15

Annual Report and Financial Statements
to 30 September 2015

MedicX Fund

Name: **Hirwaun Medical Centre**
Location: Hirwaun, Mid Glamorgan

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Who we are

MedicX Fund Limited ("MXF", or the "Company", or together with its subsidiaries, the "Fund" or the "Group") the specialist primary care infrastructure investor in modern, purpose-built primary healthcare properties in the United Kingdom & Republic of Ireland, listed on the London Stock Exchange in November 2006. It has committed investment of £559.5 million and a portfolio of 148 properties to date.

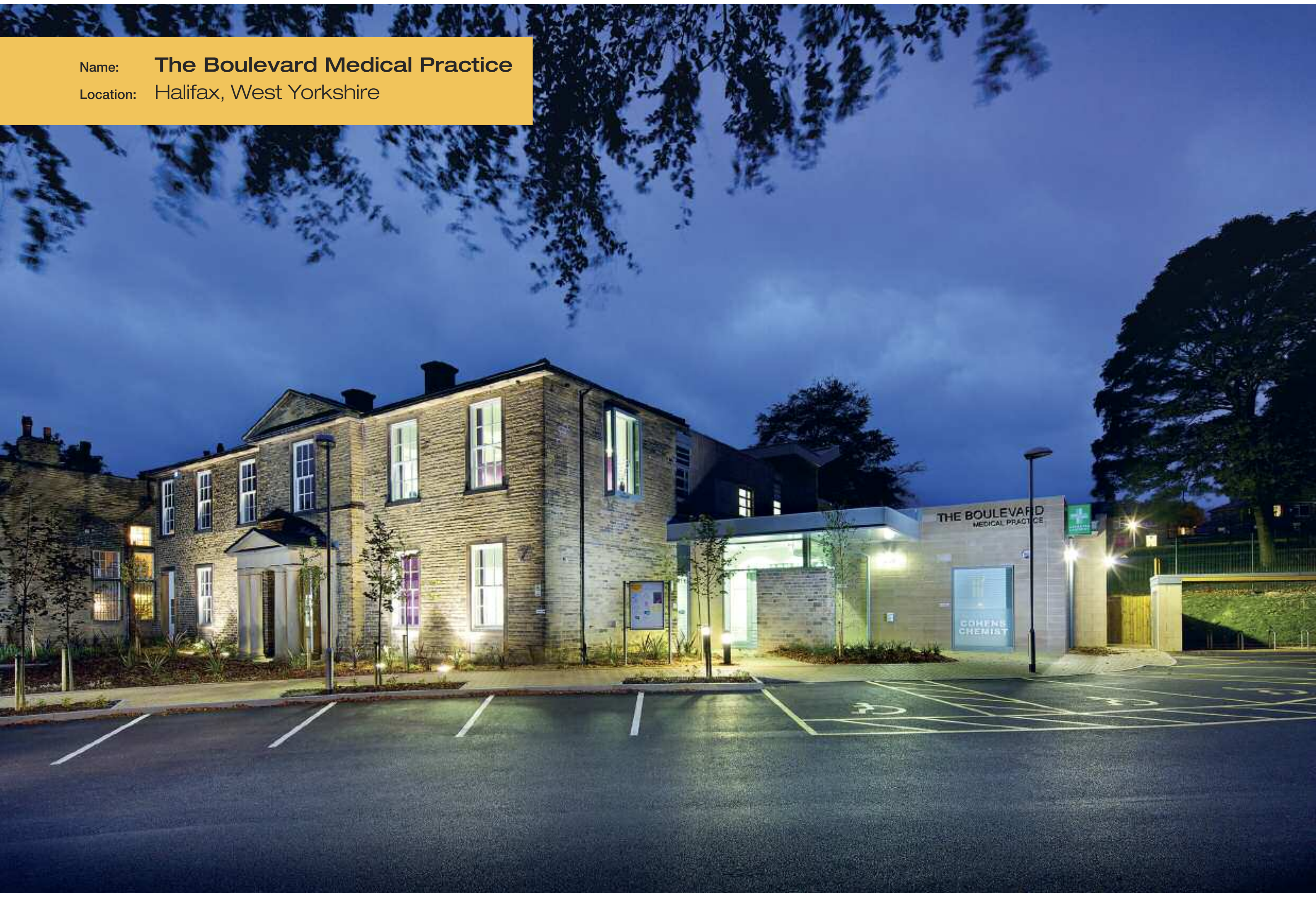
The Fund works with its various stakeholders to own and maintain a high quality portfolio of mainly modern, purpose-built primary healthcare properties fit to deliver primary healthcare services over the long term. At inception, the properties are typically let for 20 to 25 years directly to the NHS or to GPs subject to NHS rent reimbursement. The Fund seeks to put in place low cost fixed rate long term debt thereby locking into a spread between the property yield and financing cost. As the portfolio grows, economies of scale will improve shareholder returns as will rental increases which are typically achieved on a three yearly basis. This business model supports the Fund's key investment objective of achieving rising rental income and capital growth to support a rising dividend.

The Investment Adviser to the Fund is 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 38 people operating across the UK.

Financial Highlights

How we performed

	2015	2014	
Committed investment[1] (£m)	**559.5**	518.2	+8.0%
Annualised rent roll[1] (£m)	**35.8**	32.8	+9.1%
EPRA earnings (£m)	**13.4**	8.7	+54.0%
EPRA NAV (£m)	**258.4**	231.8	+11.5%
EPRA NAV per share (pence)	**70.8**	65.4	+8.3%
Dividends declared (pence per share)	**5.9**	5.8	+1.7%
Weighted average debt term (years)	**15.0**	13.3	+12.8%
Property valuation net surplus (£m)	**25.6**	11.6	+120.7%
Total shareholder return[2]	**-0.4%**	12.0%	-103.3%
EPRA NAV total return[3]	**17.2%**	14.0%	+22.9%



Name: **The Boulevard Medical Practice**
Location: Halifax, West Yorkshire

Key achievements of 2015

Financial results

- 5.4 pence per share increase in EPRA NAV for the year to 70.8 pence per share (30 September 2014: 65.4 pence per share)
- Quarterly dividend of 1.475p per share announced in October 2015[4]; total dividends of 5.9p per share for the year or 7.0% dividend yield (2014: total dividends of 5.8p per share; 6.9% dividend yield)[4,5]
- EPRA earnings of £13.4 million, an increase of £4.7 million or 54% from prior year, equivalent to 3.7p per share (30 September 2014: £8.7 million; 2.5p per share)[6]
- Dividend and underlying dividend cover 63.3% and 68.0% respectively (30 September 2014: 53.6% and 67.1%)[7]
- Discounted cash flow net asset value of £346.3 million equivalent to 94.9p per share (30 September 2014: £331.1 million; 93.4p per share)
- EPRA NNNAV of £228.9 million equivalent to 62.7p per share (30 September 2014: £229.2 million; 64.7p per share)[6]

Investments

- New committed and approved investments since 1 October 2014 of £41.2 million acquired at a cash yield of 5.78%[1]
- First investment made in the Republic of Ireland of €10.1 million
- £559.5 million committed investment in 148 primary healthcare properties as at 4 December 2015, an increase of 8.0% (8 December 2014: £518.2 million, 137 properties)[1,8]
- Annualised rent roll at 4 December 2015 of £35.8 million with 88.3% of rents reimbursed by the NHS, an increase of £3.0 million, or 9.1%, since 8 December 2014[1]
- Strong pipeline of approximately £126.0 million of acquisition opportunities[1]

Funding

- Market capitalisation £308.5 million[1] following share price appreciation and £6.9 million net proceeds raised from 8.3 million shares issued since 1 October 2014 at an average issue price of 83.1p per share[1]
- New £50 million loan note with an agreed term of thirteen years and five months with an all-in fixed rate of 3.838%
- The maturity on an existing £50 million loan note was extended nine years and three months to mature in December 2028
- Total drawn debt facilities of £338.3 million with an average all-in fixed rate cost of debt of 4.45% and an average unexpired term of 15.0 years, close to average unexpired lease term of the investment properties of 15.8 years and compared with 4.35% and 13.3 years for the prior year
- Net debt of £281.4 million equating to 50.2% adjusted gearing at 30 September 2015 (30 September 2014: £255.2 million; 49.9%)

1 As at 4 December 2015
2 Based on share price movement between 30 September 2014 and 30 September 2015 and dividends paid during the year
3 Movement on EPRA NAV per share between 30 September 2014 and 30 September 2015 and dividends paid during the year, divided by opening EPRA NAV per share
4 Ex-dividend date 19 November 2015, record date 20 November 2015, payment date 31 December 2015
5 Total dividends declared divided by share price at 4 December 2015 (2014: at 8 December 2014)
6 See note 8 to the financial statements
7 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
8 Includes completed properties, properties under construction and committed investment (being any acquisition the Fund is legally committed to following exchange of contracts)

Chairman’s Statement

I am pleased to present the ninth annual report for the Company, on behalf of the Board.

The current year has seen growing demand for primary care, with political support to provide greater local community patient choice, as consultations and the range of services offered continue to increase. To respond to the challenge, GP practices are merging, forming federations or joining larger provider groups. The formation of larger practices is driving the need for large, modern purpose built facilities to replace the older existing premises many of which are judged inadequate by the British Medical Association.

The Fund continues to invest in best in class primary healthcare medical centres, thereby generating long term sustainable income from our investments. We look to invest in properties that will generate returns for shareholders well beyond their original lease term by acquiring assets that are not only tailored to the current needs of our tenants but also their expected needs as they respond to increasing pressure and demand for primary care services. As a result of this focus and the value-adding property acquisitions carried out over the past few years, the Fund has created a market leading modern primary care portfolio.

The UK market has become increasingly competitive with relatively high values being paid for assets of variable quality. In the face of these market conditions the Fund has maintained its price discipline and continued to only acquire assets of the highest quality that meet the Fund’s investment criteria. The changes brought about by the abolition of PCTs and the lack of clarity on the new estate strategy and premises funding in the UK have negatively impacted the number of available and suitably priced projects within the primary healthcare market during the year. However, the Fund has succeeded in securing five high quality developments in the UK. As a result of the current conditions in the UK market the Fund has looked further afield, seeking new investment opportunities in related markets including the Republic of Ireland primary healthcare sector. The Irish primary healthcare market has a well-defined strategy whereby the Health Service Executive (the Republic of Ireland’s equivalent of the NHS) is seeking to procure space in new dominant properties offering a wide range of primary healthcare and complimentary services which fully meet the Fund’s investment criteria.

The Fund's first acquisition in the Republic of Ireland followed a significant due diligence exercise on the opportunities available in the Irish healthcare property market. It is the belief of the Board that the Republic of Ireland offers good yields for quality properties, let on long leases, generating principally government backed income, making Irish healthcare property opportunities an attractive fit with the Fund's investment objective.

The yields available in the Republic of Ireland, as the market develops, are currently significantly higher than those available for similar quality properties seen in the UK. The Fund will seek to hedge the currency exposure as much as possible where it is cost effective to do so. At the forthcoming AGM in February 2016, the Board will propose a resolution to amend the Company’s Investment Policy to enable the Company to invest up to a maximum of 20% of the Company’s property asset value, at the time of investment, in properties located in the Republic of Ireland. However, the Directors do not expect to exceed a limit of approximately 15% of the Company’s property asset value to be invested in primary healthcare properties in the Republic of Ireland.

Results overview

During the year the Fund became a member of EPRA and these are the first financial statements to prominently include EPRA measures as opposed to adjusted measures previously reported by the Fund. The Board believes this change in emphasis will enable shareholders and other readers of our annual report to gain a more comparable, relevant and transparent view of our results and position relative to our peers.

Fund performance has been good with EPRA NAV as at 30 September 2015, having increased 11.5% to £258.4 million or 70.8 pence per share (30 September 2014: £231.8 million or 65.4 pence per share). Together with dividends paid in the year of 5.875 pence per share this led to an EPRA NAV total return (being growth in EPRA NAV plus dividends paid) of 11.275 pence per share or 17.2%. Total shareholder return was, however, disappointing at -0.4% largely due to the dip in the share price that occurred over the Company’s year end. The share price has since recovered to 84.5 pence as at 4 December 2015 (30 September 2015: 77.5 pence).

As explained in my introduction, we maintained our investment discipline and, at 30 September 2015, the Group had committed investment of £545.6 million across 143 properties of which five are under construction. However, since then the Fund has deployed a further £13.9 million on five let, operational assets in the UK.

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 been volatile and had decreased significantly since 30 September 2014 resulting in increased mark to market liabilities inherent in the fixed rate debt, up from £1.5 million (0.4 pence per share) at 1 October 2014, to £25.2 million or 6.9 pence per share at 30 September 2015. The EPRA NNNAV which includes the liability for fixed rate debt was 62.7 pence per share at 30 September 2015 (2014: 64.7 pence per share).

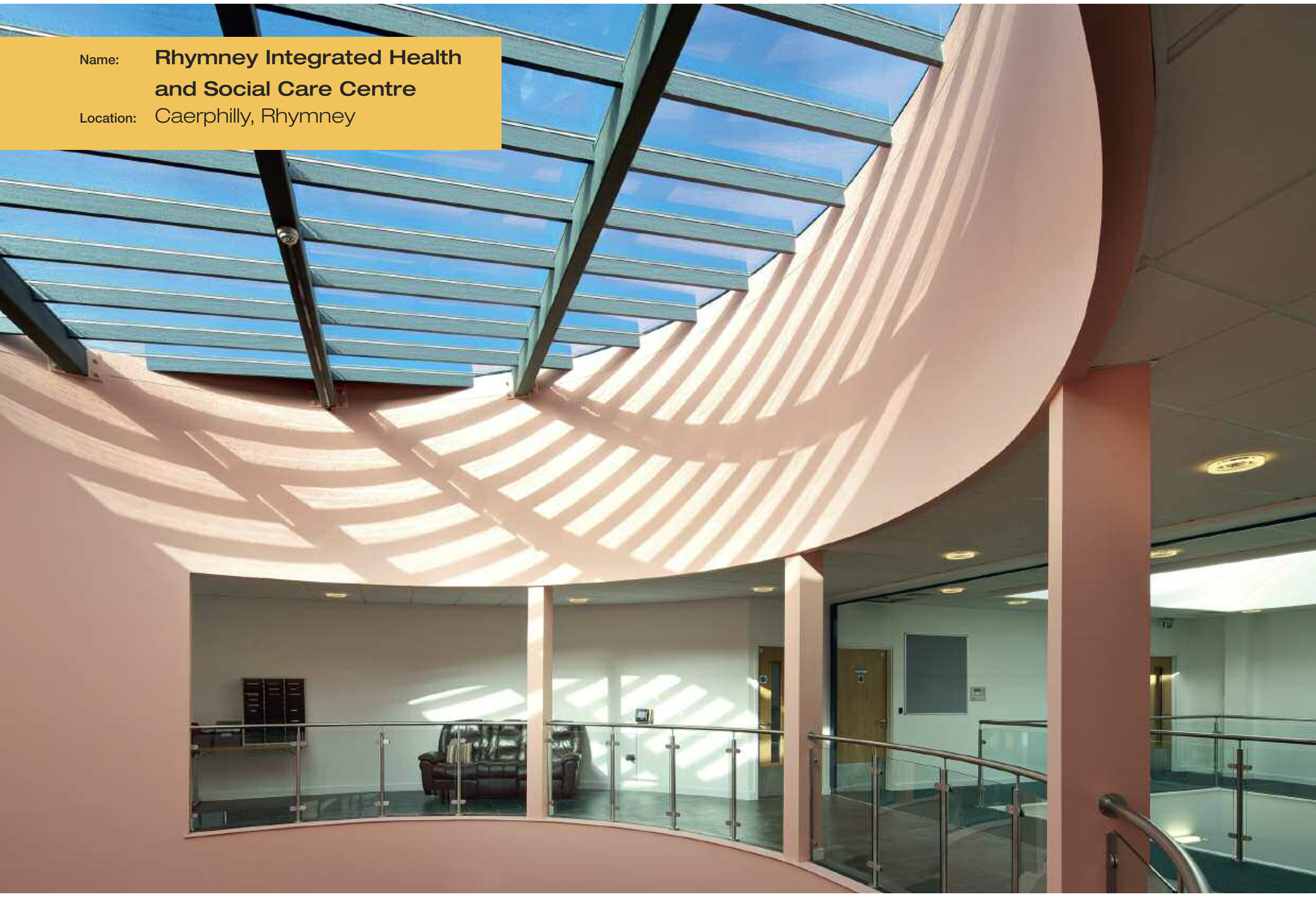
In line with other infrastructure funds and given the long-term predictable cash flows, we believe it is appropriate to calculate a net asset value based upon discounted cash flows. This basis, as set out in the Investment Adviser's report, gives a net asset value of £346.3 million or 94.9 pence per share, based upon a weighted average discount rate of 7.06% (30 September 2014: £331.1 million; 93.4 pence per share; 7.06%).

Rental income grew by £4.7 million or 16.8% during the year. Costs were in line with expectations given the level of activity and the acquisitions in the year. Finance costs incurred in the period were in line with expectations, reflecting the additional low cost long term fixed rate debt facilities put in place as the portfolio has grown. We believe the long term profile of the debt facilities taken out by the Fund and the favourable fixed interest rates on these facilities will deliver value to the Fund over their remaining lives.

EPRA earnings have increased 54.0% to £13.4 million for the year to September 2015, from £8.7 million in the previous year. The increase is principally due to the benefit of rents receivable on properties previously under construction and prior year acquisitions being fully reflected in the current year without a significant need to increase finance costs. Improving economies of scale and no performance fee being due for the current year have also had a positive effect.

The portfolio valuation gain of £25.6 million was consistent with yields in the primary healthcare property sector falling as demand continued to rise through the year and properties coming to market remained scarce.

Signed on 20 November 2015 and with effect from 1 October 2015, the Company renegotiated the fee paid to its Investment Adviser. A new reduced scale has been put in place with a freeze on the Investment Adviser base fee, which enables the Fund to grow the value of its property assets up to £782 million with no corresponding increase in the Adviser base fee. The new fee arrangements will bring benefits to shareholders' total return by enhancing future earnings and enabling the Fund to meet a key investment objective of increasing net income over time as well as helping the Fund to improve dividend cover.



Name: **Rhymney Integrated Health and Social Care Centre**

Location: Caerphilly, Rhymney

Chairman's Statement (continued)

Funding

On 18 February 2015 the Company issued 32.8 million new ordinary shares of no par value to its broker, at an issue price of 83.5 pence per share. On 20 February 2015 the Fund repurchased all of the new shares at the same price to be 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. Treasury shares will however only be sold at a premium to EPRA NAV.

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. The RBS facility was repaid in December 2014 once the second stage of funds were received from the loan notes put in place during the previous year.

The Fund has continued to take advantage of continuing attractive borrowing rates to extend existing facilities and put in place new debt facilities at low fixed cost, locking in a significant spread between investment returns and the cost of debt for the long term.

During the year, the Fund raised £50 million through a private placement of loan notes bought by Standard Life Investments Limited, a new institutional investor in the Fund. The loan notes have a duration of thirteen years and five months maturing on 30 September 2028, with no amortisation and the principal value repayable on maturity. The all-in interest rate on the notes is fixed at 3.838%. The loan notes provided funds in two stages with £25 million drawn down on 30 April 2015 and £25 million drawn down on 30 September 2015. This complements MedicX Fund's existing long term debt facilities. In addition, the maturity of the existing £50 million loan note was extended to December 2028, thereby further reducing the Fund's exposure to short and medium term interest rates movements.

The weighted average unexpired term of all drawn debt at 30 September 2015 is 15.0 years, closely matching the average remaining unexpired lease term of the Fund's portfolio of 15.8 years. The debt strategy remains to try to pick the optimal time to put in place the best available debt facilities with the most favourable terms whilst ensuring adherence to the Company's gearing target.

The adjusted gearing as at 30 September 2015 was 50.2%. This has increased from 49.9% as at 30 September 2014 but remains close to the target of 50% set by the Board. The Directors will continue to target borrowings of approximately 50% on average over time but not exceeding 65% of the Company's total assets.

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

Dividends

The Company maintained its progressive dividend policy, with total dividends declared of 5.9p per Ordinary Share in respect of the financial year ended 30 September 2015. This was an increase from the dividends totalling 5.8p per Ordinary Share for the year to 30 September 2014. The Board intend to maintain the Company's progressive dividend policy but, given the current very low inflationary environment and an objective of increasing dividend cover over time, the growth rate for 2016 will be reduced. Subject to unforeseen circumstances, the Directors expect that the Company will pay dividends totalling 5.95p for the financial year ending 30 September 2016.

In October 2015, the Directors approved a quarterly dividend of 1.475p per Ordinary Share in respect of the period 1 July 2015 to 30 September 2015. The dividend will be paid on 31 December 2015 to shareholders on the register as at close of business on 20 November 2015 (the "Record Date"). The corresponding ex-dividend date was 19 November 2015.

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 2015, 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 2015.

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). Of the dividends paid in the year ended 30 September 2015, 9.4% were in the form of scrip dividends. The benefit to the Company was that cash of £1.98 million was retained by the Company which would otherwise have been paid out.

The Fund pays a high proportion of its return in the form of a dividend, yielding 7.0% as at the date of this report. As a consequence of this, part of the dividend is paid from capital rather than earnings.

Dividend cover measured against adjusted earnings was 63.3% for the year to 30 September 2015 (2014: 53.6%). Underlying dividend cover, which is dividend cover adjusted to reflect completion of the properties under construction was (assuming full annual rent on all properties and a full year of associated interest costs and other expenses) 68.0% (2014: 67.1%).

As the Fund continues to grow, achieve rental increases, deploy capital and complete properties under construction, and in tandem with the cap on the Investment Adviser base fee, 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 dividend cover over time.

Share price and outlook

At the year end the share price was 77.5p amidst significant market volatility following, among other things, fears of a contagion effect from China and the potential for a hard landing for Chinese growth. This share price resulted in a dividend yield of 7.6% as at 30 September 2015 and a premium above the basic net asset value of 11%, providing potential for strong performance over the short term. Indeed, the share price has recovered to 84.5p at 4 December 2015.

We believe the fundamentals underlying primary healthcare properties continue to provide attractive investment propositions. Our strong discipline on both the investment and funding sides combined with our continued focus on minimising costs and the good pipeline of investment opportunities, leads us to be confident the Fund is well positioned to continue to deliver solid returns for shareholders.

David Staples
Chairman

8 December 2015

Name: **Stirling Medical Centre**
Location: Grimsby, Lincolnshire

Our Portfolio

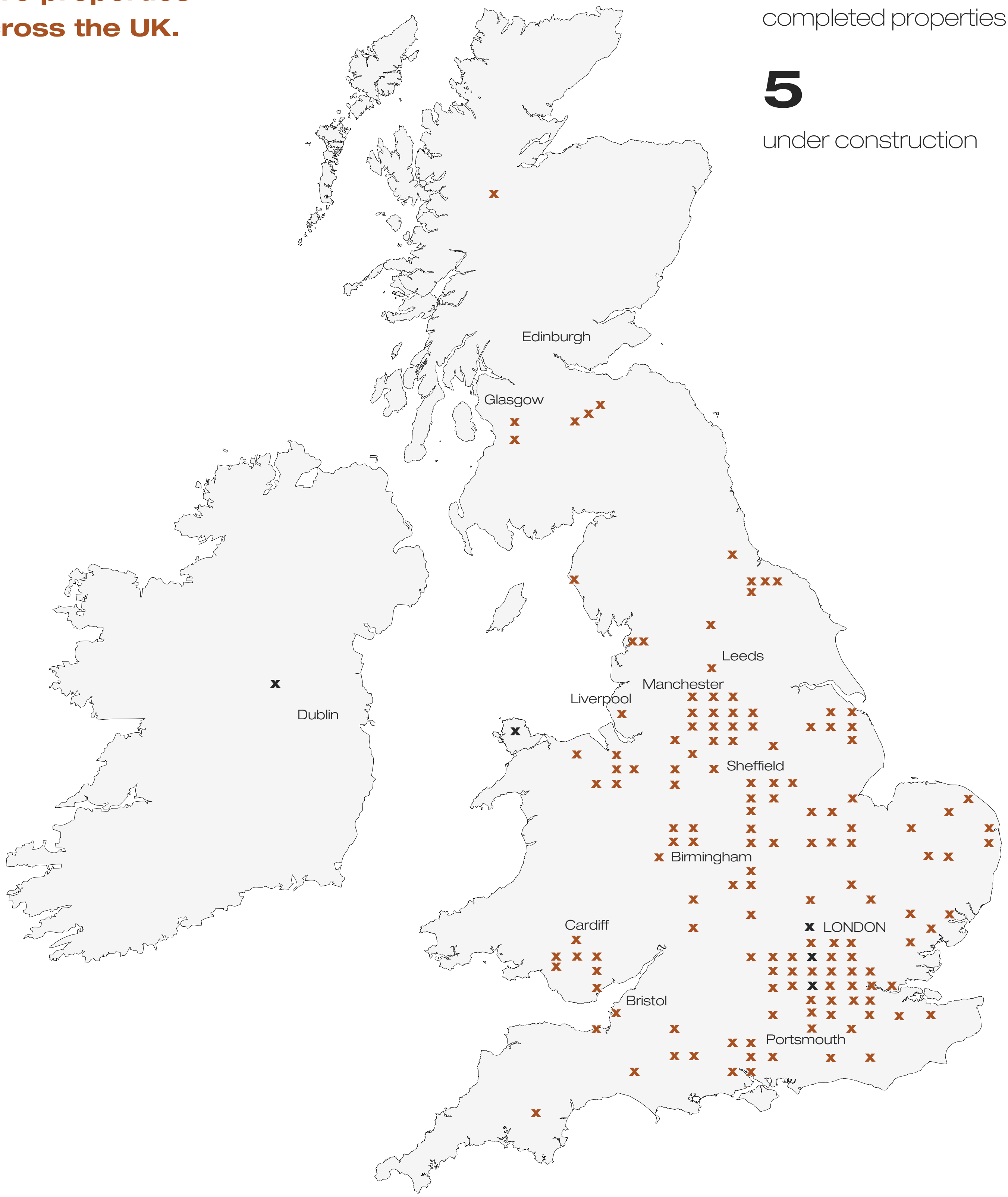
We have 148 primary care properties across the UK.

143

completed properties

5

under construction

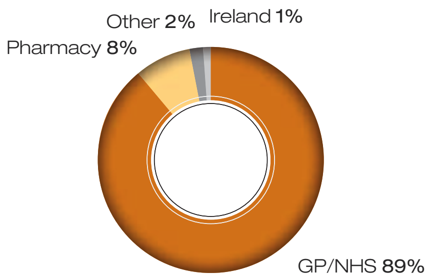


x Completed properties

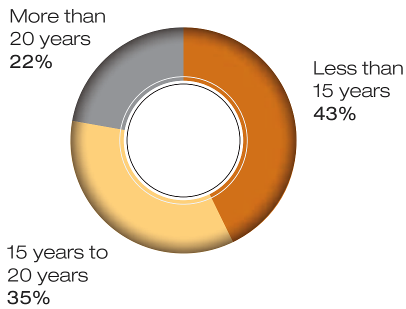
x Properties under construction

Portfolio Review[1]

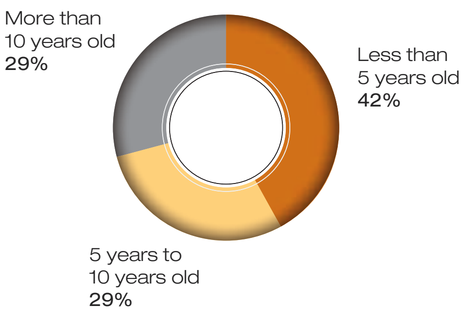
Security of income by tenant type



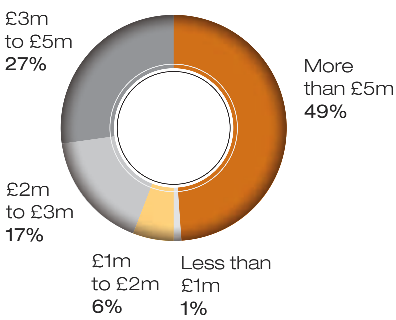
Security of income by lease expiry



Modernity of assets



Value per property



Portfolio analysis[2]

Average unexpired lease term	Average age	Average value
15.8 years	7.2 years	£4.0m

1 As at 30 September 2015; includes completed value of properties under construction
2 As at 4 December 2015; includes completed value of properties under construction

Our Portfolio (continued)

Analysis of property portfolio – largest investments

Property	Year ended 30 September 2015 Valuation £'000	Year ended 30 September 2015 Percentage of total	Year ended 30 September 2014 Valuation £'000	Year ended 30 September 2014 Percentage of total
Moorgate Primary Care Centre, Bury	**17,110**	**3.09%**	15,910	3.07%
Lytham Primary Care Centre, Lytham	**13,590**	**2.45%**	12,780	2.47%
Princeway Health Centre, Frodsham	**12,040**	**2.18%**	11,040	2.13%
Cobham Hospital, Cobham	**10,040**	**1.81%**	9,670	1.87%
Raynes Park Medical Centre, Raynes Park	**9,850**	**1.78%**	9,250	1.84%
Caerphilly Integrated Resources Centre, Caerphilly	**9,780**	**1.77%**	9,490	1.83%
Bathgate Primary Health Centre, Bathgate	**9,710**	**1.75%**	8,920	1.79%
Kingsway Medical Centre, Ossett	**9,180**	**1.66%**	8,760	1.69%
Evesham Health Centre, Evesham	**8,530**	**1.54%**	–	–
Marisco Medical Centre, Mablethorpe	**8,510**	**1.54%**	8,050	1.55%
Colne House, Watford	**–**	**–**	7,817	1.51%
10 largest completed properties	**108,340**	**19.57%**	101,687	20.21%
Other properties	**445,139**	**80.43%**	401,219	79.79%
	553,479	**100.00%**	502,906	100.00%

Regional analysis of UK & Ireland portfolio

At 30 September 2015	Number of properties	Number of tenancies	Floor area (m^2)	Rent roll (£'000)	Capital value (£'000)
London	15	30	15,429	3,722	59,675
South West	10	18	8,976	1,617	24,163
South East	22	49	24,442	5,046	82,620
East Midlands	16	26	18,786	3,325	54,948
West Midlands	10	20	12,360	2,296	40,500
Eastern	20	49	23,391	4,572	73,028
North	19	48	32,292	6,619	110,329
York & Humber	18	62	21,090	4,125	61,693
Wales, Scotland & Ireland	14	39	21,080	3,433	46,523
Total	**143**	**341**	**177,846**	**34,755**	**553,479**

Name: **Clapham Medical Centre**
Location: Clapham, London

Name: **Gwrych Medical Centre**
Location: Abergele, North Wales

"The Fund continues to invest in best in class primary healthcare medical centres, thereby generating long term sustainable income from our investments."

Name: **Lytham Primary Care Centre**
Location: Lytham, Lancashire

Investment Adviser's Report

Market

The primary healthcare market remains attractive to investors due to continued high demand for assets, which have a strong covenant, achieve good resilient yields and are currently in short supply because of delays in the NHS approving new schemes. Yields have continued to fall during the year due to the imbalance between supply and demand. Primary healthcare properties continue to provide good value compared with the wider prime property market which is showing signs of commanding very full valuations.

New schemes have continued to be slow in coming to the market as funding responsibility passes to the Clinical Commissioning Groups ("CCGs"). The limited supply of new property schemes has resulted in yield compression and relatively high prices paid for some lower quality assets in the market. The Fund has maintained a disciplined buying approach, resisting the downward pressure on yields and has continued to acquire best in class assets at good yields. The increased competition for limited stock has reflected positively on the property valuations of the Fund. There is an expectation that the number of new schemes being approved will increase in the next 12-24 months since demand for effective primary care remains very high.

With the UK market seeing aggressive yields for many assets, the Fund has diversified its approach and has started to invest in the Republic of Ireland. Following an extensive review of the Irish market it was considered to offer assets of a similar grade or superior to the UK market whilst being priced at more attractive yields. Following its first investment in the Republic of Ireland the Fund has established relationships with a number of experienced developers through which a pipeline of high quality assets has been established which is expected to be converted into further investments in the near future.

Market rental growth has also been impacted by the lack of new schemes setting new rental evidence, with settled reviews being based on established historical rental evidence often related to older assets. As new schemes come to the market it is expected that underlying construction cost inflation will cause an overdue acceleration in rental growth.

Name: **Highfield Medical Centre**
Location: Arnold, Nottinghamshire

Portfolio update

As at the date of this report the Fund has committed investment of £559.5 million in 148 primary healthcare properties, an increase of 8.0% since 1 October 2014. The annualised rent roll of the property portfolio is now £35.8 million, an increase of £3.0 million, or 9.1%, since 1 October 2014.

The valuation of the portfolio undertaken by Jones Lang LaSalle Limited, independent valuers to the Group, stood at £561.7 million as at 30 September 2015 on the basis that all properties were complete, reflecting a net initial yield of 5.46% (5.68% as at 30 September 2014). The results for the year include a net valuation gain of £25.6 million.

At 4 December 2015, the portfolio of properties had an average age of 7.2 years, remaining lease length of 15.8 years and an average value of £4.0 million. Of the rents receivable, 88.3% are from government-funded doctors and the NHS, 8.2% from pharmacies and 3.5% from other tenants.

During the year the Fund was cautious and targeted best in class assets in a competitive market with limited supply. The Group added a total of six properties representing a total commitment of £27.4 million at a cash yield of 5.87%. One of the new developments acquired by the Fund is in Mullingar in the Republic of Ireland representing a commitment of €10.1 million. This demonstrates the proactive approach of MedicX Fund; diversifying into the Irish market whilst the UK market is experiencing aggressive pricing conditions and a scarcity of available stock.

In addition to the development project in Mullingar, four new development projects at Kingsbury, Maidstone, Streatham and Benllech were acquired in the year. These new investments represent a commitment of £17.6 million. These acquisitions remained under construction at 30 September 2015 with Maidstone achieving successful completion in October 2015. The remaining property purchased during the year was a completed medical centre in Northampton that was fully let and immediately income generating.

During the year, successful completion was achieved on properties previously under construction at Prenton, Buckley, Poringland, Devonport and Peterborough, representing a commitment of £22.6 million. All of the completed projects were delivered within budget.

Construction continued on the existing projects at Stevenage and Briton Ferry, while the construction of the newly acquired projects at Kingsbury, Maidstone, Streatham, Benllech and Mullingar commenced during the year. The outstanding commitment to complete these properties at 30 September 2015 was £16.5 million. Maidstone and Briton Ferry both achieved practical completion in October 2015 with the remaining projects expected to complete within the next 12 months.

The Fund had a pipeline of identified investment opportunities of approximately £139.9 million, of which £13.9 million was completed in October and November 2015.

During the year the Group did not dispose of any investment properties but will continue to look to dispose of properties which no longer meet its long term investment criteria or have been identified within the CCGs estates strategy as less likely to be used for delivery of primary care beyond their existing lease term.

As described above, the initial valuation yield on investments is 5.46% compared with the Group's weighted average cost of fixed rate debt of 4.45% and a benchmark 20-year gilt rate of 2.51% at 30 September 2015. This positive spread has enabled growth through committing investment during the year of £27.4 million with a further £13.9 million since the year end. The Company remains well placed to continue to grow and deliver value to its shareholders as it locks into the differential available between long term returns and the cost of long term funding.

Investment Adviser's Report (continued)

Rent review performance

During the year ended 30 September 2015, the Fund averaged an uplift of 1.6% on its rent reviews, with reviews of 59 leases and rents of £8.5 million having been concluded. Of these reviews, 0.9% per annum was achieved on open market reviews, 2.6% per annum was achieved on RPI based reviews and 2.7% per annum on fixed uplift reviews. Reviews of £14.3 million of passing rent were under negotiation as at 4 December 2015.

Of the £35.8 million annualised rent roll at 4 December 2015, there was £26.0 million (72.7%) subject to open market review, £8.1 million (22.6%) subject to RPI reviews and £1.7 million (4.7%) subject to fixed uplift reviews. The proportion of rent subject to RPI uplifts has increased over the last six years from 7.9% to 22.6%.

Asset management

The Fund continually reviews its portfolio for asset management opportunities and has identified a number of opportunities to enhance the portfolio mainly through extensions, new pharmacy opportunities and lease re-gearing to increase valuations. The Fund is engaging with CCGs to identify further asset management opportunities and is monitoring closely how GP federations, new provider groups and 'Super Practices' are forming in each locality.

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 is calculated and then aggregated with the surplus cash position of the Group.

At 30 September 2015, the DCF valuation was £346.3 million or 94.9 pence per share compared with £331.1 million or 93.4 pence per share at 30 September 2014.

In order to provide a consistent approach the assumptions applied in previous years have remained unchanged. 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 4.55% risk premium to the 20 year gilt rate at 30 September 2015 of 2.51%.

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 2015 of 77.5 pence per share, the discounted cash flow calculation would have to assume a 0.8% decrease in rents per annum, or a 1.2% capital reduction per annum, or a weighted average discount rate of 9.0%. 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 4 December 2015 of 84.5 pence per share, the discounted cash flow calculation would have to assume a 0.6% increase in rents per annum, or a 0.2% capital reduction per annum, or a weighted average discount rate of 8.2%.

Taking the EPRA NNNAV of 62.7 pence per share and assumed purchaser costs of 8.9 pence per share, an implied net initial yield of 4.62% would be required to match the discounted cash flow net asset value of 94.9 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 4.96%, the EPRA net asset value would increase by approximately 15.0 pence per share to 85.8 pence per share and the EPRA NNNAV would increase to 77.7 pence per share.

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 £126 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:

	2015	2014
Octopus Healthcare Adviser Ltd	**2,009,360**	1,940,822

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 in December 2014 and March 2015 and cash in June and September 2015. The cash equivalent of the dividends received by the Investment Adviser for the year was £116,543, compared with £107,311 in the prior year.

Mike Adams
Chief Executive 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.

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 primarily across the UK. In addition, the Company will adhere to the following principles in implementing its investment policy:

Name: **East Cowes Medical Centre**
Location: East Cowes, Isle of Wight

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.

Limited investment in the Republic of Ireland may be made under the current terms of the Fund's Investment policy, however, the directors intend to put a resolution to Shareholders at the forthcoming AGM in February 2016 to amend the Investment policy to permit further investment in the Republic of Ireland.

Name: **Lytham Primary Care Centre**
Location: Lytham, Lancashire

Board of Directors

David Staples
Non-Executive Chairman

Appointed to the Board: October 2008 and has served as Chairman since his appointment

Experience:
David Staples 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.

John Hearle
Non-Executive Director

Appointed to the Board: September 2006

Experience:
John Hearle is a Fellow of the Royal Institution of Chartered Surveyors and a Member of the Chartered Institute of Arbitrators. Until recently he headed the Healthcare Division of Aitchison Raffety Ltd and was Group Chairman of the company and its subsidiaries with offices from London to Birmingham. John now operates Medical Premises Consultants (MPC) a company which continues to undertake a consultancy role for Aitchison Raffety. MPC also acts as a vehicle for Mr Hearle's work in dispute resolution where he 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. 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 responsibility for all TSB Property Services' commercial estate agency and surveying operation. In addition, in respect of healthcare, he acted as Chairman of the RICS Working Party that established the guidance for the valuation of medical premises. 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.

Shelagh Mason
Non-Executive Director

Appointed to the Board: September 2006

Experience:
Shelagh Mason is an English property solicitor with over 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 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 Chairman 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.

Steve Le Page
Non-Executive Director

Appointed to the Board: November 2014 and became Audit Committee Chairman in December 2014

Experience:
Steve Le Page 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, Volta Finance Limited, and Apax Global Alpha Limited, all 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.

Christopher Bennett
Non-Executive Director

Experience:
Christopher Bennett was a member of the Board and Audit Committee Chairman from September 2006 until his resignation in 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 objectives are to achieve rising rental income and capital growth from the ownership of a portfolio of mainly modern, purpose built, primary healthcare properties primarily 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 30.

Results and dividends

The results for the year are shown on page 35. One quarterly dividend of 1.45p per Ordinary Share was paid in December 2014, and three quarterly dividends of 1.475p per Ordinary Share were paid in March, June and September 2015. The Directors have approved a further quarterly dividend of 1.475p per Ordinary Share to be paid on 31 December 2015.

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 elect to receive the dividend as new Ordinary Shares instead of cash, with all dividends paid during the year being subject to the scheme. The quarterly dividend to be paid on 31 December 2015 will also be subject to this scheme. The amounts disclosed for dividend payments are the cash equivalent values.

As at 30 September 2015, the Ordinary Share price was 77.5p.

Share issues

Following approval at the AGM in February 2015, 32.8 million Ordinary Shares of no par value were issued by the Company on 18 February 2015 and were repurchased at the same price on 20 February 2015, to be held in treasury. Shares from treasury are available to be sold to satisfy demand for the Company’s shares at the prevailing market price, and to be 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 £6.8 million, excluding the impact of shares issued in lieu of dividends under the Scrip Dividend Scheme of £2.0 million. All issues for cash are detailed in note 14 of the financial statements.

Financial instruments

The Group utilises financial instruments in its operations. The financial instruments of the Group at 30 September 2015 comprised trade receivables and payables, other debtors, cash and cash equivalents, non-current borrowings and current borrowings. The Group previously utilised an interest rate swap which had the effect of fixing the interest rate payable on its loan from GE Capital Real Estate. The swap was extinguished in November 2014 when the loan was repaid.

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 value of all financial instruments on the statement of financial position is equal to their fair value.

No financial instruments of the Group were hedged during the year ended 30 September 2015. For a more detailed analysis of the Group’s financial risk management please refer to note 18.

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. In due course it is expected that the Guernsey registered subsidiary undertaking holding properties in the Republic of Ireland will be subject to Irish tax on income arising on those properties.

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, 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, which is authorised and regulated by the Financial Conduct Authority (“FCA”) 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 FCA to carry out certain investment advisory activities.

On 20 November 2015 the Company entered into an agreement to amend the Investment Adviser’s fee structure with effect from 1 October 2015. At the same time, the contract renewal terms have been changed providing a rolling contract subject to the Company’s ability to serve two years’ notice at any time.

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 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 parties on terms such that the Investment Adviser remains responsible for the performance of those responsibilities.

The details of the service contract between the Company and the Investment Adviser are described in note 20 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 a fixed base fee for the provision of its services to the Company as well as an entitlement to additional variable fees for duties relating to corporate activities. This agreement was renewed effective from 1 May 2015. Further details are described in note 20 of the financial statements. The agreement is 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, monitoring compliance with applicable relevant rules and regulations 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 out in the Company's investment policy on page 16.

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 and the Company itself; the composition of the Board is three 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 pages 24 to 28, 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. In addition, during the current year the Board engaged Optimus Group Limited, an independent third party consultant to provide an independent evaluation and benchmarking to assist the Board in assessing its performance. The Board are satisfied that with its performance and the current structure is appropriate and meets the needs of the business. All Directors remain independent as described in further detail in the Corporate Governance Statement shown on pages 24 to 28.

The Directors have beneficial interests in the following number of shares in the Company:

	4 Dec 2015	30 Sep 2015	30 Sep 2014
D Staples (Chairman)	**85,709**	85,709	79,862
S Mason	**28,683**	28,683	26,727
J Hearle	**27,992**	27,992	26,082
S Le Page (Audit Committee Chairman)	**–**	–	–
Total	**142,384**	142,384	143,244

No director is under a contract of service with the Company. Details of directors' remuneration are described in the Directors' remuneration report on page 29 and in note 2 to the financial statements.

Substantial shareholdings

At 5 November 2015 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	35,856,430	9.82%
Architas Multi-manager Limited	33,979,904	9.31%
CCLA Investment Management Limited	32,893,213	9.01%
Brewin Dolphin Limited	27,562,356	7.55%
East Riding of Yorkshire Council	17,660,932	4.84%
Premier Fund Managers Limited	16,732,561	4.58%
Rathbone Investment Management	11,664,415	3.19%

Auditor

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

- there is no relevant audit information of which the Company's Auditor is not aware; 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 2016 Annual General Meeting.

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 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 18 and 24 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 its exposures to credit risk and liquidity risk.

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

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

8 December 2015

Report of the Audit Committee

Introduction

The Audit Committee (the "Committee") has been chaired by Steve Le Page since December 2014 when Christopher Bennett resigned. The other members of the Committee are David Staples and Shelagh Mason. 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. The Committee operates within its terms of reference as determined by the Board. 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 four meetings held in the year to 30 September 2015 is noted on page 25.

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, in accordance with the AIC guidelines. In addition, the Committee was included in the scope of the independent review carried out by Optimus Group Limited. Taking all these matters into account, 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.

Auditor appointment

KPMG LLP were re-appointed as auditors of the Company at the Annual General Meeting on 17 February 2015, and their audit of these financial statements is the third audit they have carried out since their original appointment in 2013. The Company currently intends to put the external audit out to tender at least once every ten years.

As part of its annual review of the effectiveness of the external audit, the Committee obtained assurance on the quality of the external audit from its own evaluation, the audit feedback documentation and from correspondence and discussions with the audit partner and the Investment Adviser. The Committee concluded that this was sufficient information on which to conclude that the external audit process is effective.

The Committee assessed 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 remain independent and that the level of non-audit fees are not an independence threat.

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 2015. The Committee considers KPMG LLP to be independent of the Company and the Group.

On the basis of these activities, the Committee has recommended to the Board that a resolution to reappoint KPMG LLP as the Company's auditors be put to the Shareholders at the AGM to be held in February 2016.

Internal control

The Audit Committee has in place a formal procedure for performing an ongoing robust assessment of the Company's risk management and internal control systems. The procedures are designed to identify, evaluate and monitor the principal and other risks most likely to impact the Group. The principal risks are listed on page 30 of this Annual Report together with the processes applied to mitigate those risks.

The Committee is 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 on a scale of one to five in relation to both their likelihood of occurrence and corresponding impact. The matrix details 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 who reports directly to and who is 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 2015 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.

During September 2015 the internal audit plan was reviewed and refreshed to ensure it was brought fully up to date in advance of the next three year cycle of rolling reviews commencing in December 2015.

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.

Significant financial reporting issue – Valuation of investment property

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 2015 and also at both the planning stage and conclusion of the independent audit of the financial statements.

As further explained in note 9 to the financial statements, the approach adopted by the Company is to recognise investment property at fair value, with 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 £25.6 million in the year.

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 that they had found no misstatements in the course of their work. The Committee confirms that it is satisfied that the auditor has fulfilled its responsibilities with diligence and professional scepticism.

Conclusions

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. Accordingly, the Committee has concluded that the financial statements, taken as a whole, are fair, balanced and understandable, and has recommended their approval to the Board on that basis.

Steve Le Page
Audit Committee Chairman

8 December 2015

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 published in September 2014 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 in accordance with the principles and recommendations of the AIC Code, and by reference to the AIC Guide (which incorporates the UK Corporate Governance Code), will provide the best 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. The Board has determined that each Director remains independent of character and judgement and is free of any relationships or circumstances which might impair their independence. In addition, each Director is considered to be independent of the Investment Adviser, Octopus Healthcare Adviser Ltd. The Directors' independence is subject to review as part of the Board's annual performance evaluation.

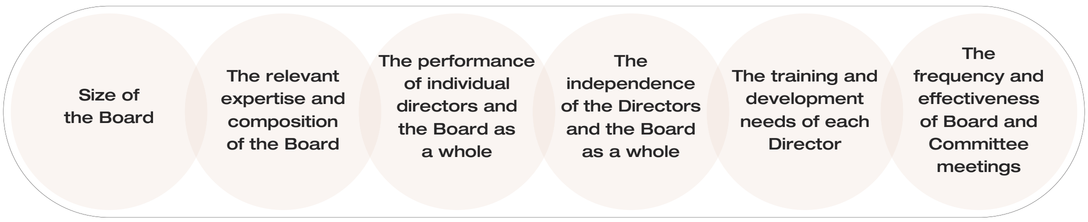
The Investment Adviser agreement establishes the areas of authority that have been delegated to the Investment Adviser, but remain under the supervision of the Board, and the limits on the Investment Adviser's scope of operation whereby Board approval must be sought. All other areas outside the agreement 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. However, having considered feedback from shareholders, the Board has decided that it is appropriate for each director to stand for re-appointment annually, at each AGM.

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 those meetings in addition to the monthly management reporting package received 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 a third party facilitator is engaged in accordance with the recommendations set out by the AIC. In particular the following areas are assessed:



The Company maintains a policy that the Board should have 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.

During the current year, Optimus Group Limited ("Optimus"), an independent consultant, was engaged to facilitate the three yearly independent review of Board effectiveness. Optimus reported the results of their review in November 2015 to assist the Board in their assessment of performance.

The findings from the review were presented to and discussed by the Board and Optimus concluded that the Board operates efficiently and professionally and in compliance with the Code. It was further noted that meetings are well run, appropriate service providers are present and it is clear there is a strong governance culture.

The current composition of the Board and its Committees is considered appropriate and 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.

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 29.

The numbers of scheduled Board and Audit Committee meetings held during the year to 30 September 2015 along with the attendance of the Directors were:

	Scheduled	
Board of Directors	Held	Attended
D Staples	5	5
S Le Page	5	5
S Mason	5	5
J Hearle	5	5

	Scheduled	
Audit Committee	Held	Attended
D Staples	4	4
S Le Page	4	4
S Mason	4	4
J Hearle [1]	4	4

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.

Corporate Governance Statement (continued)

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 Directors are aware that Mr. Hearle and Mrs. Mason have both served the Board for nine years. The Board has determined that each Director including Mr. Hearle and Mrs. Mason remain independent of character and judgement and are free of any relationships or circumstances that threaten their independence of the Company or its Investment Adviser. In particular, none of the Directors have ever been executives of the Company, have had a material direct or indirect relationship with the Company or its stakeholders, have received disproportionate fees, have close family relationships with stakeholders or represent significant shareholders. The Board are mindful of 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. Mr. Hearle and Mrs. Mason who have served on the Board for nine years put themselves forward for re-appointment on an annual basis. Mr. Hearle and Mrs. Mason both hold relevant professional qualifications and considerable expertise which is of great value to the Board and its diversity and effectiveness.

The independence of Mr. Hearle has been reviewed given the nature of the relationship between the Investment Adviser and Aitchison Raffety, a company of which he was Chairman until 1 October 2015, which is a supplier, on a non-exclusive basis, of professional services to both the Investment Adviser and the Company. Mr. Hearle is no longer employed by, or a shareholder in Aitchison Raffety, however, he remains a non-executive director (pending the final deferred payment for his shares) and consultant and receives an arm's length remuneration for his services. The fees paid to Aitchison Raffety in the year were £56,000 (2014: £58,000) to negotiate rent reviews and to act as agent for the disposal of properties. This represents about 0.5% 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 previous 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 Board receives a report on health and safety issues at each scheduled Board meeting.

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 may market its shares in the UK provided certain disclosure and compliance requirements are met. The Company complies with the requirements of the AIFM Directive 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.

The Company publishes on its website information related to the AIFM directive, which is available to all current and potential investors.

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 customers and 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.

Socially Responsible Investment

The Board aims to be a socially responsible investor and believes that it is important to invest in primary healthcare properties in a responsible manner in respect of environmental, ethical and social issues. The Investment Adviser's evaluation procedure and analysis of the properties within the portfolio includes research and appraisal of such matters, and takes into account environmental and social policies and other business issues.

The Group recognises that environmental protection, resource efficiency and sustainable development are necessary to ensure environmental damage is limited and furthermore that where relevant, positive actions should be taken to improve the existing environment for future generations. To this end the Group takes its responsibilities seriously and has environmental and social policies in place which are available on its website, www.medicxfund.com.

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.

Corporate Governance Statement (continued)

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, the investor relations policy 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 in the back cover, 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

8 December 2015

Directors' Remuneration Report

The Board presents its Directors' remuneration report in respect of the year ended 30 September 2015.

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.

Directors' remuneration

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 2015.

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

	2015 £'000	2014 £'000
D Staples (Chairman)	**46**	51
S Mason	**31**	36
S Le Page (Audit Committee Chairman)	**32**	–
C Bennett (Audit Committee Chairman) (retired 10 December 2014)	**7**	41
J Hearle	**31**	36
Total	**147**	164

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 charged to 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.

	2015 £	2014 £
D Staples (Chairman)	**4,817**	4,416
S Mason	**1,612**	1,478
S Le Page (Audit Committee Chairman)	**–**	–
C Bennett (Audit Committee Chairman)	**–**	611
J Hearle	**1,573**	1,442
Total	**8,002**	7,947

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 16 February 2016.

By order of the Board

Shelagh Mason

8 December 2015

Risk Management

The principal risks and uncertainties relating to the Group are regularly reviewed by the Board along with the internal controls and risk management processes that are used to mitigate these risks. The principal risks and management of those risks are described below:

	Risks & impacts	Key mitigation factors
Government policy	Changes to the NHS funding model for the primary healthcare sector could lead to a reduction in development opportunities available to the Company. The NHS currently reimburses GP's rental costs for premises used for providing primary healthcare. In the event of a change to this mechanism, the Company may not receive rental income when due and/or the total income received may be lower than due under the current contract. A change in the tax status or residency of the Company or a change in tax legislation could adversely affect returns.	The Investment Adviser provides an update on any expected changes in NHS provision at each Board meeting for consideration by the Board. The current government has stated that one of its policy objectives is to increase the provision of primary healthcare services in the community so a reduction in funding or support in this sector is considered unlikely. The GPs have contracts with the NHS to cover the length of their lease (on average 15.8 years on properties held by the Company) and so a change to this reimbursement policy would be expected to have little impact in the immediate future. The Company maintains a tax forecast and receives regular reports from its tax advisers and the Investment Adviser. This includes keeping potential REIT conversion under review.
Property yields	A significant reduction in property yields could result in them falling below the cost of capital, or not being available with an acceptable rate of return. A property recession could materially adversely affect the value of properties which could put financial covenants under pressure (see below).	For existing properties contractual cash flows are fixed over the long-term so have little impact on EPRA returns. The Board regularly review the Company's budget and five year forecast and completes a risk assessment and a long-term viability assessment which incorporates the Company WACC, dividend policy and sets the minimum property yield boundaries for future acquisitions.
Financing and debt management	A significant reduction in the availability of financing could affect the Company's ability to source new funding for both refinancing purposes and to use for future acquisitions.	The Company mainly holds long-term facilities which greatly reduce the refinancing risk. The Company maintains relationships with a number of potential financing sources ensuring a range of financing options. The Company also regularly monitors and manages its debt facilities and reports on a regular basis to the Board.
Covenants	A significant reduction in property valuations or income could result in a breach of loan covenants.	Covenants are measured and reported by the Investment Adviser on a quarterly basis and considered by the Board. The impact of potential property de-valuations on the covenants are considered by the Investment Adviser and discussed by the Board at quarterly Board meetings.

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.

Viability Statement

In accordance with provision C.2.1 of the 2014 UK Corporate Governance Code ("the Code"), the Board of directors have carried out a robust assessment of the principal risks facing the company, including those that would threaten its business model, future performance, solvency and liquidity. In accordance with provision C.2.2 of the Code, the directors present the Company's viability statement which summarises the results of their assessment of the Company's current position, its principal risks and prospects over a period of five years. The prospects were assessed over a five year period for the following reasons:

(i) the Company's long term forecast covers a five year period;

(ii) the Company normally establishes certainty over its rent reviews over a period of between three and five years;

(iii) the Company is exposed to NHS and political policies which are linked to five year parliamentary terms; and

(iv) The Company is exposed to movements in interest rates and inflation which are more uncertain beyond a five year period.

The Company's five year forecast is based on an integrated performance statement, position statement and cash flow forecast. The forecast incorporates assumptions related to the Company's investment strategy and principal risks from which performance results, cash flows and key performance indicators are forecast. The principal risks are set out on page 30. Of these risks, those which are expected to have a higher impact on the Company's longer term prospects are those related to rising or falling property values, compliance with financial covenants related to debt facilities and future NHS policies. The principal risks are mitigated by the Company's risk management and internal control processes which function on an ongoing basis. The Board via delegation to the Audit Committee, monitor the effectiveness of the Company's risk management and internal control processes on an ongoing basis. The monitoring activities are described in the Report of the Audit Committee on page 22 and include direct review and challenge of the Company's documented risks, risk ratings and controls and review of performance and compliance reports prepared by the Company's advisers including its Investment Adviser and both the independent internal and external auditors.

Where appropriate, the Company's forecasts are subject to sensitivity analysis which involves applying severe conditions and flexing a number of assumptions simultaneously. The underlying five year forecast makes assumptions about the rate of investment rental growth, expenditure, dividend levels and the resulting levels and timing of debt and equity capital required.

Based on the results of their assessment, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the five year period of their assessment.

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 judgements 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, experience and professional qualifications of all the Directors are set out 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 (the "financial statements") of MedicX Fund Limited (the "Fund") for the year ended 30 September 2015 which comprise the Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flows and the related notes set out on pages 35 to 56. 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 2015 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 (£553m)
Refer to page 22 (Report of the Audit Committee), pages 39 to 42 (principal accounting policies) and pages 46 to 47 (financial disclosures):

- *The risk* – Investment properties represent 90% of the Group's total assets. Investment properties are held at fair value in the Group's financial statements. The portfolio comprises 143 properties all of which are externally valued by qualified independent valuers using the investment method of valuation. The fair value of each property requires significant judgement and estimation, in particular over the key assumptions of the estimated rental value, the yield and future costs to complete of properties under construction. The key assumptions will be impacted by a number of factors including location, quality and condition of the building and tenant credit rating.
- *Our response* – In this area our audit procedures included, among others;
  - documenting and assessing the controls over change to, and maintenance of, standing data held in the property database which is used in the valuation of the investment property portfolio;
  - assessment of the information provided by the Group to the external valuer, which included comparing the rental values used in the valuation to the property database and agreeing a sample of this information back to underlying leases;
  - meeting with the Group's external valuers to challenge the assumptions and methodologies used;
  - we included our own chartered surveyors on our audit team to assist us in:
    - evaluating the competence and experience used by the external valuers;
    - critically assessing whether the valuations were in accordance with the RICS Valuation Professional Standards 'the Red Book' and IFRS and that the methodology adopted was appropriate by reference to acceptable valuation practice; and
    - challenging the key assumptions upon which the valuations were based by making a comparison to our own understanding of the industry and market comparable transactions; and
  - We also considered the adequacy of the Group's disclosures about the degree of estimation and sensitivity to key assumptions made when valuing these properties.

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 £6.1m, determined with reference to a benchmark of total Group assets, of which it represents 1%.

In addition, we applied materiality of £0.7m 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 £0.3m, 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.

Report of the Independent Auditor (continued)

To the members of MedicX Fund Limited

4) **We have nothing to report on the disclosures of principal risks**
Based on the knowledge we acquired during our audit, we have nothing material to add or draw attention to in relation to:

- the Directors' Viability statement on page 31, concerning the principal risks, their management, and, based on that, the directors' assessment and expectations of the group's continuing in operation over the 5 years to 2020; or
- the disclosures in note 1 of the financial statements concerning the use of the going concern basis of accounting.

5) **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 position and 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 28 relating to the Company's compliance with the eleven provisions of the 2014 UK Corporate Governance Code specified in our review.

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 32, 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
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8 December 2015

Consolidated Statement of Comprehensive Income

For the year ended 30 September 2015

	Notes	2015 £'000	2014 £'000
Income			
Rent receivable	1	**32,811**	28,085
Other income	1	**858**	1,403
Total income		**33,669**	29,488
Realised and unrealised valuation movements			
Net valuation gain on investment properties	9	**25,603**	11,649
Loss on disposal of investment properties	9	**–**	(23)
		25,603	11,626
Expenses			
Direct property expenses		**902**	666
Investment advisory fee	20	**3,725**	3,363
Investment advisory performance fee	20	**–**	1,865
Property management fee	20	**849**	821
Administrative fees	20	**83**	81
Audit fees	3	**178**	174
Professional fees		**314**	251
Directors' fees	2	**147**	144
Other expenses		**216**	324
Total expenses		**(6,414)**	(7,689)
Profit before interest and tax		**52,858**	33,425
Finance costs	4	**(13,802)**	(13,355)
Finance income	1	**66**	366
Profit before tax		**39,122**	20,436
Taxation	6	**(3,293)**	(264)
Profit attributable to equity holders of the parent		**35,829**	20,172
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Fair value gain on financial derivatives	5	**–**	42
Total comprehensive income attributable to equity holders of the parent		**35,829**	20,214
Earnings per Ordinary share			
Basic and diluted	8	**9.9p**	5.9p

Consolidated Statement of Financial Position

As at 30 September 2015

	Notes	2015 £'000	2014 £'000
Non-current assets			
Investment properties	9	**553,479**	502,906
Total non-current assets		**553,479**	502,906
Current assets			
Trade and other receivables	10	**6,778**	8,181
Cash and cash equivalents	16	**56,910**	31,125
Total current assets		**63,688**	39,306
Total assets		**617,167**	542,212
Current liabilities			
Trade and other payables	11	**18,966**	23,866
Loans due within one year	12	**1,896**	32,822
Financial derivatives		**–**	26
Total current liabilities		**20,862**	56,714
Non-current liabilities			
Loans due after one year	12	**336,412**	253,485
Head lease liabilities	13	**1,405**	–
Rental deposits		**60**	60
Deferred tax liability	6	**4,331**	1,038
Provisions	7	**–**	215
Total non-current liabilities		**342,208**	254,798
Total liabilities		**363,070**	311,512
Net assets		**254,097**	230,700
Equity			
Share capital	14	**–**	–
Share premium	14	**232,770**	204,946
Treasury shares	14	**(24,321)**	(5,293)
Other reserves	15	**45,648**	31,047
Total attributable to equity holders of the parent		**254,097**	230,700
Net asset value per share			
Basic and diluted	8	**69.6p**	65.1p

The financial statements were approved and authorised for issue by the Board of Directors on 8 December 2015 and were signed on its behalf by

Shelagh Mason

Steve Le Page

Consolidated Statement of Changes in Equity

For the year ended 30 September 2015

	Notes	Share Premium £'000	Treasury Shares £'000	Other Reserves £'000	Total Equity £'000
Balance at 1 October 2013		**141,283**	**(1,108)**	**30,815**	**170,990**
Proceeds on issue of shares		48,750	–	–	48,750
Share repurchased and held in treasury		15,000	(15,000)	–	–
Shares sold from treasury		916	7,860	–	8,776
Scrip issue of shares from treasury (net of costs)		262	2,955	–	3,217
Share issue costs		(1,265)	–	–	(1,265)
Total comprehensive income for the year		–	–	20,214	20,214
Dividends paid	17	–	–	(19,982)	(19,982)
Balance at 30 September 2014		**204,946**	**(5,293)**	**31,047**	**230,700**
Share repurchased and held in treasury		27,393	(27,393)	–	–
Shares sold from treasury		491	6,424	–	6,915
Scrip issue of shares from treasury (net of costs)		53	1,941	–	1,994
Share issue costs		(113)	–	–	(113)
Total comprehensive income for the year		–	–	35,829	35,829
Dividends paid	17	–	–	(21,228)	(21,228)
Balance at 30 September 2015		**232,770**	**(24,321)**	**45,648**	**254,097**

Consolidated Statement of Cash Flows

For the year ended 30 September 2015

	Notes	2015 £'000	2014 £'000
Operating activities			
Profit before taxation		**39,122**	20,436
Adjustments for:			
Net valuation gain on investment properties	9	**(25,603)**	(11,649)
Loss on disposal of investment properties		**–**	23
Financial income		**(66)**	(366)
Finance costs	4	**13,802**	13,355
		27,255	21,799
Decrease in trade and other receivables		**1,392**	3,018
Decrease in trade and other payables		**(5,285)**	(1,178)
Interest paid		**(13,287)**	(11,891)
Interest received		**77**	549
Net cash inflow from operating activities		**10,152**	12,297
Investing activities			
Acquisition of investment properties		**(2,308)**	(16,134)
Cash acquired with subsidiaries		**–**	10
Proceeds from sale of investment properties	9	**–**	5,940
Additions to investment properties and properties under construction		**(21,008)**	(31,977)
Net cash outflow from investing activities		**(23,316)**	(42,161)
Financing activities			
Net proceeds from issue of share capital		**6,816**	56,255
New loan facilities drawn	12	**85,000**	15,000
Repayment of borrowings	12	**(32,923)**	(19,892)
Loan issue costs	12	**(697)**	(678)
Dividends paid	17	**(19,247)**	(16,759)
Net cash inflow from financing activities		**38,949**	33,926
Increase in cash and cash equivalents		**25,785**	4,062
Opening cash and cash equivalents		**31,125**	27,063
Closing cash and cash equivalents	16	**56,910**	31,125

Notes to the Financial Statements

For the year ended 30 September 2015

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 principal accounting policies are set out below.

The Group has cash reserves and assets available to secure further funding if required, together with long term leases across different geographic areas within the United Kingdom and the Republic of Ireland. The Directors have reviewed the Group's forecast commitments, including commitments to development projects and proposed acquisitions, against the future funding availability, with particular reference to the utilisation of, and continued access to existing debt facilities and also 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 2014.

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 2016
IFRS 11	Joint Arrangements	1 January 2016
IFRS 12	Disclosures of Interest in Other Entities	1 January 2016
IAS 1	Presentation of Financial Statements	1 January 2016
IAS 27	Investment Entities	1 January 2016
IAS 27	Separate Financial Statements	1 January 2016
IAS 28	Investments in Associates and Joint Ventures	1 January 2016
IFRS 9	Financial Instruments	1 January 2018
IFRS 15	Revenue from contracts with customers	1 January 2018

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 2015. 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 and the Republic of Ireland.

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.

Notes to the Financial Statements (continued)

For the year ended 30 September 2015

1. Principal accounting policies (continued)

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 £645,000 (2014: £1,367,000), 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.

Functional currency

These consolidated financial statements are presented in pounds sterling, which is the company's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

Transactions in foreign currencies are recorded at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the foreign exchange rate ruling at the reporting date.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated to the functional currency using the exchange rate at the date of the transaction.

Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to the functional currency at foreign exchange rates ruling at the dates the fair values were determined.

In the financial statements, foreign exchange gains or losses are recognised in capital or revenue reserve depending on whether the gain or loss is of a capital or revenue nature respectively.

Group Companies:

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of the statement of financial position;
- Income and expenses for each statement of comprehensive income are translated at average rates (unless the average rate is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- All resulting exchange differences are recognised directly within equity in the Group's translation reserve.

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 profit and loss 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.

1. Principal accounting policies (continued)

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, on an effective interest basis.

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 profit and loss. 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 profit and loss in the period in which they arise.

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 and lease incentives.

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 £250,000 (2014: £504,000) 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 profit and loss.

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 from the sale of an 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.

Notes to the Financial Statements (continued)

For the year ended 30 September 2015

1. Principal accounting policies (continued)

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.

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 effective review date to the period end. This estimation of future rent takes into account the terms of the underlying occupational 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

	2015 £'000	2014 £'000
During the year the directors received the following fees:		
D Staples (Chairman)	**46**	51
S Mason	**31**	36
S Le Page (Audit Committee Chairman)	**32**	–
C Bennett	**7**	41
J Hearle	**31**	36
	147	164
Less additional fees paid in relation to fundraising	**–**	(20)
Total charged in the Consolidated Statement of Comprehensive Income	**147**	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 2015, payable to KPMG LLP (2014: KPMG LLP).

	2015 £'000	2014 £'000
Group audit fees for the current year	104	103
Total group audit fees	104	103
Audit fees for the subsidiaries	54	51
Review of the interim report	20	20
Total audit and other fees	178	174

4. Finance costs

	2015 £'000	2014 £'000
Interest payable on long-term loans	13,709	13,800
Refinancing costs	343	59
	14,052	13,859
Interest capitalised on properties under construction	(250)	(504)
	13,802	13,355

During the year interest costs on funding attributable to investment properties under construction were capitalised at an effective interest rate of 4.63%. 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.

	2015 £'000	2014 £'000
Movement in fair value of interest rate swaps treated as cash flow hedges under IAS 39 ("effective swaps"):	–	42
	–	42

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

6. Taxation

	2015 £'000	2014 £'000
Deferred tax		
Charge for the year	3,293	264
Total tax charge	3,293	264

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 £1,200 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 2015

6. Taxation (continued)

A reconciliation of the tax charge to the notional tax charge applying the average standard rate of UK corporation tax of 20.5% (2014: 22%) is set out below:

	2015 £'000	2014 £'000
Profit on ordinary activities before tax	**39,122**	20,436
Profit on ordinary activities multiplied by the average standard rate of corporation tax in the UK of 20.5% (2014: 22%)	**8,020**	4,496
Income/expenses not taxable/deductible for tax purposes	**(4,071)**	(2,975)
Profits not subject to UK taxation	**(1,711)**	(1,235)
Reassessment of brought forward losses	**1,094**	–
Other tax adjustments	**(39)**	49
Current year losses utilised	**–**	(71)
Total tax charge	**3,293**	264

Deferred Taxation

	Fair value gains £'000	Accelerated capital allowances £'000	Unrelieved management expenses £'000	Total £'000
At 1 October 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**
Provided/(released) in year	583	3,782	(1,072)	3,293
At 30 September 2015	**770**	**6,085**	**(2,524)**	**4,331**

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.

The Group had accumulated tax losses of £12.6 million (2014: £7.3 million) which gave rise to a recognised deferred tax asset of £2.5 million (2014: £1.4 million) at a rate of 20%. The deferred tax assets are netted off the deferred tax liabilities where they may be offset in future.

During the year the quantum of potential brought forward losses not recognised in the financial statements was reassessed, at which point it was considered appropriate to decrease the majority of the brought forward losses previously disclosed but not recognised. There are no accumulated tax losses within the Group (2014: £52.7 million), which are currently not recognised as a deferred tax asset within the financial statements of the Group. All of the existing tax losses of the Group are now recognised as part of the net deferred tax liability.

As a result of the deferred tax recognition exemption for asset acquisitions, deferred tax liabilities of £9,918,000 (2014: £9,923,000) in respect of fair value gains and £2,285,000 (2014: £2,285,000) in respect of capital allowances, and deferred tax assets of £708,000 (2014: £708,000) in respect of unrelieved management expenses, have not been recognised.

7. Provisions

Other provisions

	2015 £'000	2014 £'000
Brought forward	**215**	215
Released during the year	**(215)**	–
At 30 September	**–**	215

The Company has previously 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 was based on the Directors' estimate of the amount that may be payable. This provision was reversed during the year as MPVII Investments Ltd was sold on 8 July 2015.

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 £35,829,000 (2014: £20,172,000) and on 361,323,024 (2014: 341,049,766) 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 9.9 pence (2014: 5.9 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 £254,097,000 (2014: £230,700,000) and on 365,125,306 (2014: 354,389,088) Ordinary Shares being the aggregate of Ordinary Shares in issue at the year 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 69.6 pence per Ordinary Share (2014: 65.1 pence per Ordinary Share).

EPRA earnings per share and net asset value per share

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

	2015 £	2014 £
Profit attributable to equity holders of the parent	**35,829,000**	20,172,000
Adjusted for:		
Deferred tax charge	**3,293,000**	264,000
Revaluation gain	**(25,603,000)**	(11,649,000)
Fair value gain on acquired loans	**(88,000)**	(134,000)
EPRA earnings	**13,431,000**	8,653,000
EPRA EPS	**3.7p**	2.5p
Company specific adjustments:		
Performance fee	**–**	1,865,000
Fixed term debt break costs	**–**	206,000
Adjusted earnings on basis reported in prior years	**13,431,000**	10,724,000
Adjusted earnings per Ordinary share – basic and diluted	**3.7p**	3.1p
Weighted average number of Ordinary shares	**361,323,024**	341,409,766

	2015 £	2014 £
Net assets	**254,097,000**	230,700,000
Adjusted for:		
Deferred tax liability	**4,331,000**	1,038,000
Financial derivatives	**–**	26,000
EPRA net assets	**258,428,000**	231,764,000
EPRA net asset value per Ordinary share – basic and diluted	**70.8p**	65.4p

	2015 £	2014 £
Net assets	**254,097,000**	230,700,000
Adjusted for:		
Fair value of debt	**(25,212,000)**	(1,501,000)
EPRA NNNAV	**228,885,000**	229,199,000
EPRA NNNAV per Ordinary share – basic and diluted	**62.7p**	64.7p
Ordinary shares in issue at the year end	**365,125,306**	354,389,088

Notes to the Financial Statements (continued)

For the year ended 30 September 2015

9. Investment properties

Completed investment properties are initially recognised at cost and then subsequently measured at fair value, which has been determined based on the market valuations performed by Jones Lang LaSalle Limited for the properties held within the United Kingdom as at 30 September 2015. The valuation takes account of the rental yield and the fact that a purchaser's offer price to the Group would be net of purchaser's costs (which are estimated at 5.8% (2014: 5.8%) of what would otherwise be the purchase price).

Investment properties under construction are also initially recognised at cost, and are subsequently measured at fair value as at the year-end based on market valuations performed by Jones Lang LaSalle Limited as at 30 September 2015. 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 property under construction held in the Republic of Ireland has not been valued by Jones Lang LaSalle Limited at the year-end due to its location and because it is a recent acquisition meaning that the fair value of the property is considered to be equal to the costs incurred to date. Going forward this property will be valued on a quarterly basis by an appropriately located valuer.

The freehold and long leasehold interests in the property investments of the Group were valued at an aggregate of £561,704,000 as at 30 September 2015 (2014: £517,733,000) by Jones Lang LaSalle Limited (including the property in the Republic of Ireland that was not revalued at the year-end). 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, adjustments for the fair value of ground rents and lease incentive adjustments as at 30 September 2015.

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 market 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 valuer's fee is a set fee applied to the number of properties in the portfolio, the valuer's fees for the year were £72,000 (2014: £55,000).

The net initial yield at 30 September 2015 was 5.46% (2014: 5.68%).

	Completed investment properties £'000	Properties under construction £'000	Total investment properties £'000
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**
Additions	3,712	21,258	24,970
Transfer to completed properties	23,145	(23,145)	–
Revaluation	25,381	222	25,603
Fair value 30 September 2015	**544,490**	**8,989**	**553,479**

	Total investment properties £'000
Fair value per JLL valuation report	**517,733**
Rent incentives	73
Cost to complete properties under construction	(14,900)
Fair value 30 September 2014	**502,906**
Fair value per JLL valuation report	**561,704**
Ground rents recognised as finance leases	1,405
Rent incentives	(1,424)
Cost to complete properties under construction	(8,206)
Fair value 30 September 2015	**553,479**

9. Investment properties (continued)

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 2015 (and as at 30 September 2014), 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 £14 million. If rent reviews of 2% were achieved on the full portfolio with no yield movement the valuation of properties would increase by approximately £11 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 £129,837,000 (2014: £130,048,000) 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 £250,000 (2014: £504,000) attributable to development work in progress were capitalised during the year.

10. Trade and other receivables

	2015 £'000	2014 £'000
Rent receivable	**2,916**	2,394
VAT recoverable	**731**	2,141
Other debtors and prepayments	**3,131**	3,646
	6,778	8,181

Notes to the Financial Statements (continued)

For the year ended 30 September 2015

11. Trade and other payables

	2015 £'000	2014 £'000
Trade payables	**1,464**	1,479
Other payables	**1,268**	4,109
Deferred rental income	**8,496**	8,046
Interest payable and similar charges	**2,898**	2,728
Accruals	**4,840**	7,504
	18,966	23,866

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

	2015 £'000	2014 £'000
Total facilities drawn down	**338,687**	255,583
Loan issue costs	**(14,108)**	(14,436)
Amortisation of loan issue costs	**3,316**	2,864
Fair value arising on acquisition of subsidiaries	**11,645**	11,645
Amortisation of fair value adjustment on acquisition	**(3,128)**	(2,171)
	336,412	253,485
Loans due within one year	**1,896**	32,822
	338,308	286,307

The Group has six primary debt facilities drawn and 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 2015. Details of each facility are disclosed below. Repayments of the loans listed above fall due as follows:

	2015 £'000	2014 £'000
Due within one year	**1,896**	32,822
Between one and two years	**1,983**	2,193
Between two and five years	**7,602**	7,880
Over five years	**326,827**	243,412
Due after one year	**336,412**	253,485
	338,308	286,307

	Interest Rate	Expiry Date	2015 £'000	2014 £'000
Aviva £100m loan facility	5.008%	December 2036	**99,665**	99,637
GE Capital real estate facility	3.140%	April 2015	**–**	31,012
Aviva £50m loan facility	4.370%	February 2032	**48,932**	48,883
Aviva PMPI loan facility	4.450%	February 2027 November 2032 October 2031	**60,887**	62,289
Aviva GPG loan facility	4.130%-5.000%	December 2031 onwards	**27,380**	27,894
Aviva Verwood loan facility	6.250%	July 2026	**899**	964
Standard Life loan note facility	3.838%	October 2028	**49,597**	–
RBS loan facility	3.000%	September 2016	**(230)**	(377)
Loan note facility	3.990%	December 2028	**49,282**	14,383
Current portion of long term loans			**1,896**	1,622
			338,308	286,307

12. Loans (continued)

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 £8,517,000 as at 30 September 2015 (30 September 2014: £9,474,000).

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 £25,212,000 as at 30 September 2015 (30 September 2014: £1,501,000).

Fair value hierarchy

The valuation of loans is classified in accordance with the fair value hierarchy described in note 1. As at 30 September 2015 (and as at 30 September 2014), 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:

	2015 £'000	2014 £'000
Draw down of Loan note	**35,000**	15,000
Draw down of Standard Life loan note facility	**50,000**	–
New loan facilities drawn	**85,000**	15,000
Repayment of mortgage principal	**(63)**	(58)
Repayment of Aviva PMPI loan facility	**(1,032)**	(789)
Repayment of Aviva GPG loan facility	**(531)**	(1,430)
Repayment of GE Capital loan facility	**(31,297)**	–
Repayment of acquired loans	**–**	(17,615)
Repayment of long-term borrowings	**(32,923)**	(19,892)
Aviva £50m facility arrangement fee	**–**	(43)
DPB loan facility draw down fees	**–**	(10)
Aviva £100m loan facility costs	**(20)**	(2)
Aviva GPG loan facility costs	**(7)**	–
RBS loan facility costs	**(21)**	–
Loan note costs	**(235)**	(623)
Standard Life facility costs	**(414)**	–
Loan issue costs	**(697)**	(678)

Any costs incurred relating to the loans are added to the loan issue costs and amortised over the remaining life of the loan facility.

Notes to the Financial Statements (continued)

For the year ended 30 September 2015

13. Head lease liabilities

	30 September 2015	
	Present value £'000	Minimum lease payments £'000
Due within one year	**94**	103
Between one and five years	**300**	411
Over five years	**1,011**	8,197
	1,405	8,711
Less future interest costs	**–**	(7,306)
	1,405	1,405

The Group holds certain long leasehold properties which are classified as investment properties. The head leases are accounted for as finance leases. These leases typically have lease terms between 32 and 999 years and fixed rentals.

14. 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 2014	**361,445,780**	
Shares issued under Placing, Open Offer and Offer for Subscription:		
20 February 2015	32,806,402	83.50 pence
Total shares issued as at 30 September 2015	**394,252,182**	
Shares held in treasury (see below)	(29,126,876)	
Total voting rights in issue as at 30 September 2015	**365,125,306**	

Treasury shares were utilised to satisfy general market demand for shares and in lieu of cash payment for the dividends 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 2014	**7,056,692**	**75.00 pence**
Share issued under Placing, Open Offer and Offer for Subscription and bought back into treasury:		
20 February 2015	32,806,402	83.50 pence
Shares sold for cash:		
10 December 2014	(3,000,000)	82.50 pence
27 January 2015	(1,000,000)	82.50 pence
29 January 2015	(1,000,000)	82.75 pence
05 February 2015	(1,338,175)	83.50 pence
24 February 2015	(1,000,000)	83.50 pence
24 March 2015	(1,000,000)	83.50 pence
	(8,338,175)	
Shares utilised in lieu of cash payment of dividends:		
31 December 2014	(718,517)	83.30 pence
31 March 2015	(909,572)	83.80 pence
30 June 2015	(656,479)	82.65 pence
30 September 2015	(113,475)	79.80 pence
	(2,398,043)	
Total shares held in treasury as at 30 September 2015	**29,126,876**	

The closing value of shares held in treasury issued at 83.50 pence per share each is £24,320,941.

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

15. Other reserves

The movement in other reserves is set out in the Statement of Changes in Equity on page 37.

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.

16. Cash and cash equivalents

	2015 £'000	2014 £'000
Cash and balances with banks	**56,910**	31,125

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 cash and cash equivalents balance of £56.9 million is £25 million of cash in transit related to the second close of the Standard life loan note facility which completed on 30 September 2015.

Included in the above amounts are balances that are held in restricted accounts which are not immediately available for use by the Group of £11,030,000 (2014: £6,152,000). These amounts will be made available when sufficient property has been secured against the loan facility and all documentation is completed. £8,550,000 was released from the restricted accounts on 26 November 2015 following the security of property against the Standard Life loan note.

17. Dividends

	2015		2014	
	£'000	**Dividend per share**	£'000	Dividend per share
Quarterly dividend declared and paid 31 December 2014/31 December 2013	**5,139**	**1.450p**	4,844	1.425p
Quarterly dividend declared and paid 31 March 2015/29 March 2014	**5,331**	**1.475p**	4,941	1.450p
Quarterly dividend declared and paid 30 June 2015/28 June 2014	**5,374**	**1.475p**	5,070	1.450p
Quarterly dividend declared and paid 30 September 2015/30 September 2014	**5,384**	**1.475p**	5,127	1.450p
Total dividends declared and paid during the year	**21,228**		19,982	
Quarterly dividend declared after year end	**5,386**	**1.475p**	5,139	1.450p
Cash flow impact of scrip dividends paid on:				
31 December 2014	**598**		690	
31 March 2015	**762**		1,079	
30 Jun 2015	**543**		849	
30 Sept 2015	**78**		605	
Total cash equivalent value of scrip shares issued	**1,981**		3,223	
Cash payments made for dividends declared and paid	**19,247**		16,759	

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 26 October 2015, the Board approved a dividend of 1.475 pence per share, bringing the total dividend declared in respect of the year to 30 September 2015 to 5.9 pence per share. The record date for the dividend was 20 November 2015 and the payment date is 31 December 2015. 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 26 October 2015 the Board announced an opportunity for qualifying Shareholders to receive the December 2015 dividend in new Ordinary Shares instead of cash.

Notes to the Financial Statements (continued)

For the year ended 30 September 2015

18. 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 2015 and 30 September 2014 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% (2014: 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 assets was as follows:

	2015 £'000	2014 £'000
Financial assets		
Rent receivable	**2,916**	2,394
Other current assets	**3,862**	5,787
Cash and cash equivalents	**56,910**	31,125

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 £2,317,000 (2014: £1,792,000) is neither impaired nor past due. £599,000 (2014: £602,000) is past due and of this £524,873 (2014: £543,978) is more than 120 days past due. The Board takes active steps to recover all amounts and has assessed that a provision of £71,000 (2014: £92,000) against trade receivables is appropriate.

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 primarily within Guernsey and the United Kingdom and the majority 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 material 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 (2014: £100,000,000), £50,000,000 (2014: £50,000,000) and £61,045,000 (2014: £61,045,000) 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 RBS loan facility of £25,000,000 (2014: £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 and then repaid using the private loan note facility referred to above.

The Group's private loan note facility of £50,000,000 (2014: £15,000,000) has a fixed rate of 3.99% and the loan facility with Standard Life of £50,000,000 has a fixed rate of 3.838%.

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, £627,000 (2014: £6,152,000) was held in an Aviva deposit account which is A+ rated with an average interest rate of 0.2%.

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.

18. Financial instruments risk management (continued)

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	1,464	–	–	–	–	1,464
Accruals	4,047	793	–	–	–	4,840
Non-current borrowings						
Principal	–	–	–	9,585	329,102	338,687
Interest payments	1,798	–	9,309	62,059	162,235	235,401
	1,798	–	9,309	71,644	491,337	574,088
Current portion of non-current borrowings						
Principal	157	309	1,430	–	–	1,896
Interest payments	496	656	3,431	–	–	4,583
	653	965	4,861	–	–	6,479
Liabilities at 30 September 2015	***5,668***	***1,102***	***1,430***	***9,585***	***329,102***	***346,887***
Future costs of non-current borrowings	***2,294***	***656***	***12,740***	***62,059***	***162,235***	***239,984***
Balances at 30 September 2015	**7,962**	**1,758**	**14,170**	**71,644**	**491,337**	**586,871**

	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*	–	–	–	10,073	245,510	255,583
Interest payments	1,820	–	5,604	44,830	162,133	214,387
	1,820	–	5,604	45,428	417,118	469,970
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***	***10,073***	***245,510***	***297,388***
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**	**54,903**	**407,643**	**515,924**

* The 2014 comparative for non-current borrowings has been amended to show the contractual principal amount before loan issue costs and fair value adjustments.

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

19. Commitments

At 30 September 2015, the Group had commitments of £16.0 million (2014: £14.9 million) to complete properties under construction.

Notes to the Financial Statements (continued)

For the year ended 30 September 2015

20. Material contracts

Investment Adviser

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, 24 September 2013 and 20 November 2015 (the "Investment Advisory Agreement" or "Agreement"). Fees payable under this agreement are:

(i) a tiered investment advisory fee set at 0.50% per annum on healthcare property assets up to £750 million, 0.40% per annum payable on assets between £750 million and £1 billion, and 0.30% per annum payable on assets over £1 billion subject to a total minimum annual fee of £3.878 million or, if lower, the fee that would have been payable under the old fee structure until the consolidated property asset value reaches £782 million after which no minimum fee shall apply;

(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 2015 was 10% per annum (2014: 10%). The high watermark used for the calculation of the performance fee for the year to 30 September 2015 was the theoretical price which would have given a compounded 10% total shareholder return over the average share price during September 2014 (83.58 pence per share) with dividends reinvested. The current high watermark as at 30 September 2015 was approximately 85.50 pence per share which will form a base for measuring shareholder return over the next year for the purpose of assessing whether a performance fee is payable.

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. Until 20 November 2015, the Agreement was terminable at the end of an initial seven year term and each three year term thereafter, with 12 months' notice.

On 20 November 2015 the Fund agreed to the renewal of the Investment Advisory Agreement, with revised renewal and notice terms to provide a rolling contract subject to the Company's ability to serve two years' notice at any time.

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

During the year, the agreements with Octopus Healthcare Adviser Ltd gave rise to £4,574,000 (2014: £6,240,000) of fees as follows:

	2015 £'000	2014 £'000
Expensed to the consolidated statement of comprehensive income:		
Investment advisory fee	**3,725**	3,363
Investment advisory performance fee	**–**	1,865
Property management fees	**849**	821
Capitalised as part of property acquisition costs:		
Corporate acquisition fees	**–**	191
Total Fees	**4,574**	6,240

Of these fees, £nil (2014: £nil) 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 in the prior year figures.

During the year property development costs of £552,000 (2014: £5,552,000) were paid to Octopus Healthcare 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 (2014: £nil). In addition, licence fee income of £7,000 (2014: £356,000) was recognised on properties under construction by Octopus healthcare Property Ltd during the year. At 30 September 2015 there were no licence fees (2014: £92,000) unbilled or outstanding.

Administrator

Each Group company has entered into a separate administration agreement with International Administration Group (Guernsey) Limited for the provision of administrative services which was renewed with effect from 1 May 2015. Under these agreements fees were incurred totalling £83,000 (2014: £81,000) for the provision of corporate secretarial services to all Group companies and other administrative services.

Of these fees £37,000 (2014: £nil) remained unbilled or outstanding at the year end.

21. Related party transactions

During the year fees of £56,000 (2014: £58,000) were paid to Aitchison Raffety Limited to negotiate rent reviews, and to act as agent for the disposal of properties, of which £nil (2014: £nil) remained unbilled or outstanding at the year end. John Hearle was Group Chairman of Aitchison Raffety Limited until 1 October 2015.

During the year Aitchison Raffety Limited managed 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 2015. The estimated annual fee expected to be earned by Aitchison Raffety for providing this service is £67,000.

The management agreement with Aitchison Raffety has been terminated with effect from 31 December 2015.

22. Operating leases

At 30 September 2015 the Group had entered into leases in respect of investment properties for the following rental income, excluding any future rent reviews:

	2015 £'000	2014 £'000
Amounts receivable under leases		
Within one year	**33,905**	32,783
Between one and five years	**135,410**	131,133
After more than five years	**365,470**	359,216
Total	**534,785**	523,132

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.

23. Subsidiary companies

The following were the subsidiary companies in the Group at 30 September 2015:

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
MedicX Properties Ireland Limited	Guernsey	Property Investment	100%	Nil	Ordinary
Held indirectly:					
MedicX (Verwood) Ltd	England & Wales	Property Investment	100%	1,000	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 2015

24. 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 2015 and 30 September 2014 were as follows:

	2015 £'000	2014 £'000
Total debt	**338,308**	286,307
Less: cash and cash equivalents	**(56,910)**	(31,125)
Net debt	**281,398**	255,182
Total assets	**617,167**	542,212
Less: cash and cash equivalents	**(56,910)**	(31,125)
Adjusted capital	**560,257**	511,087
Adjusted gearing ratio	**0.50:1**	0.50:1

25. Post year end events

On 23 October 2015 the Fund completed the acquisition of four operational and fully let primary healthcare properties. The transaction is consistent with the Fund's investment strategy of acquiring modern, purpose-built primary healthcare properties and with its objective of achieving rising rental income and capital growth.

The initial purchase price was £11.4 million with a further £0.6 million payable on completion of leases related to space being fitted out at one of the properties. A property in Fakenham was purchased by way of a corporate acquisition whereas the other three properties located in Wymondham, Abergele and Salisbury were property purchases.

On 26 November the Fund completed the acquisition of one operational and fully let primary healthcare property located in Brighton. The purchase price was £1.84 million.

The management agreement with Aitchison Rafferty has been terminated with effect from 31 December 2015 and this service will be carried out by Workman LLP thereafter.

Company information

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John Hearle
Shelagh Mason
Steve Le Page (appointed on 13 November 2014)

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