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Annual Report and Financial Statements
to 30 September 2013

Who we are

MedicX Fund Limited (“MXF”, the “Fund” or the “Company”, or together with its subsidiaries, the “Group”) the specialist primary care infrastructure investor in modern, purpose-built primary healthcare properties in the United Kingdom, listed on the London Stock Exchange in November 2006. It has committed investment of £456.7 million and a portfolio of 121 properties.

The Investment Adviser to the Company is MedicX Adviser Ltd, which is authorised and regulated by the Financial Conduct Authority and is a subsidiary of the MedicX Group. The MedicX Group is a specialist investor, developer and manager of healthcare properties with 31 people operating across the UK.

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What we do

The MedicX Fund is a specialist primary care infrastructure investor in modern purpose-built primary healthcare properties, principally let to GPs and the NHS in the United Kingdom.

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.

Go Online

www.medicxfund.com

You can access more information about us on our website

Name: **Raynes Park Health Centre /**

Location: *Raynes Park, London*

FINANCIAL HIGHLIGHTS

How we performed

	2013	2012	
Committed investment (£m)[3,10]	**456.7**	394.8	+15.7%
Rental income (£m)	**24.2**	15.6	+54.7%
Adjusted earnings excluding revaluation, performance fee and deferred tax (£m)[6]	**9.5**	5.2	+82.3%
Adjusted net asset value (pence per share)[8]	**63.1**	63.7	-0.9%
Dividends declared (pence per share)[3,4]	**5.7**	5.6	+1.8%

TOTAL SHAREHOLDER RETURN OF

13.1%[1]

TOTAL RENT ROLL OF

£28.8m[3]

65.3% INCREASE IN EBITDA TO

£20.8m[6]

NEW COMMITTED INVESTMENT OF

£66.7m

STRONG PIPELINE OF APPROXIMATELY

£100m[3]

ADJUSTED NET ASSET VALUE

£173m[8]

Footnotes as per page 3

KEY ACHIEVEMENTS OF 2013

Financial results

- Total shareholder return of 13.1% for the year (2012: 9.0%)[1]
- Quarterly dividend of 1.425p per share announced October 2013[2]; total dividends of 5.7p per share for the year or 7.1% dividend yield (2012: total dividends of 5.6p per share; 7.6% dividend yield)[3,4]
- Rental income for the year £24.2 million representing a 54.7% increase from prior year
- £3.4 million rent reviews agreed in the year with the equivalent of an average 1.7% per annum increase, 1.2% from open market reviews, 3.2% from RPI reviews, and 2.5% from fixed uplifts[5]
- 65.3% increase in EBITDA to £20.8 million[6] (2012: £12.6 million)
- Adjusted earnings excluding valuation gain of £9.5 million, an increase of £4.3 million or 82.3% from prior year, equivalent to 3.6p per share (30 September 2012: £5.2 million; 2.3p per share)[6]
- Dividend and underlying dividend cover 63.8% and 70.7% respectively (30 September 2012: 42% and 68%)[7]
- Discounted cash flow net asset value of £266.7 million equivalent to 97.0p per share (30 September 2012: £239.3 million; 91.9p per share)
- Adjusted net asset value of £173.3 million equivalent to 63.1p per share (30 September 2012: £165.9 million; 63.7p per share)[8]
- Adjusted net asset value plus the estimated benefit of fixed rate debt of £190.7 million equivalent to 69.4p per share (30 September 2012: £165.7 million; 63.6p per share)[8,9]

Investments

- New committed investment and approved investments since 1 October 2012 of £66.7 million acquired at a cash yield of 5.85%
- £456.7 million committed investment in 121 primary healthcare properties an increase of 16% in the year (30 September 2012: £394.8 million, 107 properties)[3,10]
- Annualised rent roll now £28.8 million with 90% of rents reimbursed by the NHS, an increase of £4.0 million since 1 October 2012[3]
- Strong pipeline of approximately £100 million further acquisition opportunities[3]

Funding

- Market capitalisation £272.8 million[3] following share price appreciation and £57.5 million net proceeds raised from 77.8 million shares issued since 1 October 2012 at an average issue price of 75.5p per share
- New £25 million revolving loan facility with an agreed term of three years and an all-in variable rate expected to be 3%
- Acquired debt of £34.7 million with a weighted all-in fixed rate of 4.47% on an average unexpired term of 14.8 years. £63.8 million of previously acquired debt has been reset during the year to a weighted all-in fixed rate of 4.45% on an average unexpired term of 11.6 years
- Total drawn debt facilities of £275.7 million with an average all-in fixed rate of debt of 4.45% and an average unexpired term of 15.8 years, close to unexpired lease term of the investment properties and compared with 4.45% and 16.8 years for the prior year
- Net debt £246.7 million equating to 56.4% adjusted gearing at 30 September 2013, reducing to approximately 45% reflecting the share issue post year end

1 Based on share price growth between 30 September 2012 and 30 September 2013 and dividends received during the year
2 Ex-dividend date 13 November 2013, Record date 15 November 2013, Payment date 31 December 2013
3 As at 6 December 2013
4 Total dividends declared divided by share price at 6 December 2013 (2012: at 4 December 2012)
5 This excludes a 100% fixed uplift on a small nominal rent, which if included increases the overall achieved per annum to 2.0% in the year, and 25.5% per annum on fixed uplift reviews
6 Excluding (as appropriate) revaluation gain £0.2m, performance fees £0.4m, finance costs £11.0m, and interest income £0.1m
7 Dividend cover excludes revaluation gains, performance fee and fair value on reset of loans. Adjusted dividend cover includes impact of properties under construction as completed properties
8 Net assets adjusted to exclude the impact of deferred tax not expected to crystallise £0.8m, financial derivatives £0.1m, and the impact of resetting debt interest costs £1.5m
9 Estimated benefit of all fixed rate debt of £17.3m calculated following advice from the Group's lenders
10 Includes completed properties, properties under construction and committed investment

INVESTMENT OBJECTIVE AND POLICY

Investment objective

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 operating cost reductions. The Investment Adviser regularly reviews the entire property portfolio and has regular meetings with tenants to ensure that buildings are meeting the local healthcare needs and to identify opportunities for value enhancement.

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

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 the MedicX Group's own pipeline of development and investment opportunities or General Practice Investment Corporation Limited's ("GPI") pipeline pursuant to a framework agreement with the Company.

It is intended that those properties will be capable of accommodating GP practices and a range of complimentary medical and other related primary healthcare and ancillary services. Investment risks are mitigated by investing in a well spread portfolio of primary healthcare properties across the UK. In addition, the Company will adhere to the following principles in implementing its Investment Policy:

Portfolio asset allocation

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

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

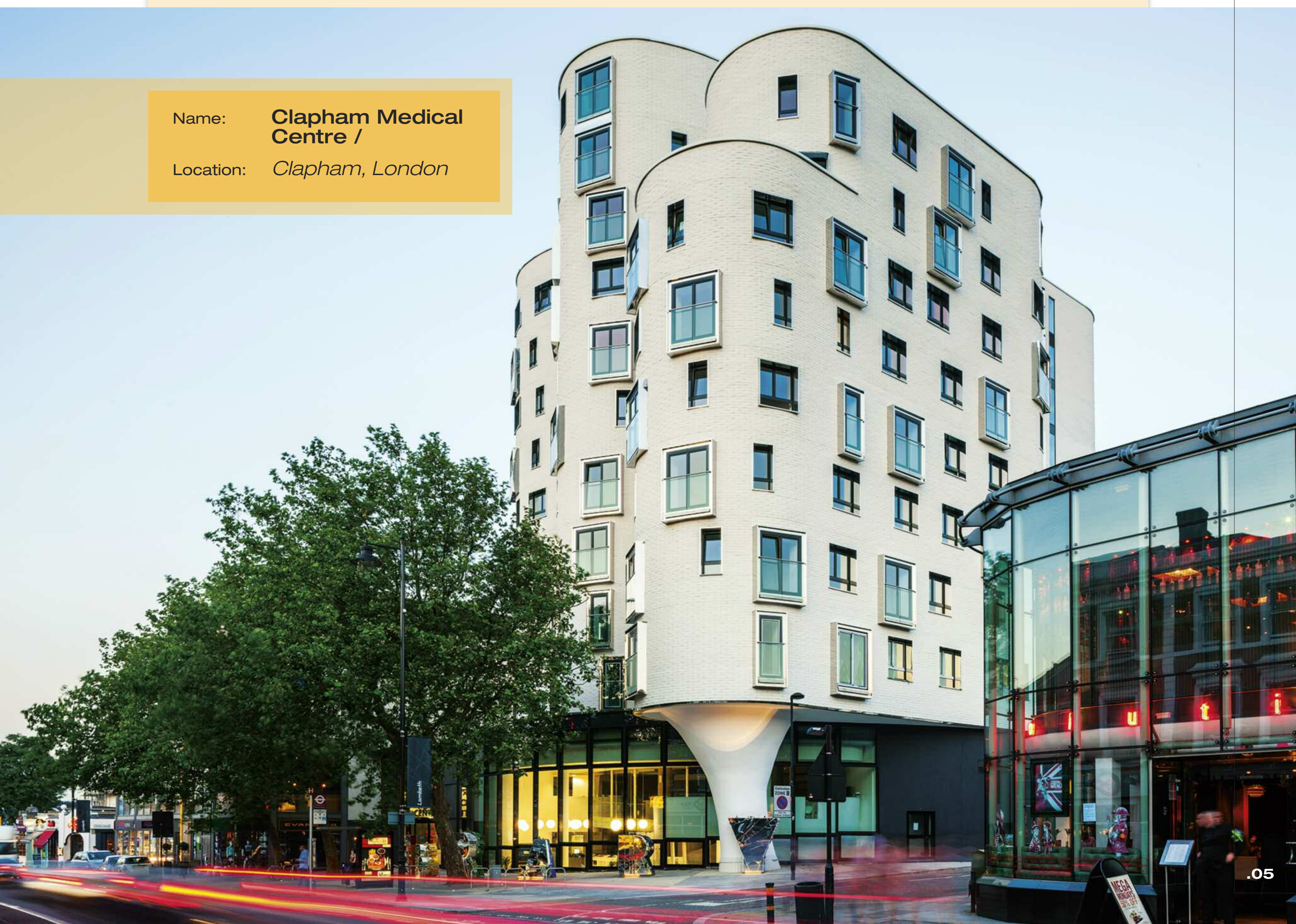
3 No one property (including all adjacent. or contiguous properties) shall at the time of acquisition represent more than 15% of the gross assets of the Company; and

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

Restrictions on borrowing

5 The borrowings of the Company shall not exceed 75% of the adjusted total assets (excluding goodwill) 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.



Name: **Clapham Medical Centre /**

Location: *Clapham, London*

CHAIRMAN'S STATEMENT

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

The objectives and strategy for the Fund remain unchanged – to generate long term income from investment in purpose built primary healthcare medical centres, generating strong and stable returns for investors. We look to invest in properties that will generate returns for shareholders well beyond their original lease term. As a result of this focus, and the value-adding property acquisitions carried out over the past few years the Company has created a market leading modern primary care portfolio. Fund performance has been good and the Fund has generated a total annual shareholder return, as measured by dividends paid and share price growth, over the past five years of 10.2% on average, with a return of 13.1% generated in the year under review.

Results overview

The Fund has performed well over the past year. 2013 has seen continued earnings enhancing growth through significant new investment in primary healthcare properties and taking out further low cost fixed rate long term debt. This follows the significant growth in the previous year and further strengthens the Fund's position within the primary care investment property market. In spite of the significant disruption caused within the NHS by the Health and Social Care Act, the demand for new purpose-built primary healthcare properties continues to be strong with increased demand on primary care, although lead times to bring projects to fruition have lengthened due to the on-going administrative changes within the NHS. The Fund has increased its portfolio with 18 new properties acquired during the period under review. 14 of these properties were acquired in May by way of a corporate acquisition with committed investment of £44.7 million. Seven of the fourteen properties were completed and were immediately revenue generating. The Group now has committed investment of £456.7 million across 121 properties of which 10 remain under construction.

The Group's net asset value at 30 September 2013, adjusted to exclude the impact of deferred tax not expected to crystallise, financial derivatives and the impact of resetting debt costs, increased 3% to £173.3 million or 63.1 pence per share. (30 September 2012: £165.9 million or 63.7p per share).

The Fund has continued to take advantage of the low interest rate environment, locking into long term fixed rate debt including resetting interest rates on the Aviva PMPI loan facility to market rates in December 2012. It would not be appropriate to value the Fund's assets without also reflecting the value of all its liabilities and therefore the Fund reports the mark to market value of its debt. Gilt rates have increased markedly since May 2013 resulting in an increase in the mark to market benefit of the Fund's debt facilities. As at 30 September 2013 the market benefit of the Fund's debt is £17.3 million or 6.3p per share. The adjusted net asset value plus the estimated cost of fixed rate debt is 69.4 pence per share.

As at the date of this report the market benefit of the Fund's debt facilities has increased to £22.0 million or 6.5 pence per share following an increase in gilt rates since 30 September 2013.

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 £266.7 million or 97.0 pence per share, based upon a weighted average discount rate of 7.13%. (30 September 2012: £239.3 million; 91.9p per share).

Continued progress

"I am pleased to report another successful year for MedicX Fund, with a total return of 13.1% generated for shareholders in the year and an average return of 10.2% over the last five years."

David Staples
Chairman

Rental income grew by £8.6 million or 54.7% during the year, with half of this growth from the portfolio acquired in the prior year. Costs are in line with expectations given the level of activity and the acquisitions in the year. Finance costs incurred in the period were £3.8 million higher than in the prior year, in line with expectations, reflecting the additional low cost debt facilities put in place as the portfolio has grown. The long term profile of the debt portfolio held by the Fund and the favourable fixed interest rates on these facilities will continue to deliver value to the Fund over their remaining life.

EBITDA (earnings before interest, taxation and depreciation), excluding the impact of revaluations, fair value adjustments for financial instruments and performance fees has increased 65.3% to £20.8 million for the year to September 2013, from £12.6 million in the previous year.

Capital appreciation of the portfolio for the year was £2.9 million with £2.7 million of purchase and related costs written off (in line with sector norms) generating a valuation gain of £0.2 million.

Adjusted earnings excluding revaluation impact, performance fees, fair value adjustments for financial instruments and deferred taxation was £9.5 million, an increase of £4.3 million or 82.3% from the prior year.

Funding

A highly successful fund raise was completed shortly after the year end. The issue was substantially over subscribed and we thank existing shareholders for their continued support as well as welcoming new investors. The Fund is seeking to deploy the proceeds quickly into appropriate primary healthcare property investments whilst maintaining the quality of its portfolio and targeting investments that will generate long term income and good returns for shareholders.

The fund raising was priced at only a small discount to the share price at the time and a premium of 6.2% to the adjusted Net Asset Value plus mark to market of debt. It is very pleasing to continue to have raised equity on a basis that has been non-diluting to existing shareholders.

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

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

The Fund has taken advantage of movements in borrowing rates over the last two years and put in place long term debt facilities at low fixed cost to achieve a significant spread between its acquisition costs and its cost of debt.

Debt facilities totalling £34.7 million were acquired as part of the portfolio acquisition in May. The facilities have an average remaining term of 14.8 years and was acquired with a weighted average fixed interest rate of 4.47%.

In addition we were delighted to announce in September that the Fund had put in place a £25 million revolving loan facility with The Royal Bank of Scotland. The facility is for a three year term at a rate based on a margin over LIBOR, set according to group loan to value. At current rates the facility is expected to cost approximately 3%. The facility is not secured on any properties. This complements MedicX Fund's existing long term debt facilities and enables the Fund to commit to investments without putting fixed term debt in place on day one. The facility will then be drawn to fund further commitments and repaid on any future fundraising, enabling the Fund to manage its cash more efficiently.

The weighted average unexpired term of all drawn debt is 15.8 years, closely matching the average remaining unexpired lease term of the Fund's portfolio. The debt strategy remains to pick the best time to put in place the right debt facilities of the right cost and appropriate duration.

The adjusted gearing as at 30 September 2013 was 56.4%, increased from 51.2% as at 30 September 2012 as a result of the acquisitions, debt acquired and new debt facilities. If the October fund raise had been concluded by 30 September 2013, and thereby been included in the year end position, the gearing would have been approximately 45%. The Directors continue to target borrowings of approximately 50% on average over time and not exceeding 65% of the Company's total assets.

The covenants on the debt facilities have been complied with in the year. The details of the covenants for each facility and the compliance with the covenants are described in note 12 of the financial statements.

CHAIRMAN'S STATEMENT (CONTINUED)

Dividends

The Fund has maintained its progressive dividend policy, with total dividends declared of 5.7p per Ordinary Share in respect of the financial year ended 30 September 2013. This is an increase from the dividends of 5.6p per Ordinary Share for the year to 30 September 2012. Subject to unforeseen circumstances, the Directors expect that the Company will pay dividends totalling 5.8p for the financial year ending 30 September 2014.

In October 2013 the Directors approved a quarterly dividend of 1.425p per Ordinary Share in respect of the period 1 July 2013 to 30 September 2013. The dividend will be paid on 31 December 2013 to shareholders on the register as at close of business on 15 November 2013 (the "Record Date"). The corresponding ex-dividend date was 13 November 2013.

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 2013, 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 2013.

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

The Fund pays a high proportion of its return in the form of a dividend, yielding 7.1% at the date of this report, which is attractive to shareholders particularly at a time when reliable yield is hard to find. As a consequence of this part of the dividend is paid from capital rather than earnings. The Fund has sought to improve cover over time and I am pleased to report that it has achieved this, with both dividend cover and underlying dividend cover having improved.

Dividend cover measured against adjusted earnings (as disclosed in note 8 of the financial statements) was 63.8% for the year to 30 September 2013. Underlying dividend cover adjusted to reflect completion of the properties under construction was 70.7% (assuming full annual rent on all properties and a full year of associated interest costs and other expenses).

This means that of the dividend yield of 7.1%, the Fund is paying 5.0% fully covered by earnings on an underlying basis with the balance paid out of capital. The Fund will continue to look to improve cover over time.

An average of 8.8% of the dividends paid in the year ended 30 September 2013 were in the form of scrip dividends and did not result in a cash outflow from the Company.

As the Fund continues to grow it is expected that dividend cover and underlying dividend cover will improve further and will align themselves. Inevitably following a fund raise there is a short term impact on dividend cover until proceeds are deployed, and the success of the recent fund raise will have a temporary detrimental impact on cover in the coming year. The underlying dividend cover shows that the direction of travel of dividend cover is positive, and the Fund will continue to drive further improvements in the dividend cover position.

Investment Adviser

On 29 May 2013, the Fund agreed a further reduction in the Investment Adviser base fee and property management fee effective 1 July 2013.

The Investment Adviser fee was amended to be charged on healthcare property assets only rather than assets and a further lower tier of fees was added. From a base fee of 0.75% of assets up to £300 million, the fee reduces to 0.65% on the element from £300 to £500 million, and when gross assets exceed £500 million the fee will be 0.5% on the incremental element. This is designed to bring scale benefits as the Fund grows.

The property management fee also has a tiered structure. During the year the Fund's rent roll reached £25 million and the property management fee is now 3% of gross rents to £25 million, reducing to 1.5% of the incremental gross rents over £25 million.

On completion of the October 2013 fund raising, the cap on the first right of refusal of £500 million was dropped, so the Fund now has first right of refusal on any qualifying property sourced by the MedicX Group as long as the Investment Advisory Agreement remains in place.

Approach to Assura Group Limited

During the year the Fund made a proposal to Assura Group Limited ("Assura") to acquire the share capital of that company with the support of Assura's two largest shareholders, the proposal being conditional on the recommendation of the offer by the Assura Board. The Assura Board rejected the proposal and the Fund has since announced that it was no longer exploring an offer for Assura. No costs were incurred by the Fund regarding this proposal.

Annual General Meeting

At the Annual General Meeting held on 20 February 2013, shareholders passed all of the resolutions proposed. This included authority for the Directors to issue Ordinary Shares for cash or sell from treasury up to an amount representing 10% of the issued Ordinary Share capital on 20 February 2013 on a non-pre-emptive basis, provided that such Ordinary Shares shall be allotted for cash at a price which is not less than the Company's adjusted net asset value at the time of the issue.

In addition a separate resolution was passed giving the ability for the Company to acquire its own shares (either for cancellation or to be held as treasury shares) up to a maximum of 14.99% of total shares issued, at a minimum price of 1 pence per share, and a maximum price per share of either 105% of the average mid-market share price for the five days preceding the purchase, the price of the last independent trade or the highest current independent bid at the time of the purchase. All purchases under this resolution are to be made in the market for cash and at prices below the prevailing net asset value per share as determined by the Directors. These powers expire immediately prior to the date of the Annual General Meeting of the Company, to be held on 18 February 2014, and it is intended that these two resolutions will again be put before shareholders at that meeting.

Share price and outlook

In the year to 30 September 2013, the total shareholder return, as measured by dividends received and share price growth, was 13.1%. Of the return, 7.7% was attributable to dividends received with the remainder from growth in the share price. At 6 December 2013, the mid-market share price was 80.25 pence per share ex dividend, this represents a 7.1% dividend yield based upon the 5.7 pence per share dividends declared for the year, and a premium of 27.2% to the adjusted net asset value of 63.1 pence per share. Additionally, this represents a premium of 15.6% to the adjusted net asset value plus the estimated mark to market benefit of debt of 69.4 pence per share and a discount of 17.3% to the discounted cash flow net asset value of 97.0 pence per share.

The Directors continue to keep the possibility of conversion to a Real Estate Investment Trust under review.

On the back of a successful fund raising and with a substantial pipeline of investment opportunities already identified, the Fund is in a prime position to further enhance earnings and continue to deliver attractive long term returns to shareholders.

David Staples
Chairman

9 December 2013

INVESTMENT ADVISER'S REPORT

Market

In the primary care investment sector, growth in total returns has been steady over the year, driven by a small amount of yield compression for prime assets, although market rental growth has slowed. The IPD UK Healthcare Index 2012 released in May 2013 shows that during the year to 31 December 2012, total return for All Healthcare Property performed slightly below All Commercial Property (2.4% total return versus 3.4% respectively) with Primary Care returning at 6.8% against Secondary Care return of -3.1%. The difference in return was primarily from capital growth with Primary Care property demonstrating capital growth of 0.7% during the period; outperforming Secondary Care and All Commercial Property. The next IPD UK Healthcare Index to 31 December 2013 is due for release in May 2014.

Initial yields on prime primary healthcare assets secured on leases with fixed or RPI linked rent reviews are currently between 5.25% and 5.70%, and those for assets secured on leases with upwards only, open market reviews are between 5.50% and 5.90% with other assets at higher yields.

The ongoing negotiation of the GP contract has brought some clarity to the desired future of primary care, requiring GPs to take a more prominent role in the delivery of care while at the same time necessitating that GPs become more flexible in the provision of care services. It includes the requirement to provide out of hours care for the elderly. This is expected to increase the demand for purpose built premises and associated services which the Fund is well placed to be able to provide. The Fund is a leader in its ability to provide such buildings.

The Fund's assets are well placed to support GPs and the commissioning groups. The current portfolio incorporates a wide range of prime buildings that are well located to deliver the services required. New acquisitions continue to be focussed on their ability to be fit to deliver the demands of the new service driven environment that will meet the primary care estate needs over the next 25 years.

Portfolio update

The Fund now has committed investment of £456.7 million at today's date, an increase of 16% since 1 October 2012, in 121 primary healthcare properties.[10] The annualised rent roll of the portfolio properties is £28.8 million, an increase of £4.0 million since 1 October 2012.

The valuation of the portfolio undertaken by Jones Lang LaSalle Limited, independent valuers to the Group, stood at £451.0 million as at 30 September 2013 on the basis that all properties were complete, reflecting a net initial yield of 5.79% (5.84% as at 30 September 2012). The results reflect a valuation gain of £0.2 million for the year of which the capital appreciation of the portfolio was £2.9 million as a result of rental growth with £2.7 million of purchase and related costs written off during the period.

At 6 December 2013, the portfolio of properties had an average age of 6.0 years, remaining lease length of 17.0 years and an average value of £3.7 million. Of the rents payable, 90.4% are from government-funded doctors and the NHS, 7.9% from pharmacies and 1.7% from other parties.

During the year the Group procured a total of 18 properties representing a total commitment of £66.7 million at a cash yield of 5.85%. 14 of the properties were acquired by way of a portfolio acquisition outlined below, with the remaining four properties acquired as individual acquisitions. These represent total commitments of £44.7 million and £22.0 million respectively.

In May the Fund completed the acquisition of a portfolio developed by General Practice Investment Corporation Limited ("GPI"), a leading third party developer of primary care properties. This high quality portfolio consisted of seven operational, fully let primary care medical centres, together with seven further properties under construction. The completed properties within the acquired portfolio were on average less than one year old whilst the total acquired portfolio benefits from 38% RPI indexed leases with a further 5% subject to fixed uplifts, the balance being subject to open market reviews.

The Investment Adviser has also negotiated a framework agreement with GPI, giving the Fund first right to forward fund future projects which added £35 million to the Fund's pipeline.

Four new development projects at Cambridge, Prenton, Wigston and Watford were acquired in the year. Of these Wigston was acquired from GPI. These new investments represent a commitment of £22.0 million. With the exception of Cambridge, which had completed at the year end, the new acquisitions were all under construction as at 30 September 2013.

In the year, successful completion was achieved of properties under construction at Raynes Park, Kingston, Grangetown, Monkseaton, Methil, Uckfield, Tooting, Middlewich, Scholar Green, and Cambridge, representing a total commitment of £38.9 million. All of the completed projects were delivered within budget.

Construction continued on the existing projects at Caerphilly and Arnold, while the construction of new projects at Wigston, Prenton, and Watford commenced in the year. The outstanding commitment on these properties at 30 September 2013 was £23.1 million, with most projects expected to complete in the next year. Of the projects under construction as at 30 September 2013, the properties at Caerphilly and Wiveliscombe have since been completed within budget.

The Fund has a pipeline of identified investment opportunities of £100 million, of which £23 million relates to completed assets and £77 million relates to forward funding opportunities where the Fund is the preferred investment partner.

In March 2013 and August 2013 the Group disposed of two of its smaller properties at Chandlers Ford and Maida Vale, for £1.0 million and £2.1 million respectively, and sold a further two small properties at Wheathampstead (for £0.6 million) and High Wycombe (for £1.0 million) after the year end. The Group will continue to look to dispose of properties selectively where they no longer meet its long term investment criteria.

As noted the valuation yield on investments is 5.79% compared with the Group's weighted average fixed rate debt of 4.45% and a benchmark 20-year gilt rate of 3.54% at 30 September 2013. With committed investment since 1 October 2012 of £66.7 million and the identified investment opportunities of approximately £100 million, the Company is set to continue to grow and deliver value to its shareholders.

Asset management

During the year to 30 September 2013 the fund averaged 1.7% on its rent reviews, with 42 leases and rents of £3.4 million having been reviewed. Of these reviews, 1.2% per annum was achieved on open market reviews, 3.2% per annum was achieved on RPI based, and 2.5% per annum fixed uplift reviews[5]. Reviews of £9.7 million of passing rent are currently under negotiation as at 6 December 2013.

Whilst the demand statistics for new medical centres are unquestioned with both the overall and elderly population increasing, and that putting pressure on consultations, open market reviews have suffered as construction costs have held below inflation following the last recession. With construction costs now coming under pressure fuelled by general activity and the Help to Buy scheme, it can be expected that there will be pressure on costs of new medical centres and therefore rents of new buildings. This can only be expected to lead to increased rent reviews in the medium term. In the shorter term however, we continue to expect below trend increases from open market reviews.

Name: **Sawston Medical Centre /**
Location: *South Cambridgeshire, Cambridge*

INVESTMENT ADVISER'S REPORT (CONTINUED)

Valuations have remained flat during the period. Primary healthcare properties continue to provide good value compared with wider prime properties at yields close to or below 5%. In addition previous acquisitions have provided some good asset management opportunities and the Fund has realised some rental uplifts and valuation gains from these.

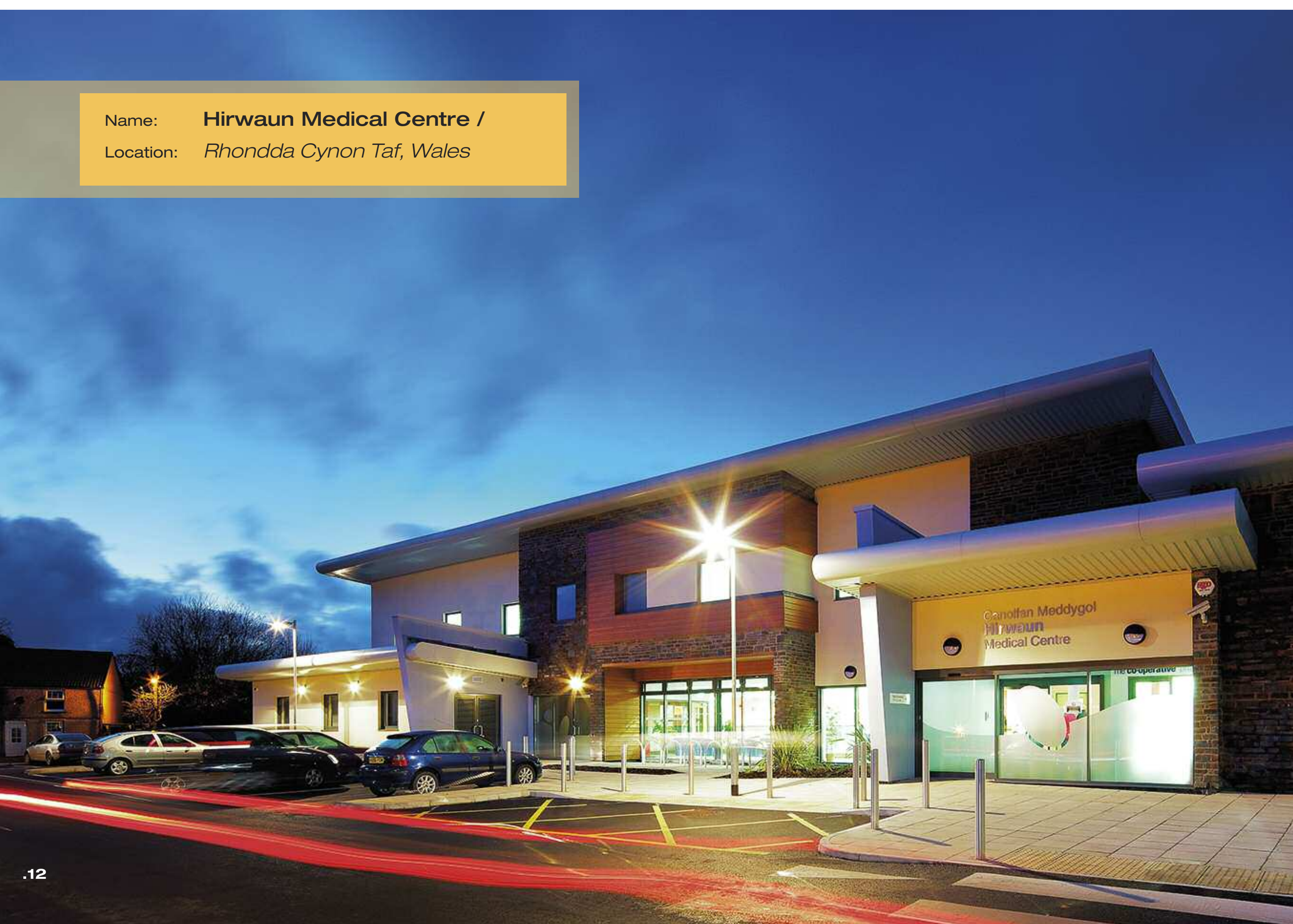
The Fund continually reviews its portfolio for asset management opportunities and has identified a number of opportunities to enhance the portfolio and increase valuations.

Of the £28.8 million annualised rent roll at 6 December 2013, there was £21.5 million, 74.7% subject to open market review, £5.8 million, 20.1% subject to RPI reviews and £1.5 million, 5.2% subject to fixed uplift reviews, resulting in an average 2.5% per annum increase. The proportion of rent subject to RPI uplifts has increased over the last six years from 6.0% to 20.1%.

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 period end. The basis of preparation is similar to that calculated by infrastructure funds. The values of each investment are derived from the present value of the property's expected future cash flows, after allowing for debt and taxation, using reasonable assumptions and forecasts based on the predominant lease at each property. The total of the present values of each property and associated debt cash flows so calculated is then aggregated with the surplus cash position of the Group.

At 30 September 2013, the DCF valuation was £266.7 million or 97.0 pence per share compared with £239.3 million or 91.9 pence per share at 30 September 2012, the increase resulting part from the acquisition of the GPI portfolio and the resetting of the interest rates on the Aviva PMPI debt facility.



Name: **Hirwaun Medical Centre /**
Location: *Rhondda Cynon Taf, Wales*

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 7.13% and this represented a 3.59% risk premium to the 20 year gilt rate at 30 September 2013 of 3.54%.

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 2013 of 80 pence per share, the discounted cash flow calculation would have to assume a 0.1% decrease in rents per annum, or a 1.0% capital reduction per annum, or a weighted average discount rate of 8.9%. 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 6 December 2013 of 80.25 pence per share, the discounted cash flow calculation would have to assume no change in rents per annum, or a 1.0% capital reduction per annum, or a weighted average discount rate of 8.8%.

Taking the adjusted net asset value plus the estimated benefit of fixed rate debt of 69.4 pence per share and assumed purchaser costs of 9.5 pence per share, an implied net initial yield of 5.21% is required to get to the discounted cash flow net asset value of 97.0 pence.

A review of sensitivities has been carried out in relation to the valuation of properties. If valuation yields firmed by 0.5% to a net initial yield of 5.29%, the adjusted net asset value would increase by approximately 15.5 pence per share to 78.6 pence per share and the adjusted net asset value plus debt would increase to 84.9 pence per share.

Pipeline and investment opportunity

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

Interest in voting rights of the Company

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

	2013	2012
MedicX Adviser Ltd	**1,554,384**	1,445,618

In addition the Investment Adviser took up its allocation under the open offer of the October 2013 fundraising purchasing an additional 254,430 Ordinary Shares bringing the total number of shares held by MedicX Adviser Ltd as at the date of this report to 1,808,814, 0.53% of the issued share capital of the Company.

During the year the Investment Adviser received dividends on the holding in the Company in addition to fees received for services. With the Scrip Dividend Scheme in place, the Investment Adviser elected to receive its dividends in the form of new Ordinary Shares. The cash equivalent of the dividends received by the Investment Adviser was £84,359, compared with £57,479 in the year ended 30 September 2012.

Keith Maddin — Chairman
Mike Adams — Chief Executive Officer
Mark Osmond — Chief Financial Officer

MedicX Adviser Ltd

1 Based on share price growth between 30 September 2012 and 30 September 2013 and dividends received during the year
2 Ex-dividend date 13 November 2013, Record date 15 November 2013, Payment date 31 December 2013
3 As at 6 December 2013
4 Total dividends declared divided by share price at 6 December 2013 (2012: at 4 December 2012)
5 This excludes a 100% fixed uplift on a small nominal rent, which if included increases the overall achieved per annum to 2.0% in the year, and 25.5% per annum on fixed uplift reviews
6 Excluding (as appropriate) revaluation gain £0.2m, performance fees £0.4m, finance costs £11.0m, and interest income £0.1m
7 Dividend cover adjusted to include impact of properties under construction as completed properties
8 Net assets adjusted to exclude the impact of deferred tax not expected to crystallise £0.8m, financial derivatives £0.1m, and the impact of resetting debt interest costs £1.5m
9 Estimated benefit of all fixed rate debt of £17.3m calculated following advice from the Group's lenders
10 Includes completed properties, properties under construction and committed investment

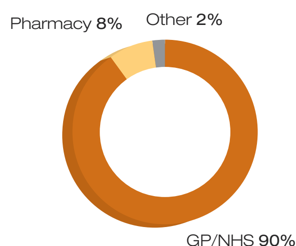
ANALYSIS OF PROPERTY PORTFOLIO – LARGEST INVESTMENTS

Our largest investments

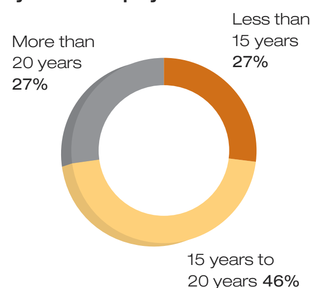
Property	Year ended 30 September 2013 Valuation £'000	Year ended 30 September 2013 Percentage of total	Year ended 30 September 2012 Valuation £'000	Year ended 30 September 2012 Percentage of total
Moorgate Primary Care Centre, Bury	**15,610**	**3.66%**	15,460	4.23%
Lytham Primary Care Centre, Lytham	**12,600**	**2.95%**	12,510	3.43%
Princeway Health Centre, Frodsham	**10,430**	**2.45%**	9,970	2.73%
Cobham Hospital, Cobham	**9,300**	**2.18%**	9,300	2.55%
Raynes Park Medical Centre, Raynes Park	**9,250**	**2.17%**	–	–
Bathgate Primary Health Centre, Bathgate	**8,780**	**2.06%**	8,780	2.40%
Kingsway Medical Centre, Ossett	**8,420**	**1.97%**	7,860	2.15%
Evesham Health Centre, Evesham	**7,765**	**1.82%**	7,760	2.13%
Marisco Medical Centre, Mablethorpe	**7,610**	**1.78%**	7,600	2.08%
Alsager Medical Centre, Alsager	**7,540**	**1.77%**	7,550	2.07%
Sawston Medical Centre, South Cambridgeshire	**–**	**–**	7,470	2.05%
10 largest completed properties	**97,305**	**22.81%**	94,260	25.82%
Other properties	**329,344**	**77.19%**	270,807	74.18%
	426,649	**100.00%**	365,067	100.00%

Portfolio review[1]

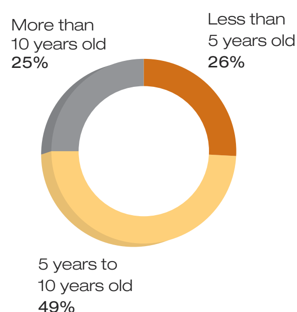
Security of income by tenant type



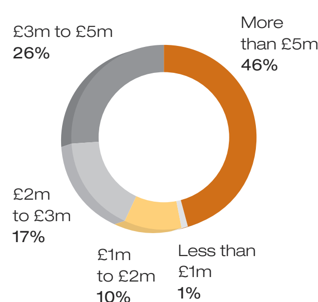
Security of income by lease expiry



Modernity of assets



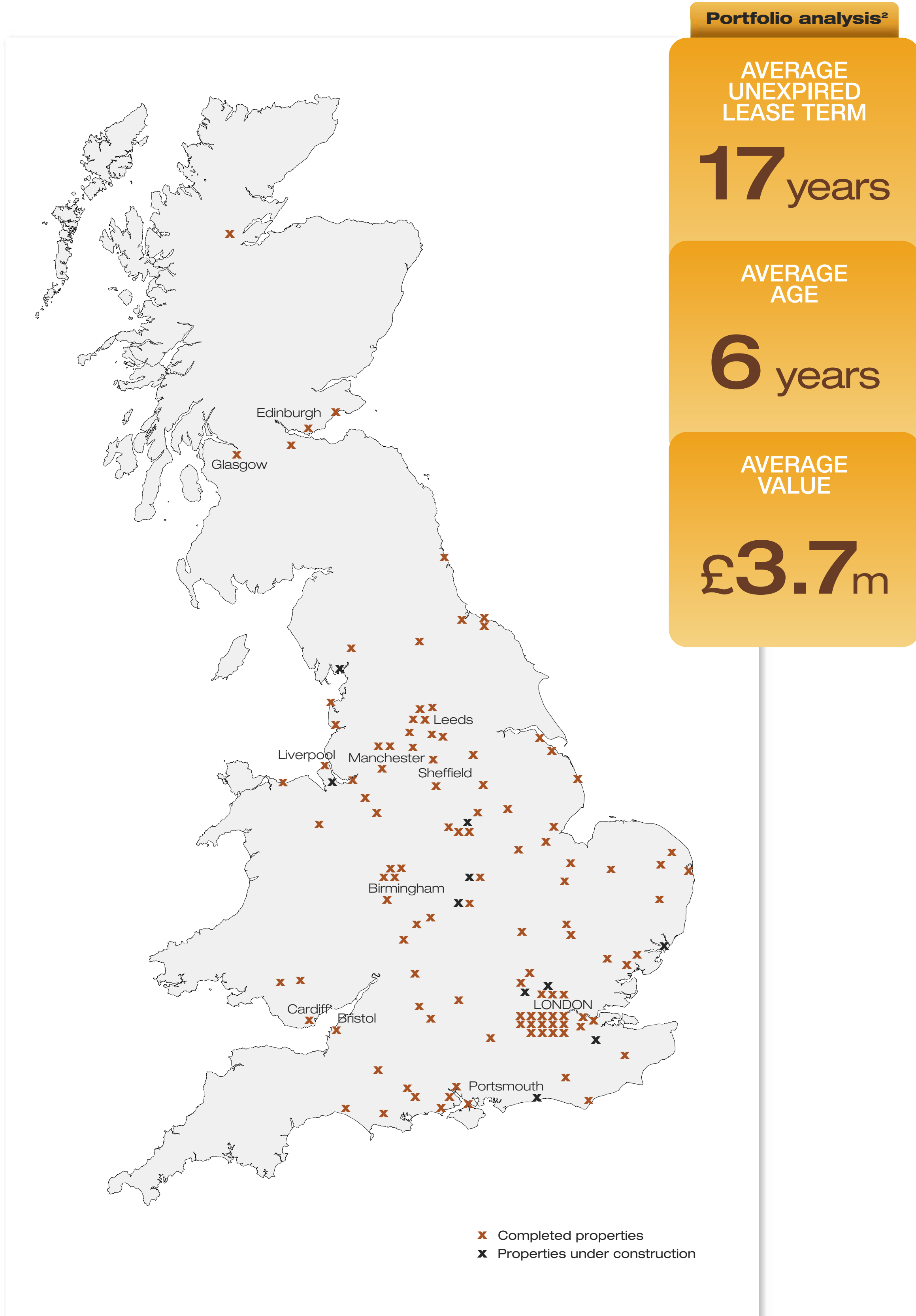
Value per property



1 As at 30 September 2013; includes completed value of properties under construction

£456.7 million committed investment in 121 primary healthcare properties an increase of 16% in the year.

£66.7 million of new property invested with average age 0.5 years and 20.9 year average unexpired lease term.



2 As at 6 December 2013; includes completed value of properties under construction

BOARD OF DIRECTORS

→ **David Staples**
Non-Executive Chairman
David Staples (aged 56) is a Chartered Accountant and a Chartered Tax Adviser. He also holds the Institute of Directors' Diploma in Company Direction. For thirteen years until 2003, Mr. Staples was a partner with PwC and led the tax practice in the South East of England advising several well known family and owner-managed businesses. Mr. Staples is currently a non-executive director of five other listed companies: Gottex Fund Management Holdings Limited, Global Fixed Income Realisation Limited, Aberdeen Private Equity Fund Limited, Henderson Far East Income Limited and Duet Real Estate Finance Limited of which he is chairman. He is also a non executive director of HSBC Private Bank (C.I.) Limited and of certain private equity funds advised by Apax Partners. Mr. Staples is resident in Guernsey.

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

→ **Christopher Bennett**
Non-Executive Director
Christopher Bennett (aged 48) is a member of the Royal Institution of Chartered Surveyors, and also has an MBA from Cranfield University and a BA in Law & Economics from Durham University. Mr. Bennett is a Jersey resident and is Managing Director of Crestbridge Real Estate, a real estate administration business which he co-founded in 2005. Mr. Bennett was previously with Royal Bank of Scotland International in Jersey where he spent five years in real estate finance. Prior to working for Royal Bank of Scotland International he worked for Mutual Finance (a property finance advisory business) for 18 months, was a self employed property consultant for six years and spent three years in the residential agency sector. His property experience includes property management, development, appraisal, planning and agency in addition to finance, in both commercial and residential markets.

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

→ **John Hearle**
Non-Executive Director
John Hearle (aged 60) is a fellow of the Royal Institution of Chartered Surveyors and a Member of the Chartered Institute of Arbitrators. He heads the Healthcare Division of Aitchison Raffety Limited based at St Albans but operating throughout the country. Mr. Hearle is also Group Chairman of Aitchison Raffety Limited and its subsidiaries with offices from London to Birmingham. After working for the District Valuers' Office, he joined Aitchisons in the late 1970s followed by TSB Property Services and then Aitchison Raffety. Mr. Hearle has undertaken various roles and responsibilities including for the Healthcare and the Residential Surveyors' groups (including responsibility for all TSB Property Services' surveyors) and was also responsible for its commercial estate agency and surveying operation. Mr. Hearle is recognised as an expert and an arbitrator by the President of the Royal Institution of Chartered Surveyors and regularly receives appointments for such roles. In addition, in respect of healthcare, he acts as Chairman of the RICS Working Party, and, on occasions, has undertaken a consultancy role to the British Medical Association. He was one of the founding members of the Primary Care Premises Forum and is now their joint Chairman. Mr Hearle is resident in the UK.

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

→ **Shelagh Mason**
Non-Executive Director
Shelagh Mason (aged 54) is an English property solicitor with 30 years' experience in commercial property. She is currently a Partner in Spicer and Partners Guernsey LLP specialising in English commercial property. Her last position in the United Kingdom was as a senior partner of Edge & Ellison (now part of Squire Sanders). For two years until 2001 she was Chief Executive of a property development company active throughout the United Kingdom and the Channel Islands. Mrs. Mason is a member of the board of directors of Standard Life Investment Property Income Trust, a property fund listed on the London Stock Exchange and a non-executive director of The Renewables Infrastructure Group Limited, an investment company with a portfolio of fully operational onshore wind and solar energy projects in Northern Europe, listed on the London Stock Exchange. She is also a non executive director of the Channel Islands Property Fund which is listed on the Channel Islands Stock Exchange and also holds other non-executive positions. She is a past Chairman of the Guernsey Branch of the Institute of Directors and a member of the Chamber of Commerce and the Guernsey International Legal Association. Mrs Mason is resident in Guernsey.

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

REPORT OF THE DIRECTORS

Principal activities

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

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

Business review

A review of the business and future developments is contained in the Chairman's statement and Investment Adviser's report. The principal risks and uncertainties are detailed on page 27.

Results and dividend

The results for the year are shown on page 32. One quarterly dividend of 1.4p per Ordinary Share was paid in December 2012, and three quarterly dividends of 1.425p per Ordinary Share were paid in March, June and September 2013. The Directors have approved a further quarterly dividend of 1.425p per Ordinary Share to be paid on 31 December 2013.

The Company introduced a scrip dividend scheme with effect from the quarterly dividend paid in June 2010, whereby shareholders that qualify for a dividend have the opportunity to receive the dividend as new Ordinary Shares instead of cash, and as such all dividends paid during the year were subject to the scheme. The quarterly dividend to be paid on 31 December 2013 will also be subject to this scheme. The amounts disclosed for dividend payments are the cash equivalent values.

As at 30 September 2013, the Ordinary Share price was 80.00p.

Share issues

Ordinary Shares of no par value were issued for cash during the year generating net proceeds of £9.9 million, excluding the impact of shares issued in lieu of dividends under the Scrip Dividend Scheme of £1.3 million. Net proceeds of £47.6 million were raised in the placing and open offer completed on 25 October 2013. The issues are detailed below:

	Number of shares	Issue price per share
18 June 2013 (tap issue)	3,600,000	79.00 pence
15 July 2013 (tap issue)	3,700,000	78.00 pence
20 August 2013 (tap issue)	3,000,000	77.50 pence
10 September 2013 (tap issue)	2,500,000	78.00 pence
Post year end		
25 October 2013 (placing and open offer)	85,000,000	75.00 pence

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

The transactions and relevant price per share under the scrip dividend scheme are noted below:

	Number of shares	Price per share
31 December 2012	396,751	73.90 pence
29 March 2013	467,453	77.43 pence
28 June 2013	387,574	80.75 pence
30 September 2013	435,217	78.25 pence

Financial instruments

The Group utilises financial instruments in its operations. The financial instruments of the Group at both 30 September 2013 and 30 September 2012 comprised trade receivables and payables, other debtors, cash and cash equivalents, non-current borrowings and current borrowings and financial derivatives. Other than its fixed interest rate debt facilities, for which a mark to market calculation is detailed in note 12, it is the Directors' opinion that the carrying value of all financial instruments on the statement of financial position is equal to their fair value.

Following the completion of the drawdown of the Deutsche Postbank variable interest rate debt facility a floating-to-fixed interest rate swap for the notional value of £23.7 million was entered into with the lender to fix the interest rate on terms matching the underlying transaction. Combined with an additional floating to fixed interest rate swap for the notional value of £7.5 million entered into in November 2011, these swaps cover the floating interest rate risk of the facility. The swaps, which are the only swaps the Group has, were entered into following draw down and effectively fix the interest rate for the full term of the loan.

No other financial instruments of the Group were hedged during the year ended 30 September 2013. For a more detailed analysis of the Group's financial risk management please refer to note 17.

Taxation

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

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

Management

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

The Investment Adviser to the Company is MedicX Adviser Ltd, which is authorised and regulated by the Financial Conduct Authority and is a subsidiary of the MedicX Group. The MedicX Group is a specialist investor, developer and manager of healthcare properties. MedicX Adviser Ltd is incorporated in England and Wales and is authorised by the Financial Conduct Authority to carry out certain investment advisory activities. After an initial seven year period (which can be extended on a three year rolling basis), the agreement is terminable on a twelve month notice period. On 23 July 2012 the Company agreed to extend the appointment of the Investment Adviser by a further three years, commencing 2 November 2013, under the existing provisions of the Investment Adviser agreement.

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

The Investment Adviser receives a base fee of 0.75% of the Fund's healthcare property assets excluding cash up to an asset value of £300 million subject to a minimum fee of £2.25 million, 0.65% of assets between £300 million and £500 million, 0.5% of assets between £500 million and £750 million, 0.4% of assets between £750 million and £1 billion, and 0.33% of assets over £1 billion. No fee is payable for gross assets excluding cash between £150 million and £300 million. In addition to this, the Investment Adviser is entitled to a property management fee of 3% of all passing rents up to £25 million and 1.5% of passing rents over £25 million of properties under management, a corporate acquisition fee of 1% of the assets acquired in any corporate transaction, and a performance fee of 15% of the total shareholder return in excess of 10% per annum compounded hurdle rate and subject to a high watermark. For the calculation of the performance fee, the average share price for the month of September is used to calculate the total shareholder return rather than the closing share price on the last day.

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

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

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

The Administrator acts as administrator and secretary of the Company and its subsidiaries. The Administrator receives an aggregate annual fee of £77,000 for corporate secretarial services and administration services. It is also entitled to additional fees for the duties carried out during equity and debt raising activities, and a set fee of £1,000 for each corporate acquisition. The agreements are terminable on 90 days' notice.

The duties of the Administrator include the maintenance of all Company and subsidiary books and records, excluding those maintained by the Investment Adviser, compliance with all relevant rules and regulations, monitoring compliance with the Company's Articles of Incorporation and other administrative duties as required. In conjunction with the Investment Adviser, the Administrator is also responsible for monitoring adherence to the investment restrictions as set in the Company's investment policy on page 5.

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 16.

The Board consists solely of non-executive directors each of whom is independent of the Investment Adviser; 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 report on page 22, which includes reviewing the structure, composition and size of the Board, plus the experience and independence of individual directors, and also includes an assessment of the Chairman. The Board are satisfied that the current structure is appropriate and meets the needs of the business, and that all Directors are independent.

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

	6 Dec 2013	30 Sept 2013	2012
D Staples (Chairman)	**74,434**	63,965	59,492
S Mason	**24,910**	18,244	16,969
C Bennett (Audit Committee Chairman)	**10,573**	9,063	9,063
J Hearle	**24,309**	20,890	19,430
Total	**134,226**	112,162	104,954

No director is under a contract of service with the Company. Details of directors' remuneration are described in the Directors' remuneration report on page 26 and are also disclosed in note 2 to the financial statements.

Substantial shareholdings

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

	Number of Ordinary Shares	Percentage of Ordinary Shares in issue
Investec Wealth & Investment Limited	37,448,055	11.02%
CCLA Investment Management	32,139,279	9.46%
Brewin Dolphin Ltd	22,364,398	6.58%
F&C Asset Management PLC	20,916,837	6.15%
Architas Multi Manager Limited	18,003,471	5.30%
East Riding of Yorkshire Council Pension Acct	11,000,000	3.24%
Premier Fund Mgrs Ltd	10,968,147	3.23%

Auditor

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

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

Going concern

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

Full details of the loan facilities and associated covenants are contained within note 12 of the financial statements.

The Group has considerable financial resources together with long term leases across different geographic areas within the United Kingdom. The Directors have reviewed the Group's forecast commitments against the future funding availability, with particular reference to the utilisation and continued access to existing debt facilities and access to restricted cash balances, as well as the on going commitments to development projects and proposed acquisitions. The Directors have also reviewed the Group's compliance with covenants on lending facilities. The Group's financial forecasts show that the Group can remain within its lending facilities and meet its financial obligations as they fall due for the foreseeable future.

The Directors believe that the Group is well placed to manage its business risks successfully despite the current uncertainties in economic outlook. 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.

David Staples
Chairman

9 December 2013

REPORT OF THE AUDIT COMMITTEE

Introduction

The Audit Committee (the "Committee") is chaired by Christopher Bennett and the other members are David Staples and Shelagh Mason. The Board consider that the inclusion of the Board Chairman 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 and as published on the Company website. During the year, the Audit Committee carried out its duties as laid out in the terms of reference including the appointment 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. The attendance of the meetings held in the year to 30 September 2013 is noted on page 23. The Committee reviews the performance and continued suitability of the Fund's external auditor on an annual basis. It assesses the external auditor's independence, qualifications, relevant experience, and effectiveness of audit procedures as well as the robustness of their quality assurance procedures. In advance of each audit, the Committee obtain confirmation from the external auditor that they are independent and of the level of non-audit fees earned by them and their affiliates.

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

Note 3 details the total fees paid to KPMG LLP in the financial year to 30 September 2013. The Committee considers KPMG LLP to be independent of the Company and the Group.

Auditor appointment

In view of the extent of non-audit services provided by the previous auditor, PKF (UK) LLP (now BDO LLP), in recent years which were primarily as a result of work relating to portfolio acquisitions, the Audit Committee considered it appropriate that a different firm should be appointed as auditor to separate the provision of audit and non-audit services. Following a competitive tender process where four firms were invited to participate in the tender process, including one firm outside the "big four" accounting firms, KPMG LLP agreed to accept appointment as the auditor to the Company, with effect from 17 June 2013.

PKF (UK) LLP has resigned as the Company's auditor and has confirmed to the Company that, in accordance with Section 273(2) of The Companies (Guernsey) Law 2008, there are no circumstances in connection with its resignation which it considers need to be brought to the attention of the members or creditors of the Company.

The Committee would like to thank PKF (UK) LLP for the service provided to the Company in the past.

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

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

There is no formal third party process for evaluation of the performance of the Committee. The Committee did, however, conduct an evaluation of its performance during the year, in accordance with the AIC guidelines. Following the review, the Committee is satisfied with its performance, that the structure of the Committee is appropriate and that there are no areas where a significant lack of relevant experience exists.

Internal control

The Audit Committee has in place a formal procedure for identifying, evaluating and monitoring the risks most likely to impact the Group, with the key risks identified on page 27 of this report. The Committee uses a matrix to record internal and external risks that are graded high, medium or low and the control processes used to mitigate those risks, setting out the parties responsible for the processes. At each Audit Committee meeting, the matrix is reviewed and updated for changes to the risk profile or processes. The Committee is provided with status updates relating to any matters arising previous meetings.

In addition to the formal review of risk at the regular Committee meetings, the Board operates 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 reviews monthly management reports and supporting documents that are provided by the Investment Adviser including comparison to budget and forecasts as well as key performance indicators;
- Regular performance and compliance reports from the Investment Adviser, Administrator, Compliance Officer and Broker are reviewed by the Board;
- The internal processes of the Investment Adviser are subjected to regular review by the Internal Auditor under the direction of the Audit Committee;
- The Board has procedures in place for the approval of expenses and payments to third parties;
- The information contained within the annual report and other financial reports is reviewed separately by the Audit Committee prior to consideration by the Board; and
- The Board reviews all financial information and announcements prior to publication.

The Company's internal control procedures are regularly monitored by the Board and are further enhanced by the continued appointment of Roffe Swayne, an independent firm of accountants 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 2013 and reported its findings to the Committee. No material weaknesses have been identified as the result of the work carried out to date. Recommendations from the internal auditor for improvements to control processes are reviewed by the Audit Committee and acted upon if considered appropriate.

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

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

These issues were 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 2013 and also at the conclusion of the audit of the financial statements.

Valuation of investment properties

As further explained in note 9 to the financial statements, the approach adopted is to recognise investment property at fair value, the fair value of the property being based on valuations performed by independent valuers, Jones Lang LaSalle Limited. The revaluation of investment property gave rise to net revaluation gains of £0.2 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.

Treatment of corporate acquisitions

As further explained in note 1 to the financial statements, the approach adopted to recognise 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 reviewed 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. The conclusion of this review is discussed and agreed with the Committee. The result of these deliberations has been a prior year adjustment for acquisitions previously treated as business combinations, as set out in note 1 to the financial statements.

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 auditors reported to the Committee the misstatements that they had found in the course of their work and no material amounts remain unadjusted. The Committee confirm that it is satisfied that the auditors have fulfilled their responsibilities with diligence and professional scepticism.

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

Christopher Bennett
Audit Committee Chairman

9 December 2013

CORPORATE GOVERNANCE STATEMENT

Introduction

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

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

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

The UK Corporate Governance Code includes provisions relating to:

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

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

The Board

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

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

The appointment letter for each director requires them to retire and stand for re-appointment every three years. One third of the Directors will retire by rotation each year and present themselves for re-election. Having considered feedback from shareholders, the Board has decided that it is appropriate for each director to stand for re-appointment annually, and propose to implement this at the next 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 meetings and on an ongoing basis throughout the year. These meetings include a review of the investment performance and associated matters such as portfolio performance, gearing, marketing, investor relations, peer group information and industry developments amongst other things. One meeting a year is dedicated to an annual review of the Company's position, long term performance objectives and strategy.

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

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

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

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

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

A third party facilitator was used to help conduct the review of the Board and the Chairman in 2012. The findings from the review were presented and discussed by the Board and it was agreed that the current composition of the Board and its committees is appropriate and that there are no areas where a significant lack of expertise exists. The Directors consider that the Board as a whole is functioning effectively and the structure of the Board is appropriate.

Training and development for Directors includes all aspects of the business, and will incorporate 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 and Audit Committee 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 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 such factors as complexity, time requirements and responsibilities of the roles. For further information, refer to the Directors' remuneration report on page 26.

The numbers of scheduled and ad-hoc Board and Audit Committee meetings held during the year to 30 September 2013 along with the attendance of the Directors were:

	Board of Directors					
	Scheduled		Ad hoc			
			Investment		Other	
	Held	Attended	Held	Attended	Held	Attended
D Staples	5	5	3	3	17	15
C Bennett	5	5	3	2	17	10
S Mason	5	5	3	2	17	13
J Hearle	5	5	3	1	17	5

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

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

It is the Board's policy that members in the United Kingdom at the time of a meeting are not permitted to attend the meeting in question. Mr. Hearle is resident in the UK and is not normally expected to attend ad hoc meetings which are of a more routine nature.

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 as part of its policy that any director who has served for more than nine years will be required to stand for re-election on an annual basis.

The longest serving directors are Mr. Hearle, Mrs. Mason and Mr. Bennett who have all served on the Board for seven years. There is no concern that the independence of the Directors has been compromised by length of service.

All Directors are considered to be independent in character and judgement in general, and specifically of the Investment Adviser. In particular the status of Mr. Hearle has been reviewed given the nature of the relationship between the Investment Adviser and Aitchison Rafferty, a company of which he is Chairman, which is a supplier, on a non-exclusive basis, of professional services to both the Investment Adviser and the Company. The fees paid to Aitchison Raffety in the year were £99,000 (2012: £65,000) to negotiate rent reviews and to act as agent for the disposal of properties. This represents less than 1% of the overall fees of Aitchison Raffety for the year. The Board are satisfied that Mr. Hearle is independent of the Investment Adviser despite this relationship as Mr Hearle is sufficiently removed from the teams that perform the work for the Investment Adviser and the Company, and there are several other suppliers of similar professional services currently engaged by the Investment Adviser. The Board is also satisfied that appropriate procedures are in place to deal with any conflicts of interest that may arise.

Conflicts of interest

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

Health and safety

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

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

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 our 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 page 28.

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.

Supply chain

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

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

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

Transparency

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

The Group will maintain 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 will knowingly be false, distorted, incomplete, or suppressed.

All reporting will be materially accurate and complete and in compliance in all material respects with stated accounting policies and procedures. The Group will 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 will ensure 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 will comply with the applicable laws and regulations concerning the disclosure of information relating to the Group.

Communities

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

Relations with shareholders

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

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

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

Should any shareholders wish to raise any matter with the Board or Investment Adviser, they can write to the Company at its registered address as disclosed on page 56, or alternatively use one of the contact links on the Company's website (www.medicxfund.com/contact). The Annual General Meeting of the Company also provides a forum where shareholders may discuss issues with the Board and Investment Adviser.

By order of the Board

David Staples
Chairman

9 December 2013

DIRECTORS' REMUNERATION REPORT

The Board presents its Directors' remuneration report in respect of the year ended 30 September 2013.

Remuneration policy

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

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

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

Company performance

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

The total shareholder return for the year ended 30 September 2013 was 13.1%, compared with 9.0% for the year ended 30 September 2012.

Directors' remuneration (audited)

The annual remuneration of the Directors is stipulated in the relevant letter of appointment. The Articles of Incorporation restrict the individual remuneration of each director to £75,000 per annum, excluding any amounts payable in accordance with the Articles for extra or special services over the usual non-executive director's duties. There were no other payments for extra or special services in the year ended 30 September 2013.

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

	2013 £'000	2012 £'000
D Staples (Chairman)	**46**	45
S Mason	**31**	32
C Bennett (Audit Committee Chairman)	**36**	36
J Hearle	**31**	32
Total	**144**	145

Included in the fees noted above for 2012 is an additional fee of £5,000 per Director (total of £20,000) which was paid in relation to the February 2012 fundraising, reflecting the additional time and duties involved in that exercise. The cost of this was expensed against the share premium arising from the issue of new shares at the time of the fundraising. A similar fee of £5,000 per director (total of £20,000) was paid in relation to the October 2013 fundraising, and is expected to be treated in a similar manner.

During the year, the Directors received dividends on their holdings in the Company as disclosed on page 19. 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.

	2013 £	2012 £
D Staples (Chairman)	**3,472**	2,865
S Mason	**990**	673
C Bennett (Audit Committee Chairman)	**514**	462
J Hearle	**1,134**	950
Total	**6,110**	4,950

During the period 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 reward 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 18 February 2014.

By order of the Board

David Staples
Chairman

9 December 2013

PRINCIPAL RISKS AND UNCERTAINTIES

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

- A property market recession could materially adversely affect the value of properties.
- Property and property related assets are inherently difficult to value and valuations are subject to uncertainty. There can be no assurance that the estimates resulting from the valuation process will reflect actual realisable sale prices.
- Investments in property are relatively illiquid and usually more difficult to realise than listed equities or bonds.
- Any change in the tax status or tax residence of the Company or in tax legislation or practice (in Guernsey or the UK) may have an adverse effect on the returns available on an investment in the Company. Similarly, any changes under Guernsey company law may have an adverse impact on the Company's ability to pay dividends.
- As regards England, prior to April 2013 the rental costs of premises used for the provision of primary healthcare were usually reimbursed to GPs (subject to the fulfilment of certain standard conditions) by PCTs. Currently, NHS England is given the power (pursuant to the Health and Social Care Act 2012 and The National Health Service (General Medical Services – Premises Costs) Directions 2013) to reimburse GPs their rental costs for premises for the provision of primary healthcare, in appropriate cases subject to certain standard conditions being met and having regard to its budgetary targets. In the event that a Clinical Commissioning Group or other tenant found itself unable to meet its liabilities, the Company may not receive rental income when due and/or the total income received may be less than that due under the relevant contract. NHS budgetary restrictions might also restrict or delay the number of opportunities available to the Company.
- Prospective investors should be aware that the Company intends to use borrowings which may have an adverse impact on NAV or dividends and those borrowings may not be available at the appropriate time or on appropriate terms. In addition, movements in interest rates may affect the cost of financing.
- The Company is in compliance with financial covenants in its borrowing facilities. The Directors consider a breach of the Company's financial covenants under its borrowing facilities to be very unlikely. However, should circumstances arise in the future, where the Company would be unable to remedy any breach, it may be required to repay such borrowings requiring the Company to sell assets at less than their market value.
- The Company is exposed to risks and uncertainties on financial instruments. The principal areas are credit risk (the risk that a counterparty fails to meet its obligations), interest rate risk (the risk of adverse interest rate fluctuations), and liquidity risk (the risk that funding is withdrawn from the business).

Further details of the Audit Committee's risk monitoring activities may be found in the Report of the directors on page 17, the Report of the audit committee on page 20, and Corporate governance statement on page 22.

ANTI-CORRUPTION POLICY

Core expectations and code of ethics

The Company is committed to upholding high standards of business integrity, honesty and transparency in all its business dealings. We will comply with local laws and international good practice and will not become involved in any way in the offering, payment, soliciting or acceptance of bribes in any form.

All Directors and appointed advisers are expected to:

- Behave honestly, be trustworthy and set a good example;
- Make sure that their behaviour complies with the policies of the Company;
- Use the resources of the Company in the best interest of the Company, and not to misuse those resources;
- Not to pay or accept bribes or kickbacks, whether in the public or the commercial sector;
- Make a clear distinction between the interests of the Company, the interests of the organisation that they are employed by, and their individual private interests, and avoid possible conflicts of interest. Gifts, invitations or other advantages which could contradict this principle are not accepted;
- Ensure that they comply with UK and applicable international anti-corruption laws; and
- Report incidents, risks and issues which deviate from our policies.

In accordance with these commitments, and to support the above behaviours, the Company has developed this policy for countering corruption and bribery. The key aspects of policy are documented on the Company's website (http://www.medicxfund.com/anti-corruption).

Application of this Policy

This policy applies to the Group. It also applies to all directors of the Company (including those of subsidiaries), and employees of the Investment Adviser and Administrator (which for these purposes includes temporary or contract staff and consultants) (the "Agents"). In addition, the Group expects its business partners to comply with the prohibitions on bribery set out in this policy.

All Directors and Agents are required to comply with this policy.

The Board of Directors is committed to supporting this policy. The Board is responsible for establishing and implementing this policy. Questions in relation to this policy should be directed to the Audit Committee Chairman.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

In preparing these financial statements the Directors are required to:

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

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

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

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

The Directors confirm, to the best of their knowledge:

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

The names and functions of all the Directors are stated on page 16.

REPORT OF THE INDEPENDENT AUDITOR

To the members of MedicX Fund Limited

Opinions and conclusions arising from our audit

Opinion on financial statements

We have audited the Group financial statements of MedicX Fund Limited for the year ended 30 September 2013 set out on pages 32 to 55. 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 2013 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.

Our assessment of risks of material misstatement

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

Valuation of investment properties:

- *The risk* – As described in the Report from the audit committee on page 20, this is a key judgmental area of our audit, since a number of assumptions are required to assess the fair value of investment properties.
- *Our response* – In this area our audit procedures included, among others, meeting with the Group's external valuers to understand the assumptions and methodologies used in valuing the investment properties. We used our own chartered surveyor to assist us in evaluating the assumptions and methodologies used, by reference to market evidence, as well as comparing key inputs such as rental income and occupancy to current tenancy contracts and leases. We have also considered the adequacy of the Group's disclosures (see note 9) about the sensitivities and inputs into the valuations.

Accounting for corporate acquisitions:

- *The risk* – Judgment is applied in determining the most appropriate accounting treatment of the acquisition of portfolios of investment properties within corporate vehicles ('corporate acquisitions'). Whether the acquisition is accounted for as an asset acquisition or a business combination (which involves the transfer of significant processes) can have a significant effect on the basis on which the acquired assets are recognised in the financial statements, including that goodwill and deferred tax may arise in the case of a business combination, but not in an asset acquisition. As detailed in note 1 to the financial statements, during the year the Directors have assessed the most appropriate accounting treatment for corporate acquisitions, including those that occurred in previous periods, and have recognised a prior period adjustment following their determination that all acquisitions previously accounted for as business combinations should be accounted for as asset acquisitions.
- *Our response* – Our audit procedures in this area included, among others, obtaining an understanding of the terms of the corporate acquisitions and assessing the substance of the transactions by reference to those terms and the requirements of relevant accounting standards. Our assessment included specific consideration of whether significant processes, as well as assets, were transferred as part of the acquisition. Our key procedures over the prior period adjustment amount included recalculating the expected reversal of goodwill and deferred tax balances that were initially recognised on all prior period acquisitions. We also considered the adequacy of the Group's disclosures in relation to the prior period adjustment.

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 £4.4m. This has been calculated with reference to a benchmark of gross assets which we consider to be one of the principal considerations for members of the Company in assessing the financial performance of the Group.

We agreed with the Audit Committee to report to it all corrected and uncorrected misstatements we identified through our audit with a value in excess of £225,000, in addition to other audit misstatements below that threshold that we believe 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.

Matters on which we are required to report by exception

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

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

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

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

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

Under the Listing Rules we are required to review the part of the Corporate Governance Statement on pages 22 to 25 relating to the Company's compliance with the nine provisions of the 2010 UK Corporate Governance Code specified for our review.

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 29, 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/auditscopeother2013. 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 this report and restrictions on its use by persons other than the Company's members as a body

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

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

9 December 2013

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 September 2013

	Notes	2013 £'000	'Restated [1]' 2012 £'000
Income			
Rent receivable	1	**24,201**	15,642
Other income	1	**1,336**	991
Total income		**25,537**	16,633
Realised and unrealised valuation movements			
Net valuation gain/(loss) on investment properties	9	**248**	(2,269)
Gain/(loss) on disposal of property	9	**156**	(131)
		404	(2,400)
Expenses			
Direct property expenses		**413**	283
Investment advisory fee	19	**2,957**	2,384
Investment advisory performance fee	19	**396**	515
Property management fee	19	**639**	436
Administrative fees	19	**75**	68
Audit fees	3	**134**	135
Professional fees		**291**	237
Directors' fees	2	**144**	125
Other expenses		**268**	271
Total expenses		**(5,317)**	(4,454)
Profit before interest and tax		**20,624**	9,779
Finance cost	4	**(11,084)**	(7,265)
Finance income	1	**125**	127
Profit before tax		**9,665**	2,641
Taxation	6	**(299)**	(213)
Profit attributable to equity holders of the parent		**9,366**	2,428
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Fair value gain/(loss) on financial derivatives	5	**57**	(125)
Total comprehensive income attributable to equity holders of the parent		**9,423**	2,303
Earnings per ordinary share			
Basic and diluted	8	**3.6p**	1.1p

1 See note 1 of the Notes to the financial statements

The accompanying notes on pages 36 to 55 form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2013

	Notes	2013 £'000	'Restated[1]' 2012 £'000	'Restated[1]' 2011 £'000
Non-current assets				
Investment properties	9	**426,649**	365,067	213,603
Total non-current assets		**426,649**	365,067	213,603
Current assets				
Trade and other receivables	10	**11,004**	6,358	5,125
Cash and cash equivalents	15	**27,063**	66,247	18,112
Total current assets		**38,067**	72,605	23,237
Total assets		**464,716**	437,672	236,840
Current liabilities				
Trade and other payables	11	**19,994**	16,088	9,316
Non-current liabilities				
Long-term loans	12	**272,615**	255,453	100,443
Rental deposits		**60**	–	–
Deferred tax liability	6	**774**	475	262
Provisions	7	**215**	215	–
Financial derivatives	5	**68**	125	–
Total non-current liabilities		**273,732**	256,268	100,705
Total liabilities		**293,726**	272,356	110,021
Net assets		**170,990**	165,316	126,819
Equity				
Share capital	13	**–**	–	–
Share premium	13	**141,283**	131,328	80,315
Treasury shares	13	**(1,108)**	(2,323)	–
Other reserves	14	**30,815**	36,311	46,504
Total attributable to equity holders of the parent		**170,990**	165,316	126,819
Net asset value per share				
Basic and diluted	8	**62.2p**	63.5p	65.8p

The financial statements were approved and authorised for issue by the Board of Directors on 9 December 2013 and were signed on its behalf by

David Staples
Chairman

1 See note 1 of the Notes to the financial statements

The accompanying notes on pages 36 to 55 form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 September 2013

	Notes	Share Premium £'000	Treasury Shares £'000	Other reserves £'000	Total £'000
'Restated[1]' Balance at 1 October 2011		**80,315**	**–**	**46,504**	**126,819**
Proceeds on issue of shares		62,857	–	–	62,857
Share issue costs		(991)	–	–	(991)
Shares repurchased and held in treasury		–	(13,176)	–	(13,176)
Shares sold from treasury		(10,853)	10,853	–	–
Total restated 1 comprehensive income for the year		–	–	2,303	2,303
Dividends paid	16	–	–	(12,496)	(12,496)
'Restated[1]' Balance at 30 September 2012		**131,328**	**(2,323)**	**36,311**	**165,316**
Proceeds on issue of shares		11,314	–	–	11,314
Share issue costs		(144)	–	–	(144)
Shares sold from treasury		(1,215)	1,215	–	–
Total comprehensive income for the year		–	–	9,423	9,423
Dividends paid	16	–	–	(14,919)	(14,919)
Balance at 30 September 2013		**141,283**	**(1,108)**	**30,815**	**170,990**

1 See note 1 of the Notes to the financial statements

The accompanying notes on pages 36 to 55 form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 September 2013

	Notes	2013 £'000	'Restated [1]' 2012 £'000
Operating activities			
Profit before taxation		**9,665**	2,641
Adjustments for:			
Net valuation (gain)/loss on investment properties	9	**(248)**	2,269
(Gain)/loss on disposal of investment property		**(156)**	131
Financial income receivable		**(125)**	(127)
Finance costs payable and similar charges	4	**11,084**	7,265
		20,220	12,179
Increase in trade and other receivables		**(4,070)**	(792)
Increase in trade and other payables		**2,305**	2,835
Increase in rental deposits		**60**	–
Interest paid		**(11,538)**	(7,853)
Early debt repayment fees		**–**	(1,929)
Interest received		**43**	48
Net cash inflow from operating activities		**7,020**	4,488
Investing activities			
Acquisition of investment properties		**(5,310)**	(17,802)
Cash acquired with subsidiaries		**6,745**	2,497
Proceeds from sale of investment properties	9	**3,076**	1,209
Additions to investment properties and properties under construction		**(34,939)**	(41,697)
Net cash outflow from investing activities		**(30,428)**	(55,793)
Financing activities			
Net proceeds from issue of share capital		**9,861**	48,300
New loan facilities drawn	12	**399**	80,700
Net repayment of long-term borrowings	12	**(808)**	(16,615)
Debt refinancing cost	12	**(10,345)**	–
Loan issue costs	12	**(1,273)**	(1,406)
Dividends paid	16	**(13,610)**	(11,539)
Net cash (outflow)/inflow from financing activities		**(15,776)**	99,440
(Decrease)/increase in cash and cash equivalents		**(39,184)**	48,135
Opening cash and cash equivalents		**66,247**	18,112
Closing cash and cash equivalents	15	**27,063**	66,247

1 See note 1 of the Notes to the financial statements

The accompanying notes on pages 36 to 55 form an integral part of the financial statements.

1. Principal accounting policies

Basis of preparation and statement of compliance

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

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 2012, other than as set out below in connection with business combinations.

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 13	Fair value measurement	1 January 2013
IFRS 10	Consolidated financial statements	1 January 2014
IFRS 11	Joint arrangements	1 January 2014
IFRS 12	Disclosure of interests in other entities	1 January 2014
IAS 27	Separate financial statements	1 January 2014
IAS 28	Investments in Associates and Joint Ventures	1 January 2014
IAS 32	Financial instruments: Presentation	1 January 2014
IFRS 10, 12 & IAS 27	Investment entities – amendment to current standards	1 January 2014
IFRS 9	Financial Instruments	1 January 2015

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 2013. 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

Since inception the Company has treated acquisitions of portfolios of investment properties within corporate vehicles as business combinations in accordance with IFRS 3 Business Combinations. This involved assessing the fair value of assets and liabilities acquired in the transaction, taking into account deferred taxation and recognising any difference between the consideration paid and the net fair value of the identifiable assets and liabilities acquired as goodwill. It also required that expenses arising on the transaction were immediately expensed.

During the year the Board has considered the appropriate treatment of the acquisition on 24 May 2013 of investment properties within GPG No.5 Limited and after reviewing the relevant facts has concluded that this acquisition does not meet the definition of a "business" in accordance with IFRS 3 because the company had no employees, the previous directors and other company officials resigned at the time of the acquisition, and there were no unique processes or procedures retained from the acquired business after it was integrated into the Group. It therefore falls outside the scope of IFRS 3 and requires treatment as an asset purchase under IAS 40 rather than a business combination. Under this approach the cost of acquisition, including expenses arising on the transaction, is allocated between the individual identifiable assets and liabilities acquired, based on their relative fair value at the acquisition date. As a result no goodwill or deferred tax is recognised on acquisition.

Given this, and the treatment of similar recent acquisitions within the real estate sector and within investment companies similar in nature to the Company, the Board has reviewed and reconsidered the treatment of investment properties acquired in corporate vehicles in previous periods, concluding that these each should be treated as asset purchases, consistent with the GPG No.5 acquisition because the circumstances of each acquisition are very similar to GPG No.5. This requires a re-statement of the 2012 results and financial position. There is a £758,000 reduction of the reported net assets as at 30 September 2011, and this is offset by an increase in profit after tax of £2,295,000 in the year to 30 September 2012, a 1.0 pence increase in earnings per share. The result is an increased opening net assets position at 1 October 2012 of 1,537,000, with a number of other largely compensating movements in amounts within the Consolidated Statement of Comprehensive Income and Consolidated Statement of Financial Position. Within the consolidated statement of cash flows the only significant change is the reclassification of capitalised legal costs, from operating cash flows to investing cash flows. The change does not impact other key measurements previously reported by the Company as these exclude goodwill, valuation and deferred tax movements.

1. Principal accounting policies (continued)

A summary of the effect on the Consolidated Statement of Comprehensive Income for 2012 is set out below:

	2012 £'000	Restatement £'000	Restated £'000
Total income	16,633	–	16,633
Realised and unrealised valuation movements	5,647	(8,047)	(2,400)
Charge for impairment of goodwill	(1,894)	1,894	–
Total expenses before exceptional costs	(11,592)	–	(11,592)
Legal and professional fees related to corporate acquisitions	(1,986)	1,986	–
Goodwill written-off on acquisitions	(7,996)	7,996	–
(Loss)/profit before tax	(1,188)	3,829	2,641
Taxation	1,321	(1,534)	(213)
Profit attributable to equity holders	133	2,295	2,428

The initial carrying value of the properties acquired has risen as a result of this change from fair value to an allocation of consideration on acquisition, although these uplifts are subsequently reflected as additional losses in the year's revaluation movements at the year end. As a consequence of these adjustments there is a £1,537,000 increase in net assets and reserves as at 30 September 2012.

A summary of the effect on the Consolidated Statement of Financial Position as at 30 September 2012 and 1 October 2011 is set out below:

As at 30 September 2012	As reported £'000	Restatement £'000	Restated £'000
Goodwill	9,858	(9,858)	–
Investment properties	365,067	–	365,067
Current assets	72,605	–	72,605
Current liabilities	(16,088)	–	(16,088)
Long-term loans	(255,453)	–	(255,453)
Deferred tax liability	(11,870)	11,395	(475)
Provisions	(215)	–	(215)
Financial derivatives	(125)	–	(125)
Net assets	163,779	1,537	165,316
Share premium	131,328	–	131,328
Treasury shares	(2,323)	–	(2,323)
Other reserves*	34,774	1,537	36,311
	163,779	1,537	165,316

* previously reported as two lines: Distributable reserves and Accumulated gains/(losses)

As at 1 October 2011	As reported £'000	Restatement £'000	Restated £'000
Goodwill	6,410	(6,410)	–
Investment properties	213,603	–	213,603
Current assets	23,237	–	23,237
Current liabilities	(9,316)	–	(9,316)
Long-term loans	(100,443)	–	(100,443)
Deferred tax liability	(5,914)	5,652	(262)
Net assets	127,577	(758)	126,819
Share premium	80,315	–	80,315
Other reserves*	47,262	(758)	46,504
Total Equity	127,577	(758)	126,819

* previously reported as two lines: Distributable reserves and Accumulated gains / (losses)

1. Principal accounting policies (continued)

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.

Expenses
All expenses are accounted for on an accruals basis.

Employees
The Group has no employees.

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

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

Other income includes licence fee income of 1,214,000 (2012: £1,044,000), which is receivable on properties under construction, this being a mechanism to realise a rental return over the course of the development period. Licence fee income is recognised on an accruals basis exclusive of value added tax. Finance income from cash balances held at banks is included in the financial statements as it is earned.

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

Trade and other payables
Trade and other payables are recognised and carried at their invoiced value inclusive of any value added taxes that may be applicable.

Finance costs
Borrowing costs are taken 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.

Bank loans and borrowings
All bank loans and borrowings are initially recognised at cost, being 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.

1. Principal accounting policies (continued)

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 the period end, adjusted as appropriate for costs to complete.

Costs of financing specific developments are capitalised and included in the cost of each development. During the year a portion of the Aviva £100m loan facility, the Deutsche Postbank 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 £742,000 (2012: £602,000) 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.

A net deferred tax asset is 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.

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. Deferred tax assets and liabilities are not discounted.

Impairment of assets

The Group assesses annually whether there is any indication 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.

Use of 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 and freehold land and buildings

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.

2. Directors' fees

	2013 £'000	2012 £'000
During the year each of the directors received the following fees:		
D Staples (Chairman)	**46**	45
S Mason	**31**	32
C Bennett (Audit Committee Chairman)	**36**	36
J Hearle	**31**	32
	144	145
Less additional fees paid in relation to fundraising	**–**	(20)
Total charged in the statement of comprehensive income	**144**	125

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 2013, payable to KPMG LLP (2012: PKF (UK) LLP).

Fees paid to the auditors include the following amounts:

	KPMG 2013 £'000	PKF 2012 £'000
Audit fees for the current year	**134**	135
Total audit fees	**134**	135
Review of the interim report	**–**	16
Tax compliance	**–**	27
Other tax services	**–**	13
Reporting accountants in respect of the share issue	**–**	30
Due diligence and advisory work relating to acquisitions	**–**	130
Total audit and other fees	**134**	351

4. Finance costs

	2013 £'000	2012 £'000
Interest payable on long-term loans	**12,117**	8,066
Amortisation of Aviva PMPI loan fair value adjustment	**(291)**	(199)
	11,916	7,867
Interest capitalised on properties under construction	**(742)**	(602)
	11,084	7,265

During the year interest costs on funding attributable to investment properties under construction were capitalised at an effective interest rate of 4.45%. The funding was sourced from the Aviva £100m loan facility which has an effective interest rate of 5.008%, the Aviva £50m loan facility which has an effective interest rate of 4.37% and the Deutsche Postbank 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 Company maintains a policy of, where possible, securing fixed interest rates on all external debt (other than revolving loan facilities) to mitigate its exposure to interest rate risk. Where fixed interest rates are not able to be secured with lenders, an interest rate swap will be utilised to fix the rate and the aim is to achieve 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.

	2013 £'000	2012 £'000
Movement in fair value of interest rate swaps treated as cash flow hedges under IAS39 ("effective swaps"):	57	(125)
	57	(125)

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

On 25 November 2011 MedicX Properties VI Limited entered into a floating-to-fixed interest rate swap contract for a notional value of £7.5 million with Deutsche Postbank to fix the interest rate on the drawdown of the facility that was made on the same day. Following completion of the drawdown of the remaining facility on 28 September 2012, a second floating-to-fixed interest rate swap for the notional value of £23.7 million was entered into in October 2012. The swaps exchange the floating rate for a fixed rate of 1.14% and 0.62% respectively until 30 April 2015.

6. Taxation

	2013 £'000	2012 £'000
Deferred tax		
Change in corporate tax rate	63	11
Charge for the year	(362)	(224)
Total tax charge	**(299)**	(213)

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

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

A reconciliation of the tax charge to the notional tax charge applying the average standard rate of UK corporation tax of 23.5% (2012: 25%) is set out below:

	2013 £'000	'Restated[1]' 2012 £'000
Profit on ordinary activities before tax	9,665	2,641
Profit on ordinary activities multiplied by the average standard rate of corporation tax in the UK of 23.5% (2012: 25%)	2,271	660
Additional taxable income – gains	162	454
Income/expenses not taxable/deductible for tax purposes	(175)	149
Profits not subject to UK taxation	(916)	(5,379)
Effect of change in tax rate on brought forward deferred tax liability	(63)	(11)
Effect of difference in deferred and corporation tax rates	31	(47)
Current year losses (utilised) / carried forward	(1,011)	4,387
Total tax charge	**299**	213

1 See note 1 of the Notes to the financial statements

6. Taxation (continued)

	Fair value gains £'000	Accelerated capital allowances £'000	Unrelieved management expenses £'000	Total £'000
At 1 October 2011 'restated'	**5**	**1,554**	**(1,297)**	**262**
Adjustment for change in tax rate	–	(65)	54	(11)
Provided/(released) in year	69	225	(70)	224
At 30 September 2012 'restated'	**74**	**1,714**	**(1,313)**	**475**
Adjustment for change in tax rate	(10)	(224)	171	(63)
Provided/(released) in year	(14)	228	148	362
At 30 September 2013	**50**	**1,718**	**(994)**	**774**

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

There are accumulated tax losses within MedicX Properties I Limited, MedicX Properties V Limited, MedicX Properties VI Limited and MedicX Properties VII Limited totalling £48.1 million (2012: £67.7 million) which are currently not recognised within the financial statements of the Group on the basis that there is uncertainty over whether these will be utilised in the future.

As a result of the deferred tax recognition exemption for asset acquisitions, deferred tax liabilities of £8,639,000 (2012: £9,797,000) in respect of fair value gains and £2,155,000 (2012: £2,568,000) in respect of accelerated capital allowances, and deferred tax assets of £624,000 (2012: £970,000) in respect of unrelieved management expenses, have not been recognised.

7. Provisions

Investment adviser fee provisions

	2013 £'000	2012 £'000
Brought forward	**–**	–
Provided in year	**396**	515
Utilised at year end	**(396)**	(515)
At 30 September	**–**	–

No provision was required at 30 September 2013 for performance fees payable to the Investment Adviser that were in excess of 1.5% of gross assets (excluding cash) for the period and would be carried forward for payment in future years. The amount payable at year end has been transferred to trade and other payables due to its short term nature.

Other provisions

	2013 £'000	2012 £'000
Brought forward	**215**	–
Provisions acquired with subsidiaries	**–**	215
At 30 September	**215**	215

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

8. Earnings and net asset value per Ordinary Share

Basic and diluted earnings and net asset value per share

The basic and diluted earnings per Ordinary Share are based on the profit for the year attributable to Ordinary Shares of £9,366,000 ('restated' 2012: £2,428,000) and on 263,373,173 (2012: 229,412,077) 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 3.6 pence ('restated' 2012: 1.1 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 £170,990,000 ('restated' 2012: £165,316,000) and on 274,906,714 (2012: 260,419,719) Ordinary Shares being the aggregate of Ordinary Shares in issue at the period end, excluding amounts held in treasury at the year end. This gives rise to a basic and diluted net asset value per Ordinary Share of 62.2 pence per ordinary share ('restated' 2012: 63.5 pence per Ordinary Share).

Adjusted earnings per share and net asset value per share

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

	2013	2012
Adjusted earnings per Ordinary Share – basic and diluted	**3.6p**	2.3p
Adjusted net asset value per Ordinary Share – basic and diluted	**63.1p**	63.7p

The adjusted earnings per Ordinary Share is based on the profit for the year of £9,366,000 ('restated' 2012: £2,428,000) attributable to Ordinary Shares, adjusted for tax charge of £299,000 ('restated' 2012: £213,000), adjusted for revaluation gain of £248,000 ('restated 2012: loss £2,269,000), performance fee of £396,000 (2012: £515,000), fair value gain on acquired loans of £291,000 ('restated' 2012: £199,000) giving an adjusted earnings profit of £9,522,000 ('restated' 2012 £5,226,000) and on 263,373,173 (2012: 229,412,077) Ordinary Shares being the weighted average number of Ordinary Shares in issue in the year.

The adjusted net asset value per Ordinary Share is based on the net asset position attributable to Ordinary Shares at the period end of £170,990,000 ('restated' 2012: £165,316,000) as adjusted for deferred tax of £774,000 (2012: £475,000), financial derivatives of £68,000 (2012: £125,000) and fair value adjustment made to reset loans of £1,507,000 (2012: £nil), giving an adjusted net assets figure of £173,339,000 ('restated' 2012: £165,916,000) and on 274,906,714 (2012: 260,419,719) Ordinary Shares, being the aggregate of Ordinary Shares in issue at the period end.

In common with practice in the sector, the Group would most likely sell the UK company or companies that hold the properties rather than sell an individual property. Consequently, it is the Directors' view that the liability represented by the deferred tax provision is unlikely to crystallise.

9. Investment properties

Investment properties are initially recognised at cost, being fair value of consideration given including transaction costs associated with the property. After initial recognition, investment properties are measured at fair value, which has been determined based on valuations performed by Jones Lang LaSalle Limited as at 30 September 2013. The valuation takes account of the rental yield and the fact that a purchaser's offer price to the Group would be less than that in order to cover the purchaser's costs (which are estimated at 5.8% (2012: 5.8%) of what would otherwise be the purchase price).

Investment properties under construction are initially recognised at cost, and are subsequently measured at fair value as at the year end. The fair value has been determined based on valuations performed by Jones Lang LaSalle Limited as at 30 September 2013. In accordance with industry standards, the valuation is the net of the remaining costs to complete properties under construction and purchaser costs.

The freehold and long leasehold interests in the property investments of the Group were valued at an aggregate of £450,970,000 as at 30 September 2013 by Jones Lang LaSalle Limited. This valuation assumes that all properties, including those under construction, are complete. The principal difference between the total valuation and the carrying value is the cost to complete those properties under construction and lease incentive adjustments as at 30 September 2013.

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

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

9. Investment properties (continued)

The valuation yield at 30 September 2013 was 5.79%; 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%, this would result in an impact on the valuation of the properties of approximately £19,511,000.

	Completed investment properties £'000	Properties under construction £'000	Total investment properties £'000
'Restated' Fair value/cost 30 September 2011	**195,589**	**18,014**	**213,603**
Additions	113,127	41,946	155,073
Disposals at valuation	(1,340)	–	(1,340)
Transfer to completed properties	32,289	(32,289)	–
Revaluation	(1,812)	(457)	(2,269)
'Restated' Fair value/cost 30 September 2012	**337,853**	**27,214**	**365,067**
Additions	24,175	40,079	64,254
Disposals at valuation	(2,920)	–	(2,920)
Transfer to completed properties	39,348	(39,348)	–
Revaluation	1,046	(798)	248
Fair value 30 September 2013	**399,502**	**27,147**	**426,649**

Some of the investment properties are security for the long-term loans as disclosed in note 12. Of the completed investment properties £69,337,000 (2012: £70,208,000) are leasehold properties.

In March 2013 and August 2013 the Group disposed of two of its smaller properties at Chandlers Ford and Maida Vale, for £1,035,000 and £2,100,000 respectively. The carrying values for these properties were £1,020,000 and £1,900,000. The gain on the disposals of £156,000 recognised in the Consolidated Statement of Comprehensive Income relates to the difference between proceeds and carrying value in the accounts, less agency commissions and other conveyancing costs of £59,000.

During the year a portion of the Aviva £100m loan facility, the Deutsche Postbank 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 £742,000 (2012: £602,000) attributable to development work in progress were capitalised.

10. Trade and other receivables

	2013 £'000	2012 £'000
Rent receivable	**5,432**	2,930
VAT recoverable	**454**	168
Other debtors and prepayments	**5,118**	3,260
	11,004	6,358

11. Trade and other payables

	2013 £'000	2012 £'000
Loans due within one year	**1,129**	796
Trade creditors	**3,077**	4,100
Other creditors	**1,533**	838
Deferred rental income	**5,846**	5,177
Interest payable and similar charges	**2,286**	2,153
Accruals	**6,123**	3,024
	19,994	16,088

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

12. Long-term loans

	2013 £'000	2012 £'000
Total facilities drawn down	**274,553**	245,163
Loan issue costs	**(13,758)**	(2,140)
Amortisation of loan issue costs	**1,374**	287
Fair value arising on acquisition of subsidiaries	**11,645**	12,342
Amortisation of fair value adjustment on acquisition	**(1,199)**	(199)
	272,615	255,453

The Group has five primary debt facilities drawn, being the Aviva £100m loan, the Deutsche Postbank loan, the Aviva £50m loan, the Aviva GPG loan and the Aviva PMPI loan, with a smaller loan facility for a single property. In addition the Group has a revolving loan facility with RBS. The RBS facility is undrawn at 30 September 2013. Details of each facility are disclosed below. Repayments of the loans listed above, including amounts due within one year shown in note 12, fall due as follows:

	2013 £'000	2012 £'000
Due within one year	**1,129**	796
Between one and two years	**32,592**	848
Between two and five years	**5,417**	35,040*
Over five years	**234,606**	219,565
	273,744	256,249

* change in classification of Deutsche Postbank facility in prior year

Aviva £100m loan facility

	2013 £'000	2012 £'000
Amount drawn down	**100,000**	100,000
Loan issue costs	**(450)**	(450)
Amortisation of loan issue costs	**77**	68
	99,627	99,618

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

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

The Aviva £100 million loan is secured on some of the Group's investment properties. The value of properties provided as security for this facility is £158,564,000. As at 30 September 2013, the Group had cash of £201,000 (30 September 2012: £201,000) on deposit. The cash deposit is secured against the loan.

Deutsche Postbank ("DPB") facility

	2013 £'000	2012 £'000
Amount drawn down	**31,200**	31,200
Loan issue costs	**(1,016)**	(930)
Amortisation of loan issue costs	**520**	205
	30,704	30,475

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

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

The facility is secured against the ten investment properties held by MedicX Properties VI Limited. The value of the property provided as security is £53,410,000.

12. Long-term loans (continued)

Aviva £50m loan facility

	2013 £'000	2012 £'000
Amount drawn down	**50,000**	50,000
Loan issue costs	**(1,179)**	(624)
Amortisation of loan issue costs	**51**	12
	48,872	49,388

On 4 February 2012 the Group entered into an agreement for a £50 million loan facility with Aviva. The facility is for a period of 20 years at a fixed all-in interest rate of 4.37% including margin. Initially the facility is interest only for the first ten years, and subsequently amortises to £30 million over the remaining ten years with the remaining principal repayable on expiry of the facility. The facility was fully drawn at the time the agreement was completed with the proceeds placed on deposit secured against the loan, to be released once investment properties are secured against the facility.

Draw downs must not exceed the lower of 65% of the market value of the property secured against the facility or 50% of the expected market value of the property at the time the facility expires.

The value of properties provided as security for this facility is £87,650,000. As at 30 September 2013, the Group had cash of £4,622,000 on deposit secured against the loan. These cash deposits are restricted until such time as sufficient properties are secured to meet the loan draw down covenants mentioned above.

Aviva PMPI loan facility

	2013 £'000	2012 £'000
Amount drawn down	**62,078**	62,876
Fair value arising on acquisition of subsidiaries	**12,342**	12,342
Amortisation of fair value adjustment	**(1,199)**	(199)
Debt renegotiation cost	**(10,345)**	–
Amortisation of debt renegotiation cost	**709**	–
Loan issue costs	**(136)**	(136)
Amortisation of loan issue costs	**13**	2
	63,462	74,885

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

The major facility of £54,597,000 expires in February 2027 and is secured at an all-in fixed interest rate of 4.45% (2012: 6.35%). The smaller facilities of £8,000,000 and £279,000 expire in November 2032 and October 2031. These facilities are also secured at an all-in fixed interest rate of 4.45% (2012: 5.60% and 6.82% respectively).

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

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

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

12. Long-term loans (continued)

Aviva GPG loan facility

	2013 £'000	2012 £'000
Amount drawn down	30,248	–
Fair value arising on acquisition of subsidiaries	(697)	–
	29,551	–

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

Facility	Facility Amount	Amounts due after more than one year	Date of expiry	Interest rate
Aviva Worle facility	£1,750,000	£1,668,000	December 2031	4.75%
Aviva Colchester facility	£2,640,000	£2,539,000	November 2036	5.00%
Aviva Gravesend facility	£5,355,000	£5,197,000	November 2032	4.44%
Aviva Moorside facility	£1,810,000	£1,763,000	May 2032	4.32%
Aviva Ravensbury Park facility	£1,955,000	£1,896,000	October 2036	4.69%
Aviva Kendal facility	£3,300,000	£3,236,000	December 2037	4.60%
Aviva Thurgoland facility	£1,179,000	£1,150,000	November 2037	4.57%
Aviva Maidstone facility	£1,600,000	£1,600,000	20 years from completion	4.13%
Aviva Shoreham facility	£2,694,000	£2,694,000	20 years from completion	4.13%
Aviva Wiveliscombe facility	£1,505,000	£1,505,000	20 years from completion	4.21%
Aviva Felixstowe facility	£2,800,000	£2,800,000	20 years from completion	4.54%
Aviva Grange over sands facility	£3,137,000	£3,137,000	20 years from completion	4.21%
Aviva Potters bar facility	£2,848,000	£952,000	21 years from completion	4.50%
Aviva Rugby facility	£2,285,000	£111,000	25 years from completion	4.50%
Total	**£34,858,000**	**£30,248,000**		

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

Aviva Verwood loan facility

	2013 £'000	2012 £'000
Amounts due after more than one year	1,027	1,087

A mortgage was taken out by the subsidiary MedicX (Verwood) Limited and is secured on that company's investment property. Interest on the mortgage is charged at 6.25%.

RBS loan facility

	2013 £'000	2012 £'000
Loan issue costs	(632)	–
Amortisation of loan issue costs	4	–
	(628)	

On 20 September 2013 a £25 million revolving loan facility was put in place with The Royal Bank of Scotland Plc. The facility is for a three year term at a rate based on a margin over LIBOR, set dependent on group loan to value. At current rates the facility is expected to cost approximately 3%.

12. Long-term loans (continued)

Covenants

All of the covenants on the loan facilities were complied with in the year. A summary of the covenants for each facility is described in the table below:

Facility	Covenant Type	Description	30 Sep 2013
Aviva £100m	Interest cover	Rental income from secured properties in the immediately preceding period must be 140% or greater of interest payable	202.0%
	Loan to value	The loan must not be more than 75% of the market value of properties secured against the facility	62.9%
	Source of Income	Unless otherwise agreed by the lender, 90% of the rental income of the property secured against the facility must be reimbursable by the NHS or other approved tenants	90.9%
	Draw down limit	65% of the market value of the property secured against the facility	N/A
DPB facility	Interest cover	Rental income from secured properties in the immediately preceding quarter and following twelve months must be 140% or greater of interest payable	381%
	Loan to value	The loan must not be more than 70% of the market value of properties secured against the facility	62.5%
	Draw down limit	62.5% of the market value of the property secured against the facility	62.5%
	Withdrawal of properties	The loan to value on properties after a disposal must be 60% or lower before surplus proceeds can be released to the borrower	N/A
Aviva £50m	Interest cover	FRI-equivalent rental income must be 110% or greater of interest payable	116.3%
	Loan to value	The loan must not be more than 50% of the estimated exit value of properties secured against the facility	48.3%
Aviva PMPI	Interest cover	Interest payable must not exceed 95% of rental income receivable in the prior period	63.1%
	Interest cover*	FRI-equivalent rental income in the preceding period is 103% or higher of the aggregate interest and amortised capital repayment	164.2%
	Draw down limit	65% of the market value of the property secured against the facility	N/A
Aviva GPG	Interest cover	Interest payable must not exceed 100%-110% of rental income receivable in the prior period	153.2%-188.05%
Aviva Verwood	Interest cover	Rental income in the preceding period is 100% or higher of the aggregate interest and amortised capital repayment	132.6%

* Specific covenants for the £8 million loan in the Aviva PMPI loan facility

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 £10,446,000 as at 30 September 2013. A mark to market calculation gives an indication of the benefit or cost 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 bankers, 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 period for a loan with similar terms to match the existing facilities.

The debt benefit or cost 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 benefit of the total fixed rate debt to the Group was £17,334,000 as at 30 September 2013 (30 September 2012 cost: £211,000).

12. Long-term loans (continued)

Cash flow movements

	Year ended 30 September 2013 £'000	Year ended 30 September 2012 £'000
Draw down of DPB loan facility	**–**	30,700
Draw down of Aviva £50m facility	**–**	50,000
Draw down of GPG loan facility	**399**	–
New loan facilities drawn	**399**	80,700
Repayment of mortgage principal	**(57)**	(52)
Repayment of Aviva PMPI loan facility	**(751)**	(178)
Repayment of loans acquired	**–**	(16,385)
Net repayment of long-term borrowings	**(808)**	(16,615)
Aviva £50m facility arrangement fee	**(555)**	(624)
Aviva PMPI loan facility costs	**–**	(152)
DPB loan facility draw down fees	**(86)**	(418)
Aviva £100m loan facility costs	**–**	(47)
RBS loan facility costs	**(632)**	–
Other costs	**–**	(165)
Loan issue costs	**(1,273)**	(1,406)
Debt renegotiation cost	**(10,345)**	–

13. Share capital

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

	Number of shares	**Issue price per share**
Total shares issued as at 30 September 2012	**263,645,780**	
Other shares issued for cash:		
18 June 2013	3,600,000	79.0 pence
15 July 2013	3,700,000	78.0 pence
20 August 2013	3,000,000	77.5 pence
10 September 2013	2,500,000	78.0 pence
Total shares issued as at 30 September 2013	**276,445,780**	
Shares held in treasury (see below)	(1,539,066)	
Total voting rights in issue as at 30 September 2013	**274,906,714**	

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

	Number of shares	**Price per share**
Total shares held in treasury as at 30 September 2012	**3,226,061**	**72.00 pence**
Shares utilised in lieu of cash payment of dividends:		
31 December 2012	(396,751)	73.90 pence
29 March 2013	(467,453)	77.43 pence
28 June 2013	(387,574)	80.75 pence
23 September 2013	(435,217)	78.25 pence
Total shares held in treasury as at 30 September 2013	**1,539,066**	**72.00 pence**

13. Share capital (continued)

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

Share premium	2013 £'000	2012 £'000
At 1 October	**131,328**	80,315
Net proceeds arising on issue of Ordinary Shares for placing and offer	**–**	49,543
Net proceeds arising on issue of Ordinary Shares via a Tap Issue	**9,882**	–
Net proceeds arising on issue of Ordinary Shares pursuant to block listing	**–**	668
Value of Ordinary Shares issued in lieu of dividends	**–**	97
Net excess consideration on sale of treasury shares	**–**	673
Net excess of consideration arising on utilising Ordinary Shares from treasury in lieu of dividends	**73**	32
Share premium at 30 September	**141,283**	131,328

The above proceeds are net of issue costs totalling £144,000 (2012: £991,000) and exclude the cost of shares issued from treasury.

14. Other reserves

The movement in other reserves is set out in the Statement of Changes in Equity on page 34.

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

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

15. Cash and cash equivalents

	2013 £'000	2012 £'000
Cash and balances with banks	**27,063**	66,247

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

Included in the above amounts are balances that are held in restricted accounts which are not immediately available for use by the Group of £13,267,000 (2012: £41,396,000). These amounts will be made available when sufficient property has been secured against the facility in accordance with the draw down covenants detailed in note 12.

16. Dividends

	2013		2012	
	£'000	Dividend per share	£'000	Dividend per share
Quarterly dividend declared and paid 31 December 2012	**3,646**	**1.400p**	2,648	1.375p
Quarterly dividend declared and paid 29 March 2013	**3,717**	**1.425p**	2,711	1.400p
Quarterly dividend declared and paid 28 June 2013	**3,723**	**1.425p**	3,499	1.400p
Quarterly dividend declared and paid 30 September 2013	**3,833**	**1.425p**	3,638	1.400p
Total dividends declared and paid during the year	**14,919**		12,496	
Quarterly dividend declared after year end	**4,844**	**1.425p**	3,646	1.400p
Cash flow impact of scrip dividends:				
Cash equivalent value of scrip shares issued on quarterly dividend	**293**		106	
Cash equivalent value of scrip shares issued on quarterly dividend	**362**		240	
Cash equivalent value of scrip shares issued on quarterly dividend	**313**		187	
Cash equivalent value of scrip shares issued on quarterly dividend	**341**		424	
Total cash equivalent value of scrip shares issued	**1,309**		957	
Cash payments made for dividends declared and paid	**13,610**		11,539	

16. Dividends (continued)

Dividends are scheduled for the end of March, June, September and December of each year, subject to Board approval. On 30 October 2013, the Board approved a dividend of 1.425 pence per share, bringing the total dividend declared in respect of the year to 30 September 2013 to 5.7 pence per share. The record date for the dividend was 15 November 2013 and the payment date is 31 December 2013. 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 29 October 2013 the Board announced an opportunity for qualifying Shareholders to receive the December 2013 dividend in new Ordinary Shares instead of cash.

17. Financial instruments risk management

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

The financial instruments of the Group at both 30 September 2013 and 30 September 2012 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 benefit is set out in note 12, the carrying value of all financial instruments in the statement of financial position is equal to their fair value.

Credit risk

The Group invests some of its surplus funds in high quality liquid market instruments. Such investments have a maturity of no greater than six months. To reduce the risk of counterparty default the Group deposits the remainder of its surplus funds subject to immediate cash flow requirements in AA 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% of rental income was derived from NHS tenants who are spread across several Clinical Commissioning Groups which further reduces credit risk from this area. The default risk is considered low due to the nature of NHS funding for GP practices.

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

	2013 £'000	2012 £'000
Financial assets		
Trade receivables	**5,432**	2,930
Other current assets	**5,118**	3,260
Cash and cash equivalents	**27,063**	66,247

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 £4,334,000 (2012: £2,517,000) is neither impaired nor past due. £1,098,000 (2012: £413,000) is past due and of this £657,000 (2012: £304,000) is more than 120 days past due. The Board takes active steps to recover all amounts and has assessed that a provision of £63,000 (2012: £57,000) against trade receivables is appropriate.

All financial assets are categorised as loans and receivables.

Market risk

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

Interest rate risk

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

The Group's Aviva borrowing facilities of £100,000,000 (2012: £100,000,000), £50,000,000 (2012: £50,000,000) and £62,876,000 (2012: £63,617,000) 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 rate of 4.45%, as disclosed in note 12. The remaining two Aviva GPG loan facilities are charged at variable interest rates at 2.5% margin.

The Group's Deutsche Postbank loan facility of £31,200,000 (2012: £31,200,000) has a variable rate of LIBOR plus 2%. At the year end £7,500,000 of this facility was fixed at 3.14%, the remaining £23,700,000 was fixed at 2.62% by way of swaps agreements. These swaps, which are the only swaps the Group has, are matched to the terms of the facility and effectively fix the interest rate for the full term of the loan.

The Group's RBS loan facility of £25,000,000 (2012: £nil) 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.

17. Financial instruments risk management (continued)

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. The Group holds excess monies in deposit accounts until the funds are required, with no amounts held in deposit at the end of the year (2012: £nil). This does not include any balances held in restricted accounts. Of the restricted cash balances held at the year end, £13,267,000 was held in an Aviva deposit account which is AA+ 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.

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	4,100	–	–	–	–	4,100
Accruals	2,331	693	–	–	–	3,024
Non-current borrowings						
Principal*	–	–	–	35,888	219,565	255,453
Interest payments	2,376	805	9,031	45,766	161,951	219,929
	2,376	805	9,031	81,654	381,516	475,382
Current portion of non-current borrowings						
Principal	64	130	602	–	–	796
Interest payments	337	674	3,020	–	–	4,031
	401	804	3,622	–	–	4,827
Liabilities at 30 September 2012	***6,495***	***823***	***602***	***35,888***	***219,565***	***263,373***
Future costs of non-current borrowings	***2,713***	***1,479***	***12,051***	***45,766***	***161,951***	***223,960***
Balances at 30 September 2012	**9,208**	**2,302**	**12,653**	**81,654**	**381,516**	**487,333**

* change of classification for Deutsche Postbank facility (Due between 1 and 5 years; previously shown as Due after 5 years)

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

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

18. Commitments

At 30 September 2013, the Group had commitments of £23.1 million (2012: £19.6 million) to complete properties under construction.

19. Material contracts

Investment Adviser

MedicX 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 2012 and 24 September 2013 (the "Investment Advisory Agreement" or "Agreement"). Fees payable under this agreement are:

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

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

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

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

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

The hurdle rate applied in the year ended 30 September 2013 was 10% per annum (2012: 8%). The high watermark used for the calculation of the performance fee for the year to 30 September 2013 was set with reference to the average share price during September 2012, being 76.45 pence per share. The current high watermark is set with reference to the average share price during September 2013, being 78.99 pence per share.

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

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

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

During the year, the agreements with MedicX Adviser gave rise to £4,268,000 (2012: £4,384,000) of fees as follows:

	2013 £'000	2012 £'000
Expensed to the consolidated statement of comprehensive income:		
Investment advisory fee	**2,957**	2,384
Investment advisory performance fee	**396**	515
Property management fees	**639**	436
Capitalised as part of property acquisition costs:		
Corporate acquisition fees	**276**	1,049
Total Fees	**4,268**	4,384

Of these fees, £391,000 (2012: £1,364,000) remained unbilled or outstanding at the end of the year. This excludes the performance fee which was billed after the year end and is included within accruals and provisions due within one year.

During the year property development costs of £15,771,000 (2012: £24,867,000) were paid to MedicX Property Ltd, a member of the same group of companies as MedicX Adviser Ltd. At the year end there was a total of £1,867,000 that remained unbilled or outstanding (2012: £2,292,000). In addition, licence fee income of £1,214,000 (2012: £946,000) was recognised on properties under construction by MedicX Property Ltd during the year. At 30 September 2013 licence fees totalling £441,000 (2012: £564,000) remained unbilled or outstanding.

19. Material contracts (continued)

Administrator

Each Group company has entered into a separate administration agreement with International Administration Group (Guernsey) Limited for the provision of administrative services. Under these agreements fees were incurred totalling £75,000 (2012: £68,000) for the provision of corporate secretarial services to all Group companies and other administrative services.

Of these fees £12,700 (2012: £12,000) remained unbilled or outstanding at the year end.

20. Related party transactions

During the year fees of £99,000 (2012: £65,000) were paid to Aitchison Raffety Limited to negotiate rent reviews, and to act as agent for the disposal of properties, of which £49,000 (2012: £nil) remained unbilled or outstanding at the year end. John Hearle is Group Chairman of Aitchison Raffety Limited.

During the year Aitchison Raffety Limited were appointed to manage the service charges for a number of properties held by the Group. No fees have been paid to date for this service, nor are any payable as at 30 September 2013. The estimated annual fee expected to be earned by Aitchison Raffety for providing this service is £59,000 (2012: £nil).

21. Operating leases

At 30 September 2013 the Group had entered into leases in respect of investment properties for the following rental income, excluding any future rent reviews:

	2013 £'000	2012 £'000
Amounts receivable under leases		
Within one year	**25,326**	21,745
Between one and five years	**101,305**	86,558
After more than five years	**290,812**	255,495
Total	**417,443**	363,798

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

22. Subsidiary companies

The following were the subsidiary companies in the Group at 30 September 2013:

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
Held indirectly:					
MedicX (Verwood) Ltd	England & Wales	Property Investment	100%	1,000	Ordinary
MPVII Investments Ltd	England & Wales	Property Investment	100%	1	Ordinary
CSPC (3PD) Limited	England & Wales	Holding company	100%	550	Ordinary
Primary Medical Properties Limited	England & Wales	Holding company	100%	8,420	Ordinary
Primary Medical Property Investments Limited	England & Wales	Property Investment	100%	966,950	Ordinary
DK Properties (Woolston) Ltd*	England & Wales	Property Investment	100%	2	Ordinary
GPG No5 Limited	England & Wales	Property Investment	100%	48,500	Ordinary

* Dormant companies

23. Capital management

The Group's objectives when managing capital are:

- To safeguard the Group's ability to continue as a going concern, and continue to 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 2013 and 30 September 2012 were as follows:

	2013 £'000	2012 £'000
Total debt	**273,744**	256,249
Less: cash and cash equivalents	**(27,063)**	(66,247)
Net debt	**246,681**	190,002
Total assets	**464,716**	437,672
Less: cash and cash equivalents	**(27,063)**	(66,247)
Adjusted capital	**437,653**	371,425
Adjusted gearing ratio	**0.56:1**	0.51:1

24. Post year end events

On 25 October 2013 the Company raised gross proceeds of £48.75 million through the Placing, Open Offer and Offer for Subscription of 85,000,000 New Ordinary Shares, at the issue price of 75p each, of which 20,000,000 were immediately bought back by the Company at the Issue Price and held in treasury to satisfy demand under the scrip dividend scheme and to be issued into the market for general corporate purposes.

On 16 October 2013 the Company sold a GP surgery in Wheathampstead, Hertfordshire. The total consideration received was £600,000, being above the property's valuation as of September 2013.

On 11 November 2013 the Company sold a GP surgery in High Wycombe, Buckinghamshire. The total consideration received was £1,045,000, being above the property's valuation as of September 2013.

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