous meetings.

In addition to the formal review of risk at the regular Committee meetings, the Committee operates the following key controls in relation to financial reporting:

- Regular performance and compliance reports from the Investment Adviser, Administrator, Compliance Officer and Broker are reviewed by the Committee;
- The internal processes of the Investment Adviser are subjected to regular review by the Internal Auditor under the direction of the Audit Committee; and
- The information contained within the annual report, other financial reports and returns to regulators is reviewed separately by the Audit Committee prior to consideration by the Board.

The Company's internal control procedures are regularly monitored by the Audit Committee and oversight is enhanced by the continued appointment of Roffe Swayne, an independent firm of accountants acting as internal auditor during the year. The scope of the internal audit reviews are determined by the Audit Committee to ensure full coverage of key risk areas. The internal auditor continued its programme of rolling reviews during the year to 30 September 2014 and reported its findings to the Committee. No material weaknesses have been identified as a result of the work carried out to date. Recommendations from the internal auditor for improvements to control processes are reviewed by the Audit Committee and acted upon if considered appropriate.

At each Board meeting, the Board receives reports from the Investment Adviser, the Administrator, the Compliance Officer and the Broker in respect of compliance activities, Group financial performance and financial position. The Board annually reviews performance of key service providers such as the Investment Adviser, the Administrator and the Broker, to ensure adherence to service agreements. The Directors believe that the control procedures in place combined with internal and external audits and independent quarterly valuations by independent Chartered Surveyors adequately safeguard the Group's assets.

After discussion with both the Investment Adviser and the external auditor, the Committee has determined that the key risks of misstatement of the group financial statements relate to the valuation of investment property.

This issue was discussed with the Investment Adviser during the year and with the external auditor at the time the Committee reviewed and agreed the external auditors' group audit plan, when the external auditor reviewed the half year interim financial statements in May 2014 and also at both the planning stage and conclusion of the independent audit of the financial statements.

Valuation of investment properties

As further explained in note 9 to the financial statements, the approach adopted is to recognise investment property at fair value, the fair value of the property being based on valuations performed by independent valuers, Jones Lang LaSalle Limited. The revaluation of investment property gave rise to net revaluation gains of £11.6 million in the year.

At the Audit Committee meeting in September 2014, Jones Lang LaSalle Limited were invited to give a presentation on the methodology applied in preparing their property valuation appraisals. Following this presentation, the Committee determined that they were satisfied with the methodology, assumptions and robustness of the process which is underpinned by Jones Lang LaSalle's independence.

The Investment Adviser confirmed to the Committee that the method of valuation has been applied consistently throughout the year and none of the Committee's other enquiries, nor the auditors work, identified any errors or inconsistencies that were material in the context of the financial statements as a whole.

The Investment Adviser also informed the Committee that during the course of the year the external valuer was regularly challenged on the assumptions used in the valuation of the Fund's portfolio, to ensure robust and appropriate methods were being applied.

Misstatements

The Investment Adviser confirmed to the Committee that they were not aware of any material misstatements or immaterial misstatements made intentionally to achieve a particular presentation. The external auditor reported to the Committee the misstatements that they had found in the course of their work and no material amounts remain unadjusted. The Committee confirms that it is satisfied that the auditor has fulfilled its responsibilities with diligence and professional scepticism.

Having reviewed the presentations and reports from the Investment Adviser and having consulted where necessary with the external auditors, the Committee is satisfied that the financial statements appropriately address the critical judgements and key estimates, both in respect of the amounts reported and the disclosures. The Committee is also satisfied that the significant assumptions used for determining the value of assets and liabilities have been appropriately scrutinised and challenged and are sufficiently robust.

Christopher Bennett
Audit Committee Chairman

9 December 2014

CORPORATE GOVERNANCE STATEMENT

Introduction

The Board has put in place a framework for corporate governance which it believes is appropriate for an investment company and which will enable the Company to comply with the relevant provisions of the UK Corporate Governance Code issued in September 2012 by the Financial Reporting Council (the “Code”). As a member of the Association of Investment Companies (the “AIC”) the Board of MedicX Fund Limited has considered the principles and recommendations of the AIC Code of Corporate Governance (AIC Code) by reference to the AIC Corporate Governance Guide for Investment Companies (AIC Guide). The AIC Code, as explained by the AIC Guide, addresses all the principles set out in the UK Corporate Governance Code, as well as setting out additional principles and recommendations on issues that are of specific relevance to the Company.

The Board considers that reporting against the principles and recommendations of the AIC Code, and by reference to the AIC Guide (which incorporates the UK Corporate Governance Code), will provide better information to shareholders.

The Company has complied with the recommendations of the AIC Code and the relevant provisions of the UK Corporate Governance Code, except as set out below.

The UK Corporate Governance Code includes provisions relating to:

- the role of the chief executive
- executive directors’ remuneration

For the reasons set out in the AIC Guide, and as explained in the UK Corporate Governance Code, the Board considers these provisions are not relevant to the position of MedicX Fund Limited, being an investment company with an external investment adviser. In particular, all of the Company’s day-to-day management and administrative functions are outsourced to third parties. As a result, the Company has no executive directors, employees or internal operations. The Company has therefore not reported further in respect of these provisions.

The Board

The Company’s Board, of which David Staples is Chairman, is comprised solely of non-executive directors. No separate senior independent director has been appointed as in the view of the Directors it is inappropriate to do so given the size and composition of the Board. Each of the Directors is considered to be independent of the Investment Adviser, Octopus Healthcare Adviser Ltd and directors’ independence is subject to review as part of the Board’s annual performance evaluation.

There are no executive directors or employees of the Company. The Investment Adviser agreement establishes the areas of authority that have been delegated to the Investment Adviser, but remain under the supervision of the Board, and the limits on the Investment Adviser’s scope of operation whereby Board approval must be sought. All other areas outside the agreement remain under Board authority. These areas include all strategy matters, investment and divestment policies and approvals, financing and dividend policies and corporate governance processes.

The appointment letter for each director requires them to retire and stand for re-appointment every three years. One third of the Directors will retire by rotation each year and present themselves for re-election. Having considered feedback from shareholders, the Board has decided that it is appropriate for each director to stand for re-appointment annually, and will do this at the next AGM, with the exception of Christopher Bennett who intends to retire from the Board following the signing of these financial statements.

The Board meets formally at least five times a year and receives full information on financial performance and financial position along with other relevant information on a timely basis ahead of meetings and on an ongoing basis throughout the year. These meetings include a review of the investment performance and associated matters such as portfolio performance, gearing, cash management, marketing, investor relations, peer group information and industry developments amongst other things. One meeting a year is dedicated to an annual review of the Company’s position, long term performance objectives and strategy.

In addition to the formal meetings, the Board convenes as required to discuss, assess and, where appropriate, approve opportunities for investment or divestment, approval of dividends to shareholders and any other matters of corporate governance where a meeting of the Board is considered necessary.

The performance of the Board is assessed annually, and once every three years it intends to use the services of a third party facilitator following the principles outlined by the AIC. In particular the following areas are assessed:

- Size of the Board;
- The relevant expertise and composition of the Board;
- The performance of individual directors and the Board as a whole;
- The independence of the Directors and the Board as a whole;
- The training and development needs of each Director; and
- The frequency and effectiveness of Board meetings.

The Company maintains a policy that the Board has a balance of skills that are complementary and assist in the efficient operating of the Board. This involves an assessment of the formulation of the Board and its committees, including the diversity and gender balance of the Board.

As part of the annual assessment, the performance of the Chairman is assessed by the Board, with the review led by the Chairman of the Audit Committee.

The findings from the review were presented and discussed by the Board and it was agreed that the current composition of the Board and its committees is appropriate and that there are no areas where a significant lack of expertise exists. The Directors consider that the Board as a whole is functioning effectively and the structure of the Board is appropriate.

Training and development for Directors includes all aspects of the business, and incorporates such matters as environmental, social, financial, regulatory and governance issues as they affect the Company. There is a policy in place whereby new directors will receive an induction from the Chairman, Investment Adviser and Company Secretary on joining the Board and all directors receive relevant training as necessary.

Each member of the Board is subject to removal without notice under the Articles. As each Director's letter of appointment allows for termination on three months' notice, in cases of poor performance the Chairman or shareholders could remove a director without the Company incurring a substantial compensation liability.

Appropriate directors' and officers' liability insurance is maintained by the Company.

Committees of the Board

The Company does not maintain nomination, management engagement or remuneration committees.

A nomination committee is not considered necessary, as all the non-executive directors are contributors to nomination discussions regarding the appointment of new Board members. The Board policy is that decisions regarding appointments include the consideration of a wide number of factors including the experience, aptitude and motivation for the role and overall fit with the Board taking into account best practice with regards to board diversity.

Following Christopher Bennett's notification that he intended resigning from the Board, a selection process was undertaken having given due consideration to the appropriate skills and experience required for the role on the Board and as Chairman of the Audit Committee and having regard to the overall Board composition.

A management engagement committee is not considered necessary as all the non-executive directors are considered independent of the Investment Adviser, and are contributors to the assessment of the Investment Adviser's performance and discussions surrounding the continued appointment of the incumbent.

Similarly, all the Directors are party to remuneration reviews and are paid fees as set out in their letters of appointment, and any such discussion is led by the Chairman except in relation to his own fees whereupon the Audit Committee chairman leads. The Directors' fees are set with regard to those of comparable investment companies and also take into account factors such as complexity, time requirements and responsibilities of the roles. For further information, refer to the Directors' remuneration report on page 28.

The numbers of scheduled Board and Audit Committee meetings held during the year to 30 September 2014 along with the attendance of the Directors were:

	Board of Directors	
	Scheduled	
	Held	Attended
D Staples	5	5
C Bennett	5	5
S Mason	5	5
J Hearle	5	5

	Audit Committee	
	Scheduled	
	Held	Attended
D Staples	3	3
C Bennett	3	3
S Mason	3	3
J Hearle [1]	3	3

1 J Hearle was not a member of the Audit Committee, but was in attendance

In addition a number of ad hoc meetings were held during the year.

All of the Directors have assessed their other ongoing commitments and are satisfied that they can commit the time necessary to execute their duties to the Fund. The Directors table their directorships and other major commitments each quarter for discussion and consideration by the Board, to monitor that sufficient time is available for each Director to devote to their duties.

Independence of Directors

As part of the annual assessment of the Board, the independence of all Directors has been reviewed in accordance with the guidelines in the AIC Code. As part of its policy, the Board does not consider that length of service will necessarily compromise the independence or effectiveness of directors and as such no limit has been placed on the overall length of service. Rather the Board considers that such continuity and experience can be of significant benefit to the Company and its shareholders. However, in accordance with best practice, the Board has determined that all directors will stand for re-election on an annual basis.

There is no concern that the independence of the Directors has been compromised by length of service. The Board are mindful its members' individual skill sets and length of service and the consequence this has on succession planning for the medium and longer term success of the Company. Succession planning is regularly discussed at board meetings. The longest serving directors are Mr. Hearle, Mrs. Mason and Mr. Bennett who have all served on the Board for approximately eight years. As stated above Mr. Bennett is retiring from the Board on 10 December 2014 and Mr. Le Page was appointed in November 2014.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

All Directors are considered to be independent in character and judgement in general, and specifically of the Investment Adviser. In particular the status of Mr. Hearle has been reviewed given the nature of the relationship between the Investment Adviser and Aitchison Raffety, a company of which he is Chairman, which is a supplier, on a non-exclusive basis, of professional services to both the Investment Adviser and the Company. The fees paid to Aitchison Raffety in the year were £58,000 (2013: £99,000) to negotiate rent reviews and to act as agent for the disposal of properties. This represents less than 1% of the overall fees of Aitchison Raffety for the year. The Board are satisfied that Mr. Hearle is independent of the Investment Adviser despite this relationship as Mr. Hearle is sufficiently removed from the teams that perform the work for the Investment Adviser and the Company, and there are several other suppliers of similar professional services currently engaged by the Investment Adviser or the Company. The Board is also satisfied that appropriate procedures are in place to deal with any conflicts of interest that may arise.

Conflicts of interest

All Directors have a statutory responsibility to avoid situations where a conflict of interest exists, or may exist, between the Company and an entity that the director is either directly or indirectly involved with. The Board has procedures in place to identify potential conflicts and resolve any that should arise. In the case of a conflict of interest, the nature and extent of the conflict are assessed against the existing internal control structure, and the results of this assessment and actions taken to resolve the conflict are documented in the minutes of the relevant Board meeting. No conflicts of interest arose during the year outside those arising from Mr. Hearle's position with Aitchison Raffety, as noted above, which were handled appropriately.

Health and safety

Health and safety is of prime importance to the Group and is considered equally with all other business management activities to ensure protection of stakeholders, be they tenants, developers, advisers, suppliers, visitors or others.

The Group is committed to fostering the highest standards in health and safety as it believes that all unsafe acts and unsafe conditions are preventable. All our stakeholders have a responsibility to support the aim of ensuring a secure and safe environment, and all our stakeholders are tasked with the responsibility for achieving this commitment.

Alternative Investment Fund Management Directive (AIFM Directive)

The Company is categorised as a Non-EU Alternative Investment Fund ("AIF") for the purposes of the AIFM Directive. It has elected to be its own AIF Manager for this purpose. The Company has registered under the Directive's private placement regime in the UK with effect from 22 July 2014 which allows the Company to market its shares in the UK after 21 July 2014 as an internally-managed, non-EU AIF, provided certain disclosure and compliance requirements are met.

The Company complies with such requirements by virtue of its adherence with legal and regulatory requirements of Guernsey law, the UK Listing Rules, International Financial Reporting Standards, the UK Corporate Governance Code and the principles and recommendations of the Association of Investment Companies Code of Corporate Governance. The relevant disclosures to investors are made annually and periodically via company reports, results presentations, regulatory announcements and through the Company's website.

Under the directive, the Company's audited Annual Report must contain a statement of financial position, an income statement, a report on activities, a report on any material changes in the information disclosed to investors and details of remuneration. During the year, the Company published on its website new information related to the AIFM directive, which is available to current and potential investors. This is the only material change in information disclosed generally to investors because as explained above, the Company already met the majority of the requirements.

Corporate responsibility

The Group regards corporate responsibility as integral to how it conducts its business. It is committed to being a good corporate citizen and behaving responsibly with a demonstrated transparency of approach.

To achieve this goal, the Group applies the following principles to its operations:

Business conduct

The Group's investment decisions are made on the basis of generating shareholder value and ensuring the long term success of the business. The selection of suppliers will be made independently by the Group's Directors upon advice from the Investment Adviser and in the best interests of the Group. The Board will ensure that appropriate controls are in place to guarantee independence from the supply chain.

All suppliers will be treated fairly and responsibly.

The Group will not provide financial support to political parties or politicians.

The Group is resolutely opposed to bribery and corruption. The Group will not use any illegal or improper means to further its business interests, nor will it accept any forms of inducements intended to influence its investment decisions.

The Group anti-corruption policy is set out on its website (http://www.medicxfund.com/who-we-are/anti-corruption-policy).

Governance

The Group will protect the interests of its shareholders and other stakeholders through compliance with relevant legal and regulatory environments, and through effective management of business risk and opportunity.

The Board will ensure that its members are truly independent, are competent and have the resources and support required to perform their duties optimally, and that the Board's decisions are made in the best interests of the Group. The performance of the Board will be regularly reviewed, and directors will retire as and when deemed appropriate by the Board in accordance with best practice.

Financial reporting

The Board operate the following key controls in relation to financial reporting:

- Valuation reports are prepared by the external valuer, which are reviewed by the Board on a quarterly basis;
- The Board and Committee members review monthly management reports and supporting documents that are provided by the Investment Adviser including comparison to budget and forecast as well as key performance indicators;
- The Board has procedures in place for the approval of expenses and payments to third parties; and
- The Committee members and Board review all financial information and announcements prior to publication.

Supply chain

Suppliers are expected to conduct their activities to the same responsible standards as the Group, and in compliance with all relevant national and international laws.

The selection of suppliers will take into account their status as fit and proper organisations. This will include suppliers' management of corporate responsibility related issues, such as health and safety, and environmental matters.

The Group will monitor its suppliers with regard to their business conduct, including their management of corporate responsibility related risks and opportunities, and, when appropriate, may seek to work with suppliers to address issues perceived by the Group as potentially having an impact on the value of the Group's portfolio. It is in the interest of the Group to encourage good business conduct in its supply chain, so as to help protect and enhance the value of the Group's portfolio. On this basis, the Group will work with its suppliers to ensure that its portfolio functions effectively, meeting the needs of tenants, service users and local communities, and with minimal negative impact on the environment.

Transparency

The Company aims to be transparent, and to ensure that it communicates with its shareholders and other stakeholders in a manner that enhances their understanding of its business.

The Group maintains accounting documentation that clearly identifies the true nature of all business transactions, assets and liabilities, in line with the relevant regulatory, accounting, and legal requirements. No record or entry is knowingly false, distorted, incomplete, or suppressed.

All reporting is materially accurate and complete and in compliance in all material respects with stated accounting policies and procedures. The Group does not knowingly misstate or misrepresent management information for any reason, and the Group expects the same to apply to its suppliers.

The Group may be required to make statements or provide reports to regulatory bodies, government agencies or other government departments, as well as to the media. The Group ensures that such statements or reports are correct, timely, and not misleading, and that they are delivered through the appropriate channels.

The Group provides through its website, www.medicxfund.com, its annual report, other statements and appropriate information to enable shareholders and stakeholders to assess the performance of its business. The Group complies with the applicable laws and regulations concerning the disclosure of information relating to the Group.

Communities

The Group aims to ensure that its projects, which are associated with the provision of health services, provide significant value-adding facilities in the communities where it invests. The Group aims to ensure that its projects are applied optimally for the use and benefit of communities. It will encourage its suppliers to work with the communities local to its projects to ensure that this goal is achieved.

Relations with shareholders

The Board welcomes shareholders' views and places great importance on communication with the shareholders of the Company. The Board is responsible for the content of communication regarding corporate issues and for communicating its views to shareholders. The Board aims to ensure that shareholders are provided with sufficient information to understand the risk/reward balance to which they are exposed by the holding of shares in the Company. In addition to the annual and interim reports that are available to shareholders, regularly updated information is available on the company website (www.medicxfund.com), including key policies and procedures and details of the investment property portfolio.

The Board regularly monitors the shareholder profile of the Company. With the majority of shareholders being a combination of institutional investors and private client brokers, the Board receives regular updates on investors' views and attitudes from the Company's broker and the Investment Adviser. During the year several investor update meetings were held between the shareholders and one or more of the Chairman, the Investment Adviser and the broker. The results of these meetings were reported to the Board as part of the formal reporting undertaken by both the Broker and Investment Adviser.

The Board gives due consideration to any corporate governance matters raised by shareholders.

Should any shareholders wish to raise any matter with the Board or Investment Adviser, they can write to the Company at its registered address as disclosed on page 57, or alternatively use one of the contact links on the Company's website (www.medicxfund.com/contact). The Annual General Meeting of the Company also provides a forum where shareholders may discuss issues with the Board and Investment Adviser.

By order of the Board

David Staples
Chairman

9 December 2014

DIRECTORS' REMUNERATION REPORT

The Board presents its Directors' remuneration report in respect of the year ended 30 September 2014.

Remuneration policy

The remuneration policy of the Company is set by the Board.

The remuneration policy of the Company is to pay its non-executive directors fees that are appropriate for the role and the amount of time spent in discharging their duties, that are broadly in line with those of comparable investment companies and that are sufficient to attract and retain suitably qualified and experienced individuals. The Chairman of the Board and the Audit Committee Chairman are entitled to receive fees at a higher level than those of the other directors, reflecting their additional duties and responsibilities. The Directors' fees are not subject to any performance criteria.

As all Directors are non-executive and there are no employees, the Company does not operate any share option or other long term incentive schemes. In addition, the Company has not entered into any service contracts with its Directors, other than letters of appointment, and does not intend to in the future. Therefore, aside from a three month notice period, there are no termination provisions that would be operated in the event of the resignation of any Director. No pension or other retirement benefits schemes are operated by the Company for any of its directors.

Company performance

The Directors believe that total shareholder return is the most appropriate measure of the Company's performance as it is the measurement which is most aligned to the interests of shareholders.

The total shareholder return for the year ended 30 September 2014 was 12.0%, compared with 13.1% for the year ended 30 September 2013.

Directors' remuneration (audited)

The annual remuneration of the Directors is stipulated in the relevant letter of appointment. The Articles of Incorporation restrict the individual remuneration of each director to £75,000 per annum, excluding any amounts payable in accordance with the Articles for extra or special services over the usual non-executive director's duties. There were no other payments for extra or special services in the year ended 30 September 2014.

Total fees paid by the Company in respect of each of the Directors' service were as follows:

	2014 £'000	2013 £'000
D Staples (Chairman)	**51**	46
S Mason	**36**	31
C Bennett (Audit Committee Chairman)	**41**	36
J Hearle	**36**	31
Total	**164**	144

Included in the fees noted above for 2014 is an additional fee of £5,000 per Director (total of £20,000) which was paid in relation to the October 2013 fundraising, reflecting the additional time and duties involved in that exercise. The cost of this was expensed against the share premium arising from the issue of new shares at the time of the fundraising.

During the year, the Directors received dividends on their holdings in the Company as disclosed on page 20. With the Scrip Dividend Scheme in place throughout the year all the Board members, with the exception of Christopher Bennett, elected to receive their dividends in the form of new Ordinary Shares. The cash or cash equivalent value of the dividends received by each director is disclosed in the table below.

	2014 £	2013 £
D Staples (Chairman)	**4,416**	3,472
S Mason	**1,478**	990
C Bennett (Audit Committee Chairman)	**611**	514
J Hearle	**1,442**	1,134
Total	**7,947**	6,110

During the year no salaries, bonuses, compensation or other payments for loss of office or other benefit were paid to any of the Directors or former directors of the Company. In addition, no remuneration was received by any director in a form other than cash. Directors are entitled to be reimbursed for reasonable expenses incurred in the performance of their duties.

The Directors remuneration report has been disclosed voluntarily by the Directors in line with best practice.

The approval of this report by the shareholders of the Company is to be sought by ordinary resolution at the Annual General Meeting to be held on 17 February 2015.

By order of the Board

Shelagh Mason

9 December 2014

PRINCIPAL RISKS AND UNCERTAINTIES

The key risk factors relating to the Group are listed below:

- A property market recession could materially adversely affect the value of properties.
- A rising property market could limit the Company's ability to make appropriate investments which will make an acceptable rate of return for the Fund.
- Property and property related assets are inherently difficult to value and valuations are subject to uncertainty. There can be no assurance that the estimates resulting from the valuation process will reflect actual realisable sale prices.
- Investments in property are relatively illiquid and usually more difficult to realise than listed equities or bonds.
- Any change in the tax status or tax residence of the Company or in tax legislation or practice (in Guernsey or the UK) may have an adverse effect on the returns available on an investment in the Company. Similarly, any changes under Guernsey company law may have an adverse impact on the Company's ability to pay dividends.
- As regards England, prior to April 2013 the rental costs of premises used for the provision of primary healthcare were usually reimbursed to GPs (subject to the fulfilment of certain standard conditions) by PCTs. Currently, NHS England is given the power (pursuant to the Health and Social Care Act 2013 and The National Health Service (General Medical Services – Premises Costs) Directions 2013) to reimburse GPs their rental costs for premises for the provision of primary healthcare, in appropriate cases subject to certain standard conditions being met and having regard to its budgetary targets. In the event that a Clinical Commissioning Group or other tenant found itself unable to meet its liabilities, the Company may not receive rental income when due and/or the total income received may be less than that due under the relevant contract. NHS budgetary restrictions might also restrict or delay the number of opportunities available to the Company.
- Prospective investors should be aware that the Company intends to use borrowings. This may have an adverse impact on NAV or dividends and those borrowings may not be available at the appropriate time or on appropriate terms. In addition, movements in interest rates may affect the cost of financing.
- The Company is in compliance with financial covenants in its borrowing facilities. The Directors consider a breach of the Company's financial covenants under its borrowing facilities to be very unlikely. However, should circumstances arise in the future, where the Company would be unable to remedy any breach, it may be required to repay such borrowings requiring the Company to sell assets at less than their market value.
- The Company is exposed to risks and uncertainties on financial instruments. The principal areas are credit risk (the risk that a counterparty fails to meet its obligations), interest rate risk (the risk of adverse interest rate fluctuations), and liquidity risk (the risk that funding is withdrawn from the business).

Further details of the Audit Committee's risk monitoring activities may be found in the Report of the directors on page 19, the Report of the audit committee on page 22, and the Corporate Governance statement on page 24.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Report of the directors and the financial statements in accordance with applicable law and regulations. They are also responsible for ensuring that the annual report includes information required by the Listing Rules of the Financial Conduct Authority.

Company Law in Guernsey requires the Directors to prepare financial statements for each financial year that give a true and fair view. Under that law the Directors have prepared the financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and in compliance with The Companies (Guernsey) Law, 2008.

In preparing these financial statements the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether the financial statements have been prepared in accordance with IFRS as adopted by the European Union; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy, at any time, the financial position of the Group at that time and enable them to ensure that the financial statements are prepared properly and in accordance with The Companies (Guernsey) Law, 2008. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in Guernsey governing the preparation and dissemination of the financial statements and other information included in annual reports may differ from legislation in other jurisdictions.

The Directors consider that the annual report, taken as a whole is fair, balanced and understandable; and provides the information necessary for shareholders to assess the company's performance, business model and strategy.

The Directors confirm, to the best of their knowledge:

- that the Group financial statements, which have been prepared in accordance with IFRS as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group; and
- that the management report included within the Report of the Directors, the Chairman's statement, the Investment Adviser's report, and the principal risks and uncertainties include a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

The names and functions of all the Directors are stated on page 18.

REPORT OF THE INDEPENDENT AUDITOR

To the members of MedicX Fund Limited

Report of the independent auditor to the members of MedicX Fund Limited Only

Opinions and conclusions arising from our audit

1 Our opinion on the Group financial statements is unmodified

We have audited the Group financial statements of MedicX Fund Limited for the year ended 30 September 2014 set out on pages 33 to 36. In our opinion, the Group financial statements:

- give a true and fair view of the state of the Group's affairs as at 30 September 2014 and of its profit for the year then ended;
- are in accordance with International Financial Reporting Standards as adopted by the European Union; and
- comply with the Companies (Guernsey) Law, 2008.

2 Our assessment of risks of material misstatement

In arriving at our audit opinion above on the financial statements the risk of material misstatement that had the greatest effect on our audit was as follows:

Valuation of investment properties (£503m)

Refer to page 22 (Report of the Audit Committee), pages 39 to 40 (principal accounting policies) and pages 43 to 44 (financial disclosures):

- *The risk* – Investment properties represent 93% of the Group's total assets. This is a key judgemental area of our audit due to the subjective nature of property valuations.
- *Our response* – In this area our audit procedures included, among others, meeting with the Group's external valuers to understand the assumptions and methodologies used in valuing the investment properties. We used our own chartered surveyor to assist us in evaluating the assumptions and methodologies used, by reference to market evidence. As well as comparing key inputs such as rental income and occupancy to current tenancy contracts and leases, we also considered the adequacy of the Group's disclosures about the inputs into the valuations and the sensitivities of the valuations to changes in those inputs.

3 Our application of materiality and an overview of the scope of our audit

The materiality for the Group financial statements as a whole was set at £5.4m, determined with reference to a benchmark of total Group assets, of which it represents 1%.

In addition, we applied materiality of £830,000 to rental income, finance costs, performance fees and investment advisory fees for which we believe misstatements of lesser amounts than materiality for the financial statements as a whole could be reasonably expected to influence the Company's members' assessment of the financial performance of the Group.

We report to the Audit Committee any corrected and uncorrected identified misstatements exceeding £270,000, in addition to other identified misstatements that warranted reporting on qualitative grounds.

The accounting for the Group's operations is carried out at the Investment Adviser's head office in Godalming, UK. The Group audit team performed the audit of the Group as if it was a single aggregated set of financial information. The audit was performed using the materiality levels set out above and covered 100% of total Group revenue, Group profit before taxation, and total Group assets.

4 We have nothing to report in respect of the matters on which we are required to report by exception

Under ISAs (UK and Ireland) we are required to report to you if, based on the knowledge we acquired during our audit, we have identified other information in the annual report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading.

In particular, we are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our audit and the Directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy; or
- the Report of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

Under the Companies (Guernsey) Law, 2008, we are required to report to you if, in our opinion:

- the Company has not kept proper accounting records; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations, which to the best of our knowledge and belief are necessary for the purpose of our audit.

Under the Listing Rules we are required to review the part of the Corporate Governance Statement on pages 24 to 27 relating to the Company's compliance with the nine provisions of the 2010 UK Corporate Governance Code specified for our review.

We have nothing to report in respect of the above responsibilities.

REPORT OF THE INDEPENDENT AUDITOR (CONTINUED)

To the members of MedicX Fund Limited

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 30, the Directors are responsible for the preparation of Group financial statements which give a true and fair view. Our responsibility is to audit, and express an opinion on, the Group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the UK Ethical Standards for Auditors.

Scope of an audit of financial statements performed in accordance with ISAs (UK and Ireland)

A description of the scope of an audit of financial statements is provided on our website at www.kpmg.com/uk/auditscopeother2014. This report is made subject to important explanations regarding our responsibilities, as published on that website, which are incorporated into this report as if set out in full and should be read to provide an understanding of the purpose of this report, the work we have undertaken and the basis of our opinions.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with section 262 of the Companies (Guernsey) Law, 2008. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Bill Holland
For and on behalf of KPMG LLP
Chartered Accountants and Recognised Auditor
15 Canada Square
Canary Wharf
London
E14 5GL

9 December 2014

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 September 2014

	Notes	2014 £'000	2013 £'000
Income			
Rent receivable	1	**28,085**	24,201
Other income	1	**1,403**	1,336
Total income		**29,488**	25,537
Realised and unrealised valuation movements			
Net valuation gain on investment properties	9	**11,649**	248
(Loss)/gain on disposal of investment properties	9	**(23)**	156
		11,626	404
Expenses			
Direct property expenses		**666**	413
Investment advisory fee	19	**3,363**	2,957
Investment advisory performance fee	19	**1,865**	396
Property management fee	19	**821**	639
Administrative fees	19	**81**	75
Audit fees	3	**174**	134
Professional fees		**251**	291
Directors' fees	2	**144**	144
Other expenses		**324**	268
Total expenses		**(7,689)**	(5,317)
Profit before interest and tax		**33,425**	20,624
Finance costs	4	**(13,355)**	(11,084)
Finance income	1	**366**	125
Profit before tax		**20,436**	9,665
Taxation	6	**(264)**	(299)
Profit attributable to equity holders of the parent		**20,172**	9,366
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Fair value gain on financial derivatives	5	**42**	57
Total comprehensive income attributable to equity holders of the parent		**20,214**	9,423
Earnings per Ordinary share			
Basic and diluted	8	**5.9p**	3.6p

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2014

	Notes	2014 £'000	2013 £'000
Non-current assets			
Investment properties	9	**502,906**	426,649
Total non-current assets		**502,906**	426,649
Current assets			
Trade and other receivables	10	**8,181**	11,004
Cash and cash equivalents	15	**31,125**	27,063
Total current assets		**39,306**	38,067
Total assets		**542,212**	464,716
Current liabilities			
Trade and other payables	11	**23,866**	18,865
Loans due within one year	12	**32,822**	1,129
Financial derivatives		**26**	–
Total current liabilities		**56,714**	19,994
Non-current liabilities			
Loans due after one year	12	**253,485**	272,615
Rental deposits		**60**	60
Deferred tax liability	6	**1,038**	774
Provisions	7	**215**	215
Financial derivatives		**–**	68
Total non-current liabilities		**254,798**	273,732
Total liabilities		**311,512**	293,726
Net assets		**230,700**	170,990
Equity			
Share capital	13	**–**	–
Share premium	13	**204,946**	141,283
Treasury shares	13	**(5,293)**	(1,108)
Other reserves	14	**31,047**	30,815
Total attributable to equity holders of the parent		**230,700**	170,990
Net asset value per share			
Basic and diluted	8	**65.1p**	62.2p

The financial statements were approved and authorised for issue by the Board of Directors on 9 December 2014 and were signed on its behalf by

Shelagh Mason

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 September 2014

	Notes	Share Premium £'000	Treasury Shares £'000	Other Reserves £'000	Total £'000
Balance at 1 October 2012		**131,328**	**(2,323)**	**36,311**	**165,316**
Proceeds on issue of shares		11,314	–	–	11,314
Share issue costs		(144)	–	–	(144)
Shares sold from treasury		(1,215)	1,215	–	–
Total comprehensive income for the year		–	–	9,423	9,423
Dividends paid	16	–	–	(14,919)	(14,919)
Balance at 30 September 2013		**141,283**	**(1,108)**	**30,815**	**170,990**
Proceeds on issue of shares		48,750	–	–	48,750
Share repurchased and held in treasury	13	15,000	(15,000)	–	–
Shares sold from treasury	13	916	7,860	–	8,776
Scrip issue of shares from treasury (net of costs)	13	262	2,955	–	3,217
Share issue costs		(1,265)	–	–	(1,265)
Total comprehensive income for the year		–	–	20,214	20,214
Dividends paid	16	–	–	(19,982)	(19,982)
Balance at 30 September 2014		**204,946**	**(5,293)**	**31,047**	**230,700**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 September 2014

	Notes	2014 £'000	2013 £'000
Operating activities			
Profit before taxation		**20,436**	9,665
Adjustments for:			
Net valuation gain on investment properties	9	**(11,649)**	(248)
Loss/(gain) on disposal of investment properties		**23**	(156)
Financial income		**(366)**	(125)
Finance costs	4	**13,355**	11,084
		21,799	20,220
Decrease/(increase) in trade and other receivables		**3,018**	(4,070)
(Decrease)/increase in trade and other payables		**(1,178)**	2,305
Increase in rental deposits		**–**	60
Interest paid		**(11,891)**	(11,538)
Interest received		**549**	43
Net cash inflow from operating activities		**12,297**	7,020
Investing activities			
Acquisition of investment properties		**(16,134)**	(5,310)
Cash acquired with subsidiaries		**10**	6,745
Proceeds from sale of investment properties	9	**5,940**	3,076
Additions to investment properties and properties under construction		**(31,977)**	(34,939)
Net cash outflow from investing activities		**(42,161)**	(30,428)
Financing activities			
Net proceeds from issue of share capital		**56,255**	9,861
New loan facilities drawn	12	**15,000**	399
Repayment of borrowings	12	**(19,892)**	(808)
Debt refinancing cost	12	**–**	(10,345)
Loan issue costs	12	**(678)**	(1,273)
Dividends paid	16	**(16,759)**	(13,610)
Net cash inflow/(outflow) from financing activities		**33,926**	(15,776)
Increase/(decrease) in cash and cash equivalents		**4,062**	(39,184)
Opening cash and cash equivalents		**27,063**	66,247
Closing cash and cash equivalents	15	**31,125**	27,063

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2014

1. Principal accounting policies

Basis of preparation and statement of compliance

The financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and as adopted by the European Union, interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") and applicable legal and regulatory requirements of Guernsey Law. The financial statements have been prepared on a going concern basis. The principal accounting policies are set out below.

At 30 September 2014, the Group had net current liabilities, as the GE Capital real estate loan was due for repayment in April 2015. However, the Group repaid the GE Capital real estate loan on 28 November 2014 by drawing down £25 million of the RBS revolving loan facility and utilising existing cash reserves. The Group expects to repay the RBS revolving loan facility when the second tranche of the loan note facility cash of £35 million is received on 12 December 2014.

The Group has cash reserves and assets available to secure further funding together with long term leases across different geographic areas within the United Kingdom. The Directors have reviewed the Group's forecast commitments, including ongoing commitments to development projects and proposed acquisitions, against the future funding availability, with particular reference to the utilisation and continued access to existing debt facilities and access to restricted cash balances. The Directors have also reviewed the Group's compliance with covenants on lending facilities.

The Group's financial forecasts show that it can remain within its lending facilities and meet its financial obligations as they fall due for the foreseeable future. The Directors also believe that the Group is well placed to manage its business risks successfully in the current economic environment. Accordingly, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Impact of revision to International Financial Reporting Standards

The accounting policies applied and the presentation of figures are consistent with those of the annual financial statements for the year ended 30 September 2013, other than the adoption of IFRS 13 "Fair Value Measurement" and the consequential impact on fair value measurement, presentation and disclosure.

The following standards and interpretations have been issued by the IASB and IFRIC with effective dates falling after the date of these financial statements. The Board has chosen not to adopt early any of the revisions contained within these standards in the preparation of these financial statements:

International Accounting Standards (IAS/IFRS)		Effective date – periods beginning on or after
IFRS 10	Consolidated financial statements	1 January 2014
IFRS 11	Joint arrangements	1 January 2014
IFRS 12	Disclosure of interests in other entities	1 January 2014
IAS 27	Separate financial statements	1 January 2014
IAS 28	Investments in Associates and Joint Ventures	1 January 2014
IAS 32	Financial instruments: Presentation	1 January 2014
IFRS 10, 12 & IAS 27	Investment entities – amendment to current standards	1 January 2014
IFRS 9	Financial Instruments	1 January 2015
IFRS 15	Revenue from contracts with customers	1 January 2017

The listed standards either do not apply to the Fund or are not expected to have a material effect on the financial statements.

Basis of consolidation

The Group financial statements consolidate the financial statements of MedicX Fund Limited and entities controlled by the Company (its subsidiary undertakings) made up to 30 September 2014. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to benefit from its activities. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Accounting for acquisitions of investment properties

Where the Group acquires subsidiaries that own real estate, at the time of acquisition, the Group considers whether each acquisition represents the acquisition of an asset or a business. The Group accounts for an acquisition as a business combination where an integrated set of activities, including processes, is acquired in addition to the property.

When the acquisition of subsidiaries does not represent a business, it is accounted for as an acquisition of a group of assets and liabilities. The cost of the acquisition is allocated to the assets and liabilities acquired based upon their relative fair values, and no goodwill or deferred tax is recognised.

Segmental reporting

The Directors are of the opinion that the Group is engaged in a single segment of business, being investment in primary healthcare properties in the United Kingdom.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 September 2014

1. Principal accounting policies (continued)

Expenses

All expenses are accounted for on an accruals basis.

Employees

The Group has no employees.

Cash and cash equivalents

Cash and deposits in banks are carried at cost. Cash and cash equivalents are defined as cash, demand deposits, and highly liquid investments readily convertible to known amounts of cash and subject to insignificant risk of changes in value. For the purposes of the Consolidated Statement of Cash Flows, cash and cash equivalents consist of cash and deposits in banks.

Revenue recognition

Rent receivable comprises rent for the year in relation to the Group's investment properties exclusive of Value Added Tax. Rent is recognised on a straight line basis over the period of the lease. Rent is accrued for any outstanding rent reviews from the date that the review was due. Incentives offered to tenants to enter into lease agreements are amortised on a straight line basis over the remaining lease term. Any premium paid by tenants is recognised on a straight line basis over the full lease term. Fixed uplifts during the lease term are recognised on a straight line basis over the full lease term.

Other income includes licence fee income of £1,367,000 (2013: £1,214,000), which is receivable on properties under construction, this being a mechanism to realise a rental return over the course of the development period. Licence fee income is recognised on an accruals basis exclusive of Value Added Tax.

Finance income from cash balances held at banks is included in the financial statements as it is earned.

Trade and other receivables

Trade and other receivables are measured at initial recognition at their invoiced value inclusive of any Value Added Taxes that may be applicable. Provision is made for any doubtful debts which are not deemed recoverable.

Trade and other payables

Trade and other payables are recognised and carried at their invoiced value inclusive of any Value Added Taxes that may be applicable.

Finance costs

Borrowing costs are charged to the Consolidated Statement of Comprehensive Income in the year to which they relate on an accruals basis except where they relate to properties under construction when borrowing costs are capitalised.

Derivative financial instruments and hedging activities

The Group uses interest rate swaps to manage its exposure to interest rate risk. At inception of the hedge the Group documents the relationship between the hedging instrument and the hedged item and its assessment, both at the time of inception and on an ongoing basis, of whether the hedging instrument meets the requirements to be considered an effective hedge in offsetting changes in the cash flows of the hedged item.

All derivatives are initially recognised at fair value at the time of inception, and are subsequently measured at fair value. The fair value of the interest rate swaps are determined by the relevant counterparty to both the interest rate swap and hedged item.

Changes in the fair value of the hedging instrument will be recognised either as part of other comprehensive income if the hedge is considered effective, or as an element of finance costs if it is not considered effective.

Financial derivatives are classified as either current or non-current with relation to the maturity of the underlying hedged item.

Bank loans and borrowings

All bank loans and borrowings are initially recognised at fair value of the consideration received, less issue costs where applicable. After initial recognition, all interest-bearing loans and borrowings are subsequently measured at amortised cost. Amortised cost is calculated by taking into account any discount or premium on settlement.

Bank loans that are acquired by means of asset acquisitions are recognised at fair value as at the date of acquisition with the resulting fair value adjustment amortised against finance costs over the life of the loans.

Investment properties

The Group's completed investment properties are held for long-term investment. Freehold properties acquired are initially recognised at cost, being fair value of consideration given including transaction costs associated with the property. After initial recognition, freehold properties are measured at fair value, with unrealised gains and losses recognised in the Consolidated Statement of Comprehensive Income. Both the base costs and valuations take account of core fixtures and fittings.

Investment properties under construction are initially recognised at cost and are revalued at the period end as determined by professionally qualified external valuers. Gains or losses arising from the changes in fair value of investment properties under construction are included in Consolidated Statement of Comprehensive Income in the period in which they arise.

1. Principal accounting policies (continued)

Investment properties

The fair value of completed investment properties and investment properties under construction is based upon the valuations of the properties as provided by Jones Lang LaSalle Limited, an independent firm of chartered surveyors, as at each period end, adjusted as appropriate for costs to complete.

Costs of financing specific developments are capitalised and included in the cost of each development. During the year a portion of the Aviva £100m loan facility, the GE Capital real estate loan facility, the Aviva £50m loan facility and the Aviva GPG loan facility as disclosed in note 12, was utilised to fund development work on investment properties under construction. Interest costs of £504,000 (2013: £742,000) attributable to development work in progress were capitalised.

Taxation

The tax liability represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the year.

Deferred tax is the tax that may become payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Full provision is made for deferred tax assets and liabilities arising from all temporary differences between the recognition of gains and losses in the financial statements and recognition in the tax computation, other than in respect of asset acquisitions in corporate vehicles where deferred tax is recognised in relation to temporary differences arising after acquisition.

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the temporary differences are expected to reverse by reference to the tax rates substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

Deferred tax assets

Deferred tax assets are recognised only if it is probable that there will be suitable taxable profits from which the future reversal of the underlying temporary differences can be deducted.

Impairment of assets

The Group assesses annually whether there are any changes in circumstances indicating that any of its assets have been impaired. If such indication exists, the asset's recoverable amount is estimated and compared to its carrying value. Where it is impossible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the smallest cash-generating unit to which the asset is allocated.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount an impairment loss is recognised immediately in the Consolidated Statement of Comprehensive Income.

Fair value measurements

The Group measures certain financial instruments such as derivatives, and non-financial assets such as investment property, at fair value at the end of each reporting period. Fair value is the price that would be received to sell as asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 September 2014

1. Principal accounting policies (continued)

Use of judgements and estimates

In the process of applying the Group's accounting policies, the Directors are required to make certain judgements and estimates to arrive at the carrying value for its assets and liabilities. The most significant areas requiring judgement in the preparation of these financial statements were:

Valuation of investment property

The Fund obtains valuations performed by external valuers in order to determine the fair value of its investment properties. These valuations are based upon assumptions including future rental income, anticipated maintenance costs, future development costs and the appropriate discount rate. The valuers also make reference to market evidence of transaction prices for similar properties. Further information in relation to the valuation of investment property is disclosed in note 9.

Asset acquisitions

The Fund's approach to recognising investment properties acquired in a corporate entity is to treat the acquisition as an asset purchase, as described in IAS 40, if the corporate entity is not considered to contain any material processes. Each corporate entity acquired is considered to determine if it meets the criteria to be recognised as a business combination per IFRS 3 or if it is more appropriate to treat it as an asset acquisition.

Rent reviews

The Fund estimates and accrues the expected uplift in rent for rent reviews from the review date to the period end and past due. This estimation of future rent takes into account the terms of the underlying occasional leases and the available observable market rental evidence.

Deferred tax assets

The Fund only recognises deferred tax assets if it is considered probable that there will be suitable taxable profits from which the future reversal of the underlying temporary differences can be deducted.

2. Directors' fees

	2014 £'000	2013 £'000
During the year the directors received the following fees:		
D Staples (Chairman)	**51**	46
S Mason	**36**	31
C Bennett (Audit Committee Chairman)	**41**	36
J Hearle	**36**	31
	164	144
Less additional fees paid in relation to fundraising	**(20)**	–
Total charged in the Consolidated Statement of Comprehensive Income	**144**	144

Those fees paid in relation to the fundraising, reflecting the additional time and duties involved in that exercise, have been expensed against the share premium arising from the issue of new shares at the time of the fundraising.

3. Auditor's remuneration

The amount disclosed in the Consolidated Statement of Comprehensive Income relates to an accrual for audit fees for the year ended 30 September 2014, payable to KPMG LLP (2013: KPMG LLP).

	2014 £'000	2013 £'000
Group audit fees for the current year	**103**	100
Total group audit fees	**103**	100
Audit fees for the subsidiaries	**51**	34
Review of the interim report	**20**	–
Total audit and other fees	**174**	134

In the prior year, the fee for the review of the interim report was paid to PKF (UK) LLP, the previous auditor.

4. Finance costs

	2014 £'000	2013 £'000
Interest payable on long-term loans	**13,800**	12,117
Refinancing costs	**59**	(291)
	13,859	11,826
Interest capitalised on properties under construction	**(504)**	(742)
	13,355	11,084

During the year interest costs on funding attributable to investment properties under construction were capitalised at an effective interest rate of 4.45%. The funding was sourced from the Aviva £100m loan facility which has an effective interest rate of 5.008%, the Aviva £50m loan facility which has an effective interest rate of 4.37% and the GE Capital real estate loan facility which has an effective interest rate of 2.75%. Where properties under construction were secured against a specific loan, the interest for that facility was capitalised.

5. Financial derivatives

As part of its risk management strategy, the Group aims to secure fixed interest rates on the significant majority of its external debt (other than revolving loan facilities) to mitigate its exposure to interest rate risk. Where fixed interest rates are not secured with lenders, an interest rate swap will be utilised to fix the rate with the aim of achieving a perfect hedge. The fair value of these contracts is recorded in the Consolidated Statement of Financial Position, and is determined by discounting the future cash flows at prevailing market rates as at the reporting date.

	2014 £'000	2013 £'000
Movement in fair value of interest rate swaps treated as cash flow hedges under IAS39 ("effective swaps"):	**42**	57
	42	57

The movement in fair value of effective swaps is recognised as part of other comprehensive income in the Consolidated Statement of Comprehensive Income.

The above movement in fair value of interest rate swaps relates to two swaps. The first interest rate swap was entered into in November 2011 for a notional value of £7.5 million and the second interest rate swap was entered into in October 2012 for a notional value of £23.7 million. The swaps exchange the floating rate for a fixed rate of 1.14% and 0.62% respectively until 30 April 2015. On 28 November 2014 these swaps were unwound and settled at the same time as the early repayment of the underlying loan principal.

6. Taxation

	2014 £'000	2013 £'000
Deferred tax		
Change in corporate tax rate	**–**	63
Charge for the year	**(264)**	(362)
Total tax charge	**(264)**	(299)

The Board has estimated that for the year under review the Company does not have any profits chargeable to tax in jurisdictions outside Guernsey.

The Company has obtained exempt company status in Guernsey under the terms of Income Tax (Exempt Bodies) (Guernsey) Ordinance 1989 so that it is exempt from Guernsey taxation on income arising outside Guernsey and on bank interest receivable. The Company is, therefore, only liable to a fixed fee of £600 per annum. The Directors intend to conduct the Group's affairs such that the Company continues to remain eligible for the exemption. Guernsey companies are subject to UK taxation on UK net rental income. During the year no tax arose in respect of the income of any of the Guernsey companies. The Company's UK subsidiaries are subject to United Kingdom corporation tax on their taxable profits.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 September 2014

6. Taxation (continued)

A reconciliation of the tax charge to the notional tax charge applying the average standard rate of UK corporation tax of 22% (2013: 23.5%) is set out below:

	2014 £'000	2013 £'000
Profit on ordinary activities before tax	**20,436**	9,665
Profit on ordinary activities multiplied by the average standard rate of corporation tax in the UK of 22% (2013: 23.5%)	**4,496**	2,271
Income/expenses not taxable/deductible for tax purposes	**(2,975)**	(175)
Profits not subject to UK taxation	**(1,235)**	(916)
Other tax adjustments	**49**	130
Current year losses utilised	**(71)**	(1,011)
Total tax charge	**264**	299

Deferred Taxation

	Fair value gains £'000	Accelerated capital allowances £'000	Unrelieved management expenses £'000	Total £'000
At 1 October 2012	**74**	**1,714**	**(1,313)**	**475**
Adjustment for change in tax rate	(10)	(224)	171	(63)
Provided/(released) in year	(14)	228	148	362
At 30 September 2013	**50**	**1,718**	**(994)**	**774**
Provided/(released) in year	137	585	(458)	264
At 30 September 2014	**187**	**2,303**	**(1,452)**	**1,038**

As required by IAS 12 "Income taxes", full provision has been made for the temporary differences arising on the fair value gains of investment properties held by UK resident companies that have passed through the Group's Consolidated Statement of Comprehensive Income. In the opinion of the Directors, this provision is only required to ensure compliance with IAS 12. It is the Directors' view that the deferred tax attributable to the fair value gain on the Group's investment property portfolio is unlikely to crystallise as, in common with practice in the sector, the Group would most likely sell the company that holds the property portfolio rather than sell an individual property.

There are accumulated tax losses within the Group totalling £52.7 million (2013: £48.1 million), which are currently not recognised within the financial statements of the Group on the basis that there is uncertainty over whether these will be utilised in the future.

As a result of the deferred tax recognition exemption for asset acquisitions, deferred tax liabilities of £9,923,000 (2013: £8,639,000) in respect of fair value gains and £2,285,000 (2013: £2,155,000) in respect of capital allowances, and deferred tax assets of £708,000 (2013: £624,000) in respect of unrelieved management expenses, have not been recognised.

7. Provisions

Other provisions

	2014 £'000	2013 £'000
Brought forward	**215**	215
At 30 September	**215**	215

The Company has made provision for potential liabilities relating to compliance and employee related matters arising from transactions which occurred in MPVII Investments Ltd prior to 1 December 2010. The provision made is based on the Directors' estimate of the amount that may be payable but it is subject to uncertainty with regards to both the amount and the timing of the likely payment.

8. Earnings and net asset value per Ordinary Share

Basic and diluted earnings and net asset value per share

The basic and diluted earnings per Ordinary Share are based on the profit for the year attributable to Ordinary Shares of £20,172,000 (2013: £9,366,000) and on 341,409,766 (2013: 263,373,173) Ordinary Shares, being the weighted average aggregate of Ordinary Shares in issue calculated over the year, excluding amounts held in treasury at the year end. This gives rise to a basic and diluted earnings per Ordinary Share of 5.9 pence (2013: 3.6 pence) per Ordinary Share.

The basic and diluted net asset value per ordinary share are based on the net asset position at the period end attributable to Ordinary Shares of £230,700,000 (2013: £170,990,000) and on 354,389,088 (2013: 274,906,714) Ordinary Shares being the aggregate of Ordinary Shares in issue at the period end, excluding amounts held in treasury at the year end. This gives rise to a basic and diluted net asset value per Ordinary Share of 65.1 pence per Ordinary Share (2013: 62.2 pence per Ordinary Share).

Adjusted earnings per share and net asset value per share

The Directors believe that the following adjusted earnings per Ordinary Share and net asset value per Ordinary Share are more meaningful key performance indicators for the Group:

	2014 £	2013 £
Profit attributable to equity holders of the parent	**20,172,000**	9,366,000
Adjusted for:		
Deferred tax charge	**264,000**	299,000
Revaluation gain	**(11,649,000)**	(248,000)
Performance fee	**1,865,000**	396,000
Fair value gain on acquired loans	**(134,000)**	(291,000)
Fixed term debt break costs	**206,000**	–
Adjusted earnings	**10,724,000**	9,522,000
Weighted average number of Ordinary shares	**341,409,766**	263,373,173
Adjusted earnings per Ordinary share – basic and diluted	**3.1p**	3.6p

	2014 £	2013 £
Net assets	**230,700,000**	170,990,000
Adjusted for:		
Deferred tax liability	**1,038,000**	774,000
Financial derivatives	**26,000**	68,000
Fair value adjustment made to reset loans	**1,365,000**	1,507,000
Adjusted net assets	**233,129,000**	173,339,000
Ordinary shares in issue at the period end	**354,389,088**	274,906,714
Adjusted net asset value per Ordinary share – basic and diluted	**65.8p**	63.1p

9. Investment properties

Investment properties are initially recognised at cost, being fair value of consideration given including transaction costs associated with the property. After initial recognition, investment properties are measured at fair value, which has been determined based on valuations performed by Jones Lang LaSalle Limited as at 30 September 2014. The valuation takes account of the rental yield and the fact that a purchaser's offer price to the Group would be less than that in order to cover the purchaser's costs (which are estimated at 5.8% (2013: 5.8%) of what would otherwise be the purchase price).

Investment properties under construction are initially recognised at cost, and are subsequently measured at fair value as at the year end. The fair value has been determined based on valuations performed by Jones Lang LaSalle Limited as at 30 September 2014. In accordance with industry standards, the valuation is the net of purchaser costs and then the remaining costs to complete properties under construction are also deducted.

The freehold and long leasehold interests in the property investments of the Group were valued at an aggregate of £517,733,000 as at 30 September 2014 by Jones Lang LaSalle Limited. This valuation assumes that all properties, including those under construction, are complete. The difference between the total valuation and the carrying value is the cost to complete those properties under construction and lease incentive adjustments as at 30 September 2014.

The Valuer's opinion of market value was derived using valuation techniques and comparable recent market transactions on arm's length terms. Jones Lang LaSalle Limited has valued these properties for reporting purposes since 31 March 2008.

The valuation was carried out in accordance with the requirements of the Valuation Standards published by the Royal Institution of Chartered Surveyors, and accounting standards. The properties were valued to market value assuming that they would be sold in prudent lots (i.e. not as portfolios) subject to the existing leases, or agreements for lease where the leases had not yet been completed at the date of valuation.

The initial yield at 30 September 2014 was 5.68% (2013: 5.79%).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 September 2014

9. Investment properties (continued)

	Completed investment properties £'000	Properties under construction £'000	Total investment properties £'000
Fair value 30 September 2012	**337,853**	**27,214**	**365,067**
Additions	24,175	40,079	64,254
Disposals at valuation	(2,920)	–	(2,920)
Transfer to completed properties	39,348	(39,348)	–
Revaluation	1,046	(798)	248
Fair value 30 September 2013	**399,502**	**27,147**	**426,649**
Additions	39,098	31,473	70,571
Disposals at valuation	(5,963)	–	(5,963)
Transfer to completed properties	48,045	(48,045)	–
Revaluation	11,570	79	11,649
Fair value 30 September 2014	**492,252**	**10,654**	**502,906**

In October 2013 and November 2013 the Group disposed of two of its smaller properties at Wheathampstead and High Wycombe, for £600,000 and £1,045,000 respectively. The carrying values for these properties were £585,000 and £1,040,000. In June 2014 a further three properties and a parcel of land was sold for £4,338,000 being the carrying value of the properties at the time. The loss on the disposal of £23,000 recognised in the Consolidated Statement of Comprehensive Income relates to the difference between the proceeds and carrying value in the accounts, less agency commissions and other conveyancing costs of £43,000.

Fair value hierarchy

The valuation of all investment properties is classified in accordance with the fair value hierarchy described in note 1. As at 30 September 2014 (and as at 30 September 2013), the group determined that all investment properties be included at fair value as Level 3, reflecting significant unobservable inputs.

There were no transfers between Levels 1, 2 or 3 during the year.

Valuation techniques

Fair value is defined as 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. As is common for investment property, valuation appraisals are performed using a combination of market and income approaches.

Under the market comparable method (or market comparable approach), a property's fair value is estimated based on comparable observable transactions.

Under income approaches, unobservable inputs are applied to model a property's fair value. The following unobservable inputs are applied:

- The Estimated Rental Value is the amount that an area could be let for, based on prevailing market conditions at the valuation date;
- The Equivalent Yield is the internal rate of return from the cash flows generated from renting a property;
- Rental Growth is an estimate of rental increases expected for contractual or prevailing market conditions; and
- The physical condition of a property that would normally be visited by a valuer on a rotational basis.

Properties under construction have been measured at their fair value by taking the fair value at completion and subtracting the contractual costs to complete the assets under the development contracts. The technique inherently assumes that construction will be completed to an acceptable standard and leases will be entered into under the terms and time line agreed.

The fair value of investment properties is considered to be based on a number of significant assumptions. If the valuation yield were to shift by 0.25% on each property, this would result in an impact on the valuation of the properties of approximately £55 million. If rent reviews of 2% were achieved on the full portfolio with no yield movement the valuation of properties would increase by approximately £10 million.

The property yields of the Fund excluding four outlying properties range from 7.46% to 4.78%.

The property ERVs of the Fund excluding one outlying property range from £103 to £354 per square metre.

The majority of investment properties are security for the long-term loans as disclosed in note 12.

Of the completed investment properties £130,048,000 (2013: £69,337,000) are leasehold properties.

During the year a portion of the Aviva £100m loan facility, the GE Capital loan facility, the Aviva £50m loan facility and Aviva GPG loan facility disclosed in note 12 were utilised to fund development work on investment properties under construction. Interest costs of £504,000 (2013: £742,000) attributable to development work in progress were capitalised during the year.

10. Trade and other receivables

	2014 £'000	2013 £'000
Rent receivable	**2,394**	5,432
VAT recoverable	**2,141**	454
Other debtors and prepayments	**3,646**	5,118
	8,181	11,004

11. Trade and other payables

	2014 £'000	2013 £'000
Trade payables	**1,479**	3,077
Other payables	**4,109**	1,533
Deferred rental income	**8,046**	5,846
Interest payable and similar charges	**2,728**	2,286
Accruals	**7,504**	6,123
	23,866	18,865

The current portion of long term loans relates to the amount due in the next twelve months on the GE Capital, Aviva PMPI and Aviva GPG loan facilities; the terms of these loans are disclosed in note 12.

12. Loans

	2014 £'000	2013 £'000
Total facilities drawn down	**255,583**	274,553
Loan issue costs	**(14,436)**	(13,758)
Amortisation of loan issue costs	**2,864**	1,374
Fair value arising on acquisition of subsidiaries	**11,645**	11,645
Amortisation of fair value adjustment on acquisition	**(2,171)**	(1,199)
	253,485	272,615
Loans due within one year	**32,822**	1,129
	286,307	273,744

The Group has five primary debt facilities drawn, being the Aviva £100m loan, the GE Capital (formerly Deutsche Postbank) loan, the Aviva £50m loan, the Aviva GPG loan and the Aviva PMPI loan, with a smaller loan facility for a single property. In addition the Group has a revolving loan facility with RBS. The RBS facility was undrawn at 30 September 2014. Details of each facility are disclosed below. Repayments of the loans listed above fall due as follows:

	2014 £'000	2013 £'000
Due within one year	**32,822**	1,129
Between one and two years	**2,193**	32,592
Between two and five years	**7,880**	5,417
Over five years	**243,412**	234,606
Due after one year	**253,485**	272,615
	286,307	273,744

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 September 2014

12. Loans (continued)

	2014 £'000	2013 £'000
Aviva £100m loan facility	**99,637**	99,627
GE Capital real estate facility	**31,012**	30,704
Aviva £50m loan facility	**48,883**	48,872
Aviva PMPI loan facility	**62,289**	63,462
Aviva GPG loan facility	**27,894**	29,551
Aviva Verwood loan facility	**964**	1,027
RBS loan facility	**(377)**	(628)
Loan note facility	**14,383**	–
Current portion of long term loans	**1,622**	1,129
	286,307	273,744

Aviva £100m loan facility

	2014 £'000	2013 £'000
Amount drawn down	**100,000**	100,000
Loan issue costs	**(466)**	(450)
Amortisation of loan issue costs	**103**	77
	99,637	99,627

In November 2006 the Group entered into an agreement with Aviva Commercial Finance ("Aviva"), formerly the General Practice Finance Corporation Limited, for a £100 million loan facility at a fixed rate of 5.008% on an interest only basis. The facility was fully drawn down on 1 December 2006, with the cash held on deposit to meet future investment requirements. This loan is due for repayment in its entirety on 1 December 2036. The original loan facility has been split into four loans held by subsidiary companies: MedicX Properties I Limited: £30,000,000, MedicX Properties II Ltd: £33,000,000, MedicX Properties III Ltd: £9,000,000 and MedicX Properties IV Ltd: £28,000,000.

Under the terms of the Aviva £100m loan facility, further charges are incurred when properties are secured or released from charge under the facility. Any costs incurred are added to the loan issue costs and amortised over the remaining life of the loan facility.

The Aviva £100 million loan is secured on some of the Group's investment properties. The value of properties provided as security for this facility is £162,817,000. As at 30 September 2014, the Group had cash of £201,000 (30 September 2013: £201,000) on deposit secured against the loan.

GE Capital Real Estate facility

	2014 £'000	2013 £'000
Amount drawn down	**31,200**	31,200
Loan issue costs	**(1,026)**	(1,016)
Amortisation of loan issue costs	**838**	520
	31,012	30,704

On 1 August 2011 the Group agreed the facility for a total of £37.1 million. The key terms of the agreement were that the facility would not be amortised, and the draw downs could not exceed 62.5% of the market value of the mortgaged property. The facility had a five year term, expiring in April 2015.

The first significant draw down of the facility was made on 25 November 2011 for £7,000,000. The interest rate was fixed at an all-in rate, including margin, of 3.14%. Further draw downs of £3,700,000 and £20,000,000 were made in July 2012 and September 2012 respectively, and these amounts were fixed at an all in interest rate of 2.62% in October 2012. In the year ended 30 September 2012, the Group allowed the remaining facility of £5.9 million to lapse, leaving a total facility of £31.2 million.

Under the terms of the GE Capital real estate loan facility, further charges were incurred when properties were secured or released from charge under the facility. Any costs incurred were added to the loan issue costs and amortised over the remaining life of the loan facility.

The facility was secured against the ten investment properties held by MedicX Properties VI Limited. The value of the property provided as security was £54,280,000 (2013: £53,410,000).

In November 2013, this loan facility was transferred to GE Capital real estate from Deutsche Postbank AG as part of the acquisition of the latter's loan book. The terms of the facility were unchanged on the transfer.

In November 2014 the Company repaid the GE Capital real estate loan facility of £31.2 million. The GE Capital real estate facility was repaid from a mix of existing cash reserves and a £25 million draw down from the RBS revolving loan facility.

12. Loans (continued)

Aviva £50m loan facility

	2014 £'000	2013 £'000
Amount drawn down	**50,000**	50,000
Loan issue costs	**(1,219)**	(1,179)
Amortisation of loan issue costs	**102**	51
	48,883	48,872

On 4 February 2012 the Group entered into an agreement for a £50 million loan facility with Aviva. The facility is for a period of 20 years at a fixed all-in interest rate of 4.37% including margin. Initially the facility is interest only for the first ten years, and subsequently amortises to £30 million over the remaining ten years with the remaining principal repayable on expiry of the facility.

The facility was fully drawn at the time the agreement was completed with the proceeds placed on deposit secured against the loan, to be released once investment properties are secured against the facility. As at 30 September 2014, the Group had cash of £980,000 on deposit secured against the loan (30 September 2013: £4,622,000). These cash deposits are restricted until such time as sufficient properties are secured to meet the loan draw down covenants mentioned below.

Draw downs must not exceed the lower of 65% of the market value of the property secured against the facility or 50% of the expected market value of the property at the time the facility expires. The value of properties provided as security for this facility is £88,690,000 (2013: £87,650,000).

Under the terms of the Aviva £50m loan facility, further charges are incurred when properties are secured or released from charge under the facility. Any costs incurred are added to the loan issue costs and amortised over the remaining life of the loan facility.

Aviva PMPI loan facility

	2014 £'000	2013 £'000
Amount drawn down	**61,045**	62,078
Fair value arising on acquisition of subsidiaries	**12,342**	12,342
Amortisation of fair value adjustment	**(2,188)**	(1,199)
Debt renegotiation cost	**(10,345)**	(10,345)
Amortisation of debt renegotiation cost	**1,555**	709
Loan issue costs	**(136)**	(136)
Amortisation of loan issue costs	**16**	13
	62,289	63,462

On 20 July 2012 the Fund acquired the Aviva PMPI loan facility of £62.9m, which comprises three separate facilities all on largely similar terms. The facilities start as interest only and then amortise over their remaining life with a residual amount payable on expiry. In December 2012 the interest rates on these loans were reset to more favourable rates. As this is not considered to be a substantial modification, the cost of resetting the interest rates has been capitalised, and will be amortised over the remaining life of the loans.

The major facility of £54,597,000 expires in February 2027 and is secured at an all-in fixed interest rate of 4.45%. The smaller facilities of £8,000,000 and £279,000 expire in November 2032 and October 2031. These facilities are also secured at an all-in fixed interest rate of 4.45%.

The major facility and the smallest facility are currently amortising, while the other facility is currently interest only and will begin to amortise from January 2015. The residual payment for the major facility is £28,650,000, with the residual payments for the smallest facility being £81,000 and £2,890,000 on the other facility.

A fair value adjustment was recognised on acquisition of the loan facility in accordance with accounting standards. The fair value adjustment will be amortised over the remaining life of the loan facility, and the amount recognised above represents the amortisation since acquisition.

The Aviva PMPI loan facility is secured on the Group's investment properties. The value of properties provided as security for this facility is £85,106,000 (2013: £83,943,000). Additionally, £4,698,000 (2013: £3,335,000) is held in a restricted deposit account with Aviva to provide security for and ensure compliance with the interest cover covenant on the £8,000,000 facility. Amounts held in this deposit will be released against future payments of the facility.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 September 2014

12. Loans (continued)

Aviva GPG loan facility

	2014 £'000	2013 £'000
Amount drawn down	**28,574**	30,248
Fair value arising on acquisition of subsidiaries	**(697)**	(697)
Amortisation of fair value adjustment	**17**	–
	27,894	29,551

On 24 May 2013 the Fund acquired the Aviva GPG loan facility of £34.9m, which comprises 14 separate facilities. 12 of the loan facilities have fixed interest rates and the remainder have variable interest rates which are expected to be fixed before becoming fully drawn. The facilities start as interest only, until practical completion, and then amortise over their remaining lives with a residual amount payable on expiry.

Facility	**Facility Amount**	**Amounts due after more than one year**	**Date of expiry**	**Interest rate**
Aviva Worle facility	£1,750,000	£1,634,000	December 2031	4.75%
Aviva Colchester facility	£2,640,000	£2,497,000	November 2036	5.00%
Aviva Gravesend facility	£5,355,000	£5,100,000	November 2032	4.44%
Aviva Moorside facility	£1,810,000	£1,737,000	May 2032	4.32%
Aviva Ravensbury Park facility	£1,955,000	£1,860,000	October 2036	4.69%
Aviva Kendal facility	£3,300,000	£3,191,000	December 2037	4.60%
Aviva Thurgoland facility	£1,179,000	£1,132,000	November 2037	4.57%
Aviva Maidstone facility	£1,600,000	£1,547,000	20 years from completion	4.13%
Aviva Shoreham facility	£2,694,000	£2,623,000	20 years from completion	4.13%
Aviva Wiveliscombe facility	£1,505,000	£1,454,000	20 years from completion	4.21%
Aviva Felixstowe facility	£2,800,000	£2,748,000	20 years from completion	4.54%
Aviva Grange over sands facility	£3,137,000	£3,051,000	20 years from completion	4.21%
Total		**£28,574,000**		

The Aviva GPG loan facility is secured on the Group's investment properties. The value of properties provided as security for this facility is £38,838,000 (2013: £33,173,000). Additionally, £273,000 (2013: £5,109,000) is held in a restricted deposit account with Aviva and will be made available as the properties secured are developed.

Aviva Verwood loan facility

	2014 £'000	2013 £'000
Amounts due after more than one year	**964**	1,027

A mortgage was taken out by the subsidiary MedicX (Verwood) Limited and is secured on that company's investment property. Interest on the mortgage is charged at 6.25%. The loan facility is currently amortising and will be fully repaid by July 2026.

RBS loan facility

	2014 £'000	2013 £'000
Loan issue costs	**(621)**	(632)
Amortisation of loan issue costs	**244**	4
	(377)	(628)

On 20 September 2013 a £25 million revolving loan facility was put in place with The Royal Bank of Scotland Plc. The facility is for a three year term at a rate based on a margin over LIBOR, set dependent on group loan to value. At current rates the facility is expected to cost approximately 3%. In November 2014, the loan was fully drawn and applied towards repaying the GE Capital real estate facility.

12. Loans (continued)

Loan note facility

	2014 £'000	2013 £'000
Amount drawn down	**15,000**	–
Loan issue costs	**(623)**	–
Amortisation of loan issue costs	**6**	–
	14,383	–

On 22 August 2014 a £50 million loan note was put in place by way of a private placement. The loan note is for a five year term at a fixed rate of 3.8%. The loan note is secured on certain of the Group's investment properties. The value of properties provided as security for this facility is £34,590,000.

Covenants
All of the covenants on the loan facilities were complied with in the year.

Mark to market of fixed rate debt
The Group does not mark to market its fixed interest debt in its financial statements, other than the recognition of a fair value adjustment on the acquisition of debt facilities. The unamortised fair value adjustment of acquired loans was £9,474,000 as at 30 September 2014 (30 September 2013: £10,446,000).

A mark to market calculation gives an indication of the benefit or liability to the Group of the fixed rate debt given the prevailing cost of debt over the remaining life of the debt. An approximate mark to market calculation has been undertaken following advice from the Group's lenders, with reference to the fixed interest rate on the individual debt facilities, and the fixed interest rate, including margin, achievable on the last business day of the financial year for a loan with similar terms to match the existing facilities.

The debt benefit or liability is calculated as the difference between the present values of the debt cash flows at the two rates over the remaining term of the loan, discounting the cash flows at the prevailing LIBOR rate. The approximate mark to market liability of the total fixed rate debt to the Group was £1,501,000 as at 30 September 2014 (30 September 2013 benefit: £17,334,000).

Fair value hierarchy
The valuation of loans is classified in accordance with the fair value hierarchy described in note 1. As at 30 September 2014 (and as at 30 September 2013), the Group determined that loans be included at fair value as Level 3, reflecting significant unobservable inputs.

There were no transfers between Levels 1, 2 or 3 during the year.

Cash flow movements
During the year, the principal cash flow movements on the Fund's loan facilities were as follows:

	2014 £'000	2013 £'000
Draw down of Loan note	**15,000**	–
Draw down of GPG loan facility	**–**	399
New loan facilities drawn	**15,000**	399
Repayment of mortgage principal	**(58)**	(57)
Repayment of Aviva PMPI loan facility	**(789)**	(751)
Repayment of Aviva GPG loan facility	**(1,430)**	–
Repayment of acquired loans	**(17,615)**	–
Repayment of long-term borrowings	**(19,892)**	(808)
Aviva £50m facility arrangement fee	**(43)**	(555)
DPB loan facility draw down fees	**(10)**	(86)
Aviva £100m loan facility costs	**(2)**	–
RBS loan facility costs	**–**	(632)
Loan note costs	**(623)**	–
Loan issue costs	**(678)**	(1,273)
Debt renegotiation cost	**–**	(10,345)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 September 2014

13. Share capital

Ordinary Shares of no par value were issued during the year as detailed below:

	Number of shares	Issue price per share
Total shares issued as at 30 September 2013	**276,445,780**	
Shares issued under Placing, Open Offer and Offer for Subscription:		
23 October 2013	85,000,000	75.00 pence
Total shares issued as at 30 September 2014	**361,445,780**	
Shares held in treasury (see below)	(7,056,692)	
Total voting rights in issue as at 30 September 2014	**354,389,088**	

Treasury shares were utilised to satisfy general market demand for shares and in lieu of cash payment for the dividend payable. The transactions and relevant price per share are noted below:

	Number of shares	Price per share
Total shares held in treasury as at 30 September 2013	**1,539,066**	**72.00 pence**
Share issued under Placing, Open Offer and Offer for Subscription and bought back into treasury:		
23 October 2013	20,000,000	75.00 pence
Shares sold for cash:		
20 March 2014	(500,000)	83.25 pence
02 April 2014	(500,000)	83.50 pence
10 April 2014	(1,000,000)	83.50 pence
14 April 2014	(1,000,000)	83.50 pence
02 May 2014	(4,500,000)	83.50 pence
16 June 2014	(1,000,000)	83.50 pence
24 June 2014	(1,000,000)	84.00 pence
25 June 2014	(1,000,000)	84.00 pence
	(10,500,000)	
Shares utilised in lieu of cash payment of dividends:		
31 December 2013	(856,441)	80.55 pence
31 March 2014	(1,372,681)	78.70 pence
30 June 2014	(1,025,290)	82.80 pence
30 September 2014	(727,962)	83.15 pence
	(3,982,374)	
Total shares held in treasury as at 30 September 2014	**7,056,692**	

The closing value of shares held in treasury issued at 75 pence per share each is £5,292,519.

Any cash consideration received in excess of the price the treasury shares were purchased at has been included as part of share premium.

14. Other reserves

The movement in other reserves is set out in the Statement of Changes in Equity on page 35.

The Companies (Guernsey) Law 2008, as amended ("2008 Law") made new provisions as to how the consideration received or due for an issue of shares is accounted for and how these sums may be distributed to members.

The other reserves are freely distributable with no restrictions. In addition, distributions from the share premium account do not require the sanction of the court. The Directors may authorise a distribution at any time from share premium or accumulated gains provided that they are satisfied on reasonable grounds that the Company will immediately after the distribution satisfy the solvency test prescribed in the 2008 Law and that it satisfies any other requirements in its memorandum and articles.

15. Cash and cash equivalents

	2014 £'000	2013 £'000
Cash and balances with banks	**31,125**	27,063

Cash and cash equivalents comprise cash held by the Group and short term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximates their fair value.

Included in the above amounts are balances that are held in restricted accounts which are not immediately available for use by the Group of £6,152,000 (2013: £13,267,000). These amounts will be made available when sufficient property has been secured against the loan facility and all documentation is completed.

16. Dividends

	2014		2013	
	£'000	Dividend per share	£'000	Dividend per share
Quarterly dividend declared and paid 31 December 2013/31 December 2012	**4,844**	**1.425p**	3,646	1.400p
Quarterly dividend declared and paid 31 March 2014/29 March 2013	**4,941**	**1.450p**	3,717	1.425p
Quarterly dividend declared and paid 30 June 2014/28 June 2013	**5,070**	**1.450p**	3,723	1.425p
Quarterly dividend declared and paid 30 September 2014/30 September 2013	**5,127**	**1.450p**	3,833	1.425p
Total dividends declared and paid during the year	**19,982**		14,919	
Quarterly dividend declared after year end	**5,139**	**1.450p**	4,844	1.425p
Cash flow impact of scrip dividends paid on:				
31 December 2013	**690**		293	
31 March 2014	**1,079**		362	
30 Jun 2014	**849**		313	
30 Sept 2014	**605**		341	
Total cash equivalent value of scrip shares issued	**3,223**		1,309	
Cash payments made for dividends declared and paid	**16,759**		13,610	

Dividends are scheduled for the end of March, June, September and December of each year, subject to Board approval and shareholder approval at the AGM of the dividend policy. On 27 October 2014, the Board approved a dividend of 1.45 pence per share, bringing the total dividend declared in respect of the year to 30 September 2014 to 5.8 pence per share. The record date for the dividend was 14 November 2014 and the payment date is 31 December 2014. The amount disclosed above is the cash equivalent of the declared dividend. The option to issue scrip dividends in lieu of cash dividends, with effect from the quarterly dividend paid in June 2010, was approved by a resolution of Shareholders at the Company's Annual General Meeting on 10 February 2010. On 27 October 2014 the Board announced an opportunity for qualifying Shareholders to receive the December 2014 dividend in new Ordinary Shares instead of cash.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 September 2014

17. Financial instruments risk management

The Group's operations expose it to a number of financial instrument risks. A risk management programme has been established to protect the Group against the potential adverse effects of these financial instrument risks. There has been no significant change in these financial instrument risks since the prior year.

The financial instruments of the Group at both 30 September 2014 and 30 September 2013 comprised trade receivables and payables, other debtors, cash and cash equivalents, non-current borrowings, current borrowings and interest rate swaps. It is the Directors' opinion that, with the exception of the non-current borrowings for which the mark to market liability or benefit is set out in note 12, the carrying value of all financial instruments in the statement of financial position was equal to their fair value.

Credit risk

From time to time the Group invests surplus funds in high quality liquid market instruments with a maturity of no greater than six months. To reduce the risk of counterparty default, the Group deposits its surplus funds subject to immediate cash flow requirements in A-rated (or better) institutions.

Concentrations of credit risk with respect to customers are limited due to the Group's revenue being largely receivable from UK government derived sources. As at the year end 90% (2013: 90%) of rental income was derived from NHS tenants who are spread across several Clinical Commissioning Groups which further reduces credit risk from this area. The default risk is considered low due to the nature of NHS funding for GP practices.

The Group's maximum exposure to credit risk on financial instruments was as follows:

	2014 £'000	2013 £'000
Financial assets		
Trade receivable	**2,394**	5,432
Other current assets	**5,787**	5,118
Cash and cash equivalents	**31,125**	27,063

It is the Group's policy to assess debtors for recoverability on an individual basis and to make provision where it is considered necessary. Of the Group's trade receivables balance £1,792,000 (2013: £4,334,000) is neither impaired nor past due. £602,000 (2013: £1,098,000) is past due and of this £543,978 (2013: £657,000) is more than 120 days past due. The Board takes active steps to recover all amounts and has assessed that a provision of £92,000 (2013: £63,000) against trade receivables is appropriate.

All financial assets are categorised as loans and receivables.

Market risk

Market risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market prices. The Group is exposed to interest rate risk. The Group operates solely within Guernsey and the United Kingdom and all of the Group's assets, liabilities and cash flows are in pounds sterling which is the reporting currency. Therefore the Directors do not consider the Group to be exposed to foreign currency risk at present.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. Interest rate risk arises on interest bearing financial assets and liabilities the Group uses.

The Group's Aviva borrowing facilities of £100,000,000 (2013: £100,000,000), £50,000,000 (2013: £50,000,000) and £61,045,000 (2013: £62,876,000) were negotiated at a fixed rate of interest of 5.008%, 4.37% and 4.45% respectively. 12 of the Aviva GPG loan facilities are also fixed, with a weighted average interest rate of 4.45%, as disclosed in note 12. The remaining two Aviva GPG loan facilities are charged at variable interest rates with a 2.5% margin.

The Group's GE Capital real estate loan facility of £31,200,000 (2013: £31,200,000) had a variable rate of LIBOR plus 2%. At the year end £7,500,000 of this facility was fixed at 3.14%, the remaining £23,700,000 was fixed at 2.62% by way of swaps agreements. These swaps, which are the only swaps the Group had, were matched to the terms of the facility and effectively fixed the interest rate for the full term of the loan. This loan was repaid in full in November 2014 together with the fair value of the swaps.

The Group's RBS loan facility of £25,000,000 (2013: £25,000,000) has a variable rate based on a margin over LIBOR, set dependent on group loan to value. At current rates the facility is expected to cost approximately 3%. At the year end the facility had not been drawn against but it was drawn down in full in November 2014 to part fund the repayment of the GE Capital Real Estate facility referred to above.

The Group's loan note facility of £15,000,000 (2013: £nil) has a fixed rate of 3.8%.

These facilities represented 99% of the drawn borrowing facilities at the year end. The Directors consider interest rate risk on borrowings to be immaterial and do not consider it appropriate to perform sensitivity analysis on these items. Of the restricted cash balances held at the year end, £6,152,000 (2013: £13,267,000) was held in an Aviva deposit account which is AA+ rated with an average interest rate of 0.2%.

17. Financial instruments risk management (continued)

Liquidity risk

Liquidity risk is the risk that the Group will encounter in realising assets or otherwise raising funds to meet financial commitments. The Directors regularly review the Company's forecast commitments against the future funding availability, with particular reference to the utilisation of and continued access to existing debt facilities and access to restricted cash balances and the ongoing commitments to development projects and proposed acquisitions. The Directors also review the Company's compliance with covenants on lending facilities.

Contractual maturity analysis for financial liabilities including interest payments at 30 September:

	Due or due less than one month £'000	Due between 1 and 3 months £'000	Due between 3 months and 1 year £'000	Due between 1 and 5 years £'000	Due after 5 years £'000	Total £'000
Trade and other payables	3,077	–	–	–	–	3,077
Accruals	3,412	2,711	–	–	–	6,123
Non-current borrowings						
Principal	–	–	–	38,009	234,606	272,615
Interest payments	1,892	143	6,247	44,633	146,313	199,228
	1,892	143	6,247	82,642	380,919	471,843
Current portion of non-current borrowings						
Principal	83	194	852	–	–	1,129
Interest payments	310	610	2,742	–	–	3,662
	393	804	3,594	–	–	4,791
Liabilities at 30 September 2013	***6,572***	***2,905***	***852***	***38,009***	***234,606***	***282,944***
Future costs of non-current borrowings	***2,202***	***753***	***8,989***	***44,633***	***146,313***	***202,890***
Balances at 30 September 2013	**8,774**	**3,658**	**9,841**	**82,642**	**380,919**	**485,834**

	Due or due less than one month £'000	Due between 1 and 3 months £'000	Due between 3 months and 1 year £'000	Due between 1 and 5 years £'000	Due after 5 years £'000	Total £'000
Trade and other payables	1,479	–	–	–	–	1,479
Accruals	6,629	875	–	–	–	7,504
Non-current borrowings						
Principal	–	–	–	10,072	243,413	253,485
Interest payments	1,820	–	5,604	44,830	162,133	214,387
	1,820	–	5,604	54,902	405,546	467,872
Current portion of non-current borrowings						
Principal	125	238	32,459	–	–	32,822
Interest payments	383	696	3,070	–	–	4,149
	508	934	35,529	–	–	36,971
Liabilities at 30 September 2014	***8,233***	***1,113***	***32,459***	***10,072***	***243,413***	***295,290***
Future costs of non-current borrowings	***2,203***	***696***	***8,674***	***44,830***	***162,133***	***218,536***
Balances at 30 September 2014	**10,436**	**1,809**	**41,133**	**54,902**	**405,546**	**513,826**

All financial liabilities are categorised as financial liabilities at amortised cost.

18. Commitments

At 30 September 2014, the Group had commitments of £14.9 million (2013: £23.1 million) to complete properties under construction.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 September 2014

19. Material contracts

Investment Adviser

Following the acquisition on 1 October 2014 of MedicX Adviser Ltd, the Investment Adviser to MedicX Fund, by Octopus Capital Limited, MedicX Adviser Ltd changed its name to Octopus Healthcare Adviser Ltd.

Octopus Healthcare Adviser Ltd is appointed to provide investment advice under the terms of an agreement dated 17 October 2006 as subsequently amended 20 March 2009, 17 February 2013 and 24 September 2013 (the "Investment Advisory Agreement" or "Agreement"). Fees payable under this agreement are:

(i) a tiered investment advisory fee set at 0.75% per annum on healthcare property assets up to £300 million subject to a minimum fee of £2.25 million, with an additional 0.65% per annum payable on assets between £300 million and £500 million, 0.5% per annum payable on assets between £500 million and £750 million, 0.4% per annum payable on assets between £750 million and £1 billion, and 0.33% per annum payable on assets over £1 billion;

(ii) a property management fee of 3% of gross rental income up to £25 million, and 1.5% property management fee on gross rental income over £25 million;

(iii) a corporate transaction fee of 1% of the gross asset value of any property owning subsidiary company acquired;

(iv) a performance fee based upon total shareholder return.

The annual performance fee is 15% of the amount by which the total shareholder return (using an average share price for the month of September) exceeds a compound hurdle rate calculated from the 69.0 pence issue price at 8 April 2009, subject to a high watermark. If in any year the total shareholder return falls short of this hurdle, the deficit in the total shareholder return has to be made up in subsequent years before any performance fee can be earned. The compounding of the hurdle rate is adjusted upwards to compound from the high watermark level at which the performance fee was last earned.

The hurdle rate applied in the year ended 30 September 2014 was 10% per annum (2013: 10%). The high watermark used for the calculation of the performance fee for the year to 30 September 2014 was set with reference to the average share price during September 2013, being 78.99 pence per share. The current high watermark is set with reference to the average share price during September 2014, being 83.58 pence per share.

The investment advisory base fee and performance fee earned in aggregate in any one financial year cannot be paid in excess of 1.5% of gross assets (excluding cash), such limit being equivalent to the investment advisory base fee that was in existence prior to the change. The excess, if any, of the aggregate of the investment advisory base fee and performance fee earned in any one financial year over 1.5% of gross assets (excluding cash) is not payable but is carried forward to future years or termination of the Investment Advisory Agreement, subject at all times to the annual 1.5% of gross assets (excluding cash) fee limit. The Agreement is terminable at the end of an initial seven year term and each three year term thereafter, provided 12 months notice is given.

On 23 July 2012 the Fund announced that the Investment Adviser had agreed to the renewal of the Investment Advisory Agreement, with the Investment Adviser continuing to advise the Fund for a further three year term, commencing on 2 November 2013, and had at the same time agreed, effective from 1 October 2013, to increase the hurdle for its performance fee from 8% to 10% such that the Investment Adviser will only earn a performance fee if the total return to Shareholders in terms of share price growth and cumulative dividends received exceeds 10% (rather than 8% previously) per annum.

The Investment Adviser also provides accounting administration services for no additional fee.

During the year, the agreements with Octopus Healthcare Adviser gave rise to £6,240,000 (2013: £4,268,000) of fees as follows:

	2014 £'000	2013 £'000
Expensed to the consolidated statement of comprehensive income:		
Investment advisory fee	**3,363**	2,957
Investment advisory performance fee	**1,865**	396
Property management fees	**821**	639
Capitalised as part of property acquisition costs:		
Corporate acquisition fees	**191**	276
Total Fees	**6,240**	4,268

Of these fees, £nil (2013: £391,000) remained unbilled or outstanding at the end of the year with the exception of the performance fee which was billed after the year end and is included within accruals due within one year.

During the year property development costs of £5,552,000 (2013: £15,771,000) were paid to MedicX Property Ltd, a member of the same group of companies as Octopus Healthcare Adviser Ltd. At the year end there was a total of £nil that remained unbilled or outstanding (2013: £1,867,000). In addition, licence fee income of £356,000 (2013: £1,214,000) was recognised on properties under construction by MedicX Property Ltd during the year. At 30 September 2014 licence fees totalling £92,000 (2013: £441,000) remained unbilled or outstanding.

19. Material contracts (continued)

Administrator

Each Group company has entered into a separate administration agreement with International Administration Group (Guernsey) Limited for the provision of administrative services. Under these agreements fees were incurred totalling £81,000 (2013: £75,000) for the provision of corporate secretarial services to all Group companies and other administrative services.

Of these fees £nil (2013: £12,700) remained unbilled or outstanding at the year end.

20. Related party transactions

During the year fees of £58,000 (2013: £99,000) were paid to Aitchison Raffety Limited to negotiate rent reviews, and to act as agent for the disposal of properties, of which £nil (2013: £49,000) remained unbilled or outstanding at the year end. John Hearle is Group Chairman of Aitchison Raffety Limited.

During the year Aitchison Raffety Limited were appointed to manage the service charges for a number of properties held by the Group. No fees have been paid to date for this service, nor are any payable as at 30 September 2014. The estimated annual fee expected to be earned by Aitchison Raffety for providing this service is £67,000.

21. Operating leases

At 30 September 2014 the Group had entered into leases in respect of investment properties for the following rental income, excluding any future rent reviews:

	2014 £'000	2013 £'000
Amounts receivable under leases		
Within one year	**32,783**	25,326
Between one and five years	**131,133**	101,305
After more than five years	**359,216**	290,812
Total	**523,132**	417,443

The length of a typical lease is between 18 and 25 years, with provision for rent reviews mostly every three years. Rent reviews are usually agreed with reference to open market value or the Retail Price Index.

22. Subsidiary companies

The following were the subsidiary companies in the Group at 30 September 2014:

Name	Country of incorporation	Principal activity	Ownership percentage	Nominal value of shares in issue	Type of share held
Held Directly:					
MedicX Properties I Limited	Guernsey	Property Investment	100%	2	Ordinary
MedicX Properties II Ltd	England & Wales	Property Investment	100%	2	Ordinary
MedicX Properties III Ltd	England & Wales	Property Investment	100%	1,000	Ordinary
MedicX Properties IV Ltd	England & Wales	Property Investment	100%	25,000	Ordinary
MedicX Properties V Limited	Guernsey	Property Investment	100%	2	Ordinary
MedicX Properties VI Limited	Guernsey	Property Investment	100%	Nil	Ordinary
MedicX Properties VII Limited	Guernsey	Property Investment	100%	Nil	Ordinary
MedicX GPG Holdings Limited	Guernsey	Property Investment	100%	Nil	Ordinary
MedicX Properties VIII Limited	Guernsey	Property Investment	100%	Nil	Ordinary
Held indirectly:					
MedicX (Verwood) Ltd	England & Wales	Property Investment	100%	1,000	Ordinary
MPVII Investments Ltd	England & Wales	Property Investment	100%	1	Ordinary
CSPC (3PD) Limited	England & Wales	Holding company	100%	550	Ordinary
Primary Medical Properties Limited	England & Wales	Holding company	100%	8,420	Ordinary
Primary Medical Property Investments Limited	England & Wales	Property Investment	100%	966,950	Ordinary
DK Properties (Woolston) Ltd*	England & Wales	Property Investment	100%	2	Ordinary
GPG No5 Limited	England & Wales	Property Investment	100%	48,500	Ordinary
MedicX LHP Limited	England & Wales	Property Investment	100%	100,000	Ordinary
MedicX LHF Limited	England & Wales	Property Investment	100%	1	Ordinary

* Dormant companies

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 September 2014

23. Capital management

The Group's objectives when managing capital are:

- To safeguard the Group's ability to continue as a going concern and provide returns for shareholders and benefits for other stakeholders; and
- To provide an adequate return to shareholders by sourcing appropriate investment properties and securing long term debt at attractive rates commensurate with the level of risk.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, purchase shares in the Company, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the adjusted gearing ratio. This is calculated as net debt divided by adjusted capital. Net debt is calculated as total debt, per the statement of financial position, less cash and cash equivalents. Adjusted capital comprises all equity components less cash and cash equivalents and goodwill. The Group is not subject to any externally imposed capital requirements. However the Directors intend to secure and utilise long term borrowings of approximately 50% on average over time and not exceeding 65% of the Company's total assets.

The adjusted gearing ratios at 30 September 2014 and 30 September 2013 were as follows:

	2014 £'000	2013 £'000
Total debt	286,307	273,744
Less: cash and cash equivalents	(31,125)	(27,063)
Net debt	**255,182**	**246,681**
Total assets	542,212	464,716
Less: cash and cash equivalents	(31,125)	(27,063)
Adjusted capital	**511,087**	**437,653**
Adjusted gearing ratio	**0.50:1**	**0.56:1**

24. Post year end events

On 28 November 2014 the Company repaid the GE Capital real estate loan facility of £31.2 million together with the swaps in place for this facility. The GE Capital real estate facility was repaid from a mix of existing cash reserves and a £25 million draw down from the RBS revolving loan facility.

COMPANY INFORMATION

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