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MedicX Fund

Interim Report
to 31 March 2013

MedicX Fund

Registered address. MedicX Fund Limited, Regency Court, Glategny Esplanade,
St Peter Port, Guernsey, GY1 1WW

Registered in Guernsey. Company No. 45397. **www.medicxfund.com**

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 £443.7 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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Highlights

- £50.1 million of new committed investments since 1 October 2012, acquired at a cash yield of 5.78%
- Reset of a previously acquired debt facility of £63.8 million to an all-in fixed interest rate of 4.45% in December 2012
- Acquisition of £34.7 million of debt (£21.4 million drawn) with a weighted average all-in fixed interest rate of 4.47%, and term of 15.0 years
- Capital appreciation of the portfolio of £1.8 million for the period

01 // **Raynes Park**
Raynes Park Health Centre
London

Chairman's Statement

Overview

With the recent dissolution of the Primary Care Trusts ("PCTs") and the transfer of their existing estate and obligations to the new NHS Property Services Company ("NHSPSC"), there has been significant change in the NHS during the period. Despite this the demand for new purpose-built primary healthcare properties continues to be strong, although recent procurement decisions have been temporarily delayed until the transfer between the PCTs and NHSPSC is completed.

In the period since 1 October 2012, the acquisitions by the Fund represent committed investment of £50.1 million, increasing the number of properties in the portfolio to 121, with 109 completed and 12 under construction.

The majority of the properties were secured through the corporate acquisition of GPG No.5 Limited ("GPG") which added seven operational primary care medical centres, together with seven properties under construction.

The GPG acquisition completed on 24 May 2013, and therefore has not been reflected in the reported figures for the first half. The portfolio was acquired for a total acquisition cost of £44.7 million. The consideration for the transaction was £10 million including £0.8 million of transaction costs with debt facilities in total of £34.7 million acquired with a weighted average fixed interest rate of 4.47%, and an average unexpired term of 15.0 years. £13.3 million of the debt is undrawn at the date of acquisition and will be drawn as required against properties currently under construction. The completion of the properties under construction will be managed by General Practice Investment Corporation Limited ("GPI") who will retain all of the development and construction risk.

The completed properties within the acquired portfolio are on average less than one year old whilst the total acquired portfolio benefits from 38% RPI linked leases and 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, a leading third party developer of primary care properties, giving the Fund first right to forward fund future projects adding £35 million to the Fund's pipeline.

The acquisition is earnings enhancing for the Fund with the impact on the Fund's adjusted net asset value based on the Jones Lang LaSalle (the Fund's valuer) valuation and the mark to market of the fixed rate debt on acquisition expected to be neutral.

During the period, the Board also sought to engage with the Board of Assura Group Limited ('Assura') with regard to the Company making a recommended offer for Assura. The Board believed that there was a strong, natural fit between the Company and Assura and that, on the right terms, a successful combination would have brought considerable benefits to shareholders in both companies. As the Board of Assura did not engage meaningfully or recommend the proposal, the Company confirmed on 28 May 2013 that it is no longer pursuing this transaction.

The Group's net asset value at 31 March 2013, adjusted to exclude goodwill, the impact of deferred tax not expected to crystallise, financial derivatives, unamortised values of debt refinancing costs and the fair value uplift recognised on acquisition of the Aviva PMPI loan was £164.7 million or 63.0 pence per share.

There was a small benefit to the mark to market on the Group's fixed rate debt at the end of the period. The adjusted net asset value plus the estimated benefit of fixed rate debt is 63.6 pence per share. Long term interest rates have increased subsequent to the period end and as at 24 May 2013 the adjusted net asset value plus the estimated benefit of fixed rate debt is 64.7 pence per share.

In line with other infrastructure funds and given the long-term predictable cash flows, we believe it is appropriate to calculate a net asset value based upon discounted cash flows. This basis, as set out in the Investment Adviser's report, gives a net asset value of £242.8 million or 92.9 pence per share, based upon a weighted average discount rate of 7.09%, as at 31 March 2013.

Rental income grew by £4.7 million or 67.7% compared with the previous period, largely due to the acquisition of properties in the latter part of last year.

EBITDA (earnings before interest, taxation, depreciation and amortisation), excluding the impact of revaluations, impairments, fair value adjustments for financial instruments and performance fees provided has increased 76.9% to £9.9 million for the period to 31 March 2013, from £5.6 million in the previous period.

Finance costs incurred in the period were higher compared to the prior period, reflecting the Aviva PMPI Loan facilities acquired in July 2012 and with the Aviva £50 million facility in place for the full six month period. The interest rate on the Aviva PMPI loan facility was reset to current market rates on 3 December 2012 incurring costs of £10.3 million, which are to be amortised over the remaining life of the facility. This is offset against the unwinding of the mark to market uplift recognised on the debt when PMPI was acquired.

Included in the results is a provision of £1.7 million for a performance fee payable to the Investment Adviser based upon the total shareholder return to 31 March 2013, which has been calculated using the average share price during March 2013. The fee is payable on an annual basis only, and any subsequent change in the share price in the remainder of the year may have a significant impact. If calculated using the share price as at 24 May 2013 the provision would be £0.9 million.

Adjusted earnings excluding revaluation impact, performance fees provided, amortisation of debt refinancing costs and amortisation of the fair value uplift recognised on acquisition and deferred taxation was £4.3 million, an increase of 67.4% on £2.6 million from the prior period.

Capital appreciation of the portfolio for the period was £1.8 million less £0.6 million of purchase costs incurred on acquisitions resulting in an overall valuation gain of £1.2 million.

Adjusted earnings including revaluation impact, excluding performance fees provided, amortisation of debt refinancing costs and amortisation of the fair value uplift and deferred taxation was £5.4 million, an increase of 65.1% on £3.3 million from the prior period.

On the 28 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 gross assets and a further lower tier of fees was added. The revised fees are 0.75% of healthcare property assets excluding cash up to £300 million, subject to a minimum of £2.25 million, 0.65% of healthcare property assets excluding cash between £300 million and £500 million, 0.50% of healthcare property assets excluding cash between £500 million and £750 million, 0.40% of healthcare property assets excluding cash between £750 million and £1 billion, and 0.33% of healthcare property assets excluding cash over £1 billion. This will lead to reduced fees as a percentage of assets managed as the Fund grows.

The property management fees payable under the agreement will alter to a tiered structure of 3% of rental income up to £25 million and 1.5% of rental income in excess of £25 million.

Following the acquisition of GPG, the Fund's annualised rent roll of the portfolio when all properties are completed is £27.9 million. The valuation of the Fund's healthcare properties at 31 March 2013, adjusted to include the valuation of the GPG properties acquisition is £434.7 million, on the basis that all properties are completed.

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

Funding

During the period there were two sales of shares from treasury to satisfy demand for shares pursuant to the scrip dividend scheme for the dividends paid on 31 December 2012 and 28 March 2013. A total of 864,204 shares were transferred from treasury at an average price of 75.81p per share. The total number of shares held in treasury at 24 May stood at 2.4 million.

The Fund completed drawing against its facility with Deutsche Postbank in September 2012, and entered an interest rate swap agreement during October 2012 to fix the interest rate for the remaining term of this shorter term facility, which expires in April 2015. The swaps, which are the only swaps the Group has fix the interest rate for the full term of the loan at a weighted average interest rate of 2.75%.

On 5 December 2012 the interest rate on the Aviva PMPI facility was reset to current market rates and now has a weighted average fixed all-in interest rate of 4.45%.

Incorporating the newly acquired debt facilities from the GPG acquisition, the Group has debt facilities totalling £280.2 million, with a weighted average fixed all-in interest rate of 4.45% and unexpired term of 16.2 years.

The adjusted gearing as at 31 March 2013 was 53.6% which has increased to 57.2% with the acquisition of GPG and increased from 51.2% as at 30 September 2012.

The covenants on all the debt facilities have been complied with over the period, and have continued to be complied with. The details of the covenants for each facility and the compliance with the covenants are described in note 13 of the financial statements for the year ended 30 September 2012.

The Directors continue to target average borrowings of approximately 50% over the long term and not exceeding 65% of the Company's total assets. This headroom enables the Fund to take advantage of timing opportunities to lock into a positive spread between property yields and long term interest rates.

In the announcement of the Company's full year results I stated that following the successful deployment of funds from the March 2012 equity raising, and in view of the committed investment and attractive investment pipeline, the Company was considering raising new equity capital in 2013. The Board continues to assess the timing of such a fund raising in light of the pace at which the Investment Adviser believes the pipeline will come to fruition. With the low returns achievable on cash, the Company wishes to minimise the time it holds cash pending investment. Consistent with this the Company is in discussions to secure a revolving credit facility that can be used to acquire assets but be immediately repaid following an equity raise.

Dividends

In line with the Fund's progressive dividend policy in April 2013 the Directors approved a quarterly dividend of 1.425p per Ordinary Share in respect of the period 1 January 2013 to 31 March 2013. The dividend will be paid on 28 June 2013 to shareholders on the register as at close of business on 17 May 2013 (the "Record Date"). The corresponding ex-dividend date was 15 May 2013. The Fund expects to pay, subject to unforeseen circumstances, dividends totalling 5.7p per Ordinary Share in respect of the financial year ending 30 September 2013, an increase from the dividends of 5.6p per ordinary share for the year to 30 September 2012.

The Fund 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 28 June 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 June 2013.

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).

Dividend cover excluding any benefit of capital appreciation for the six months to 31 March 2013 increased to 58%. (30 September 2012: 42%.) and underlying dividend cover adjusted to reflect completion of the properties under construction has increased to 69%. (30 September 2012: 68%.). The dividend cover in each case was calculated using adjusted earnings, excluding revaluation impact, deferred taxation, performance fees payable to the Investment Adviser, fair value adjustments for financial instruments and exceptional costs.

Dividend cover as calculated using the adjusted earnings including the capital appreciation of completed investment properties was 81%. In addition an average of 9% of the dividends paid since 1 October 2012 was in the form of scrip dividends that did not result in a cash outflow from the Company.

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. It also included authority for the Company to acquire its own shares for either cancellation or holding as treasury shares up to a maximum of 14.99% of total shares issued. These powers expire immediately prior to the date of the next annual general meeting of the Company, expected to be held in February 2014.

Share price and outlook

On 18 March 2013, MedicX Fund was admitted to the London Stock Exchange EPRA/NAREIT Developed Europe Index, a specialty investment index for listed real estate. The Company passed all eligibility criteria during the Index's March Quarterly Review with an investability weight of 100%.

In the period to 24 May 2013, the total shareholder return, as measured by dividends received and share price growth, was 9.7%. Of the return, 5.7% was attributable to dividends declared with the remainder from growth in the share price.

At 24 May 2013 the mid-market share price was 79.00 pence per share ex dividend, this represents a 7.2% dividend yield based upon the 5.7 pence per share dividends anticipated to be declared for the year.

The first six months of 2013 has seen the Fund continue to grow and position itself to deliver enhanced returns from its property portfolio. Despite the current changes taking place within the NHS structure primary care infrastructure assets continue to be attractive investments and the Fund's portfolio remains an excellent route to accessing secure long term cash flows. With a strong investment pipeline and a number of further opportunities to add to the existing portfolio the Company is well placed to deliver progressive long term returns to shareholders.

The Directors continue to review the possibility for the Company to convert to Real Estate Investment Trust status but no decision has been made regarding conversion at this point in time.

David Staples
Chairman
28 May 2013

Key Achievements

02 // **Wollaton Park**
Wollaton Park Medical Centre
Nottingham

03 // **Grangetown**
Grange Medical Practice
Wales

"We have continued to deliver strong financial results as our existing portfolio performs in line with our expectations."

Financial results

- Quarterly dividend of 1.425 pence per share announced April 2013[1]; total dividends of 5.7 pence per share for the year expected, equivalent to 7.2% dividend yield, up from 5.6 pence for the previous year[2,3]
- Rental income for the period £11.6 million representing a 67.7% increase from prior period
- £2.1 million rent reviews agreed in the period since 1 October 2012 with the equivalent of an average 2.3% per annum increase, 1.9% from open market reviews, 3.2% from RPI and fixed uplifts[2,4]
- 76.9% increase in EBITDA to £9.9 million[5]
- Adjusted earnings excluding valuation gain of £4.3 million, an increase of 67.4% or £1.7 million, from prior period, equivalent to 1.6 pence per share (31 March 2012: £2.6 million; 1.3 pence per share)[5]
- Dividend cover for the period increased to 58% (31 March 2012: 48%) and underlying dividend cover 69% (30 September 2012: 68%)[6]
- Capital appreciation of the portfolio of £1.8 million less £0.6 million of purchaser costs incurred on acquisitions generated a valuation gain for the period of £1.2 million
- Discounted cash flow net asset value of £242.8 million equivalent to 92.9 pence per share (30 September 2012: £239.3 million; 91.9 pence per share)
- Adjusted net asset value of £164.7 million equivalent to 63.0 pence per share (30 September 2012: £167.7 million; 64.4 pence per share)[7]
- Adjusted net asset value plus the estimated benefit of fixed rate debt at 31 March 2013 of £166.2 million equivalent to 63.6 pence per share and at 24 May of 168.7 million equivalent to 64.7 pence per share (30 September 2012: £167.5 million; 64.3 pence per share)[7,8]
- Total shareholder return from 30 September 2012 to 24 May 2013 of 9.7%[9]

04 // **Monkseaton**
Monkseaton Medical Centre
Tyne and Wear

Investments

- New committed investment since 1 October 2012 of £50.1 million acquired at a cash yield of 5.78%
- £443.7 million total committed investment in 121 primary healthcare properties an increase of 12% during the period (30 September 2012: £394.8 million, 107 properties)[2,10]
- Annualised rent roll of £27.9 million with 91% of rents reimbursed by the NHS as at 24 May 2013[2]
- Strong pipeline of approximately £105 million of further acquisition opportunities[2]

Funding

- Acquired debt facility of £63.8 million reset to an all-in fixed interest rate of 4.45% in December 2012 at a cost of £10.3 million
- Further acquisition of £34.7m of debt (£21.4m drawn) with a weighted average all-in fixed interest rate of 4.47%, and term of 15.0 years
- Total debt facilities of £280.2 million with a weighted average all-in fixed rate of debt of 4.45% and an unexpired term of 16.2 years (4.92% and 17.1 years as at 30 September 2012)[2]
- Net debt of £240.1 million equating to 57.2% adjusted gearing at 24 May 2013

Information on MedicX Fund Limited

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1. Ex dividend date 15 May 2013, Record date 17 May 2013, Payment date 28 June 2013
2. As at 24 May 2013
3. Total dividends declared divided by share price at 24 May 2013 (2012: at 4 December 2012)
4. This excludes a 100% fixed uplift on a small nominal rent, which if included increases the overall achieved per annum to 2.9% in the period, and 5.1% per annum on RPI and fixed uplift reviews.
5. Excluding revaluation impact, performance fees, exceptional costs related to acquisitions, amortisation of debt fair value uplift and debt reset costs and deferred taxation
6. Dividend cover adjusted to include impact of properties under construction as completed properties
7. Adjusted to exclude goodwill, the impact of deferred tax not expected to crystallise, unamortised value of debt reset costs and debt fair value uplift and financial derivatives.
8. Estimated benefit of all fixed rate debt calculated following advice from the Group's lenders
9. Based on share price growth between 30 September 2012 and 24 May 2013 and dividends declared during the period
10. Includes completed properties, properties under construction and committed investment

Investment Adviser's Report

Market

The IPD All Property Index (April 2013) shows an income yield of 6.83%, which compares with 7.91% at the bottom of the cycle in June 2009 and 4.57% at the peak of the cycle in May 2007.

In the primary care investment sector, yields for prime assets, such as those within MedicX Fund's portfolio, have tightened slightly over the last 12 months as recent transactions have become more competitive due to strong demand from investors that have capital and debt available for new acquisitions. Initial yields on prime primary healthcare assets secured on leases with fixed or RPI/CPI linked rent reviews are currently between 5.25% and 5.75%, and those for assets secured on leases with upwards only, open market reviews are between 5.50% and 6.00% with other assets at higher yields.

The transition between the old and new structure of the NHS has commenced, with the abolition of the existing Primary Care Trusts and the emergence of the Clinical Commissioning Groups and the NHS Property Services Company ("NHSPSC"). One of the key responsibilities of the new NHS Commissioning Board is to control the overall development of primary care premises with support from NHSPSC.

The NHS has issued a premises directions paper that outlines the new structure and the impact that it will have, but no change is expected to rent reimbursement of the GPs. From a procurement viewpoint the directive requires that the NHS Commissioning Board approve any new premises or extensions. The directive also places the responsibility for negotiating and obtaining expert advice on rent reviews with the GP tenants before seeking approval from the NHS Commissioning Board, while relaxing the cap on the ability to use the premises to generate private income to enable other clinical services to be provided by the surgery.

These structural changes in the NHS will have little impact on the Fund's routes to investment but the changeover has resulted in a temporary decrease in the number of schemes being awarded to developers.

There continues to be significant demand for new primary care premises and the schemes delivered by the Fund represent good value for money to the NHS compared with alternative procurement routes and remain well placed to take full advantage of the new opportunities that will unfold from GP led commissioning.

Portfolio update

The Fund has committed investment of £443.7 million at today's date in 121 primary healthcare properties.[10] The annualised rent roll of the portfolio properties is now £27.9 million, an increase of £3.1 million since 30 September 2012.

The valuation of the portfolio undertaken by Jones Lang LaSalle LLP, independent valuer to the Fund, as at 31 March 2013 stood at £391.3 million on the basis that all properties were complete, reflecting a net initial yield of 5.79%. The results include a valuation gain of £1.2 million for the period of which the capital appreciation of the portfolio was £1.8 million less £0.6 million of purchase costs incurred on acquisitions during the period.

At 24 May 2013, the portfolio of properties had an average age of 6.0 years, remaining lease length of 17.2 years and an average value of £3.6 million. Of the rents payable, 90.6% are from government-funded doctors and the NHSPSC/Local Health Boards, 7.8% from pharmacies and 1.6% from other parties.

In the period since 30 September 2012 the Fund has acquired a further 15 properties representing a total commitment of £50.1 million. The acquired properties included a new development in Cambridge and the acquisition of a portfolio of 14 properties which included seven operational properties, with seven currently under construction. Seven of the properties under construction as at 30 September 2012 have since been completed. These properties are in Grangetown, Kingston upon Thames, Methil, Monkseaton, Middlewich, Uckfield, and Raynes Park and represent a total commitment of £25.2 million. All of the completed projects were delivered within budget.

Construction continued on the existing projects in Caerphilly, Tooting, Arnold, Middlewich and Scholar Green commencing in the period, and the new Cambridge property commencing construction in April 2013. The outstanding commitment on these properties at 31 March 2013 was £10.2 million, with most projects expected to complete in the next six months. Of the projects under construction as at 31 March 2013, the property in Middlewich has since been completed within budget.

The Investment Adviser has also identified a pipeline of investment opportunities of £105 million, of which £25 million relates to completed assets and £80 million relates to forward funding opportunities where the Fund is the preferred investment partner.

In March 2013 the Fund disposed of one of its smaller non-core properties in Chandlers Ford for £1.0 million, slightly above its valuation at 31 December 2012. After costs relating to the sale are taken into account the Fund has realised a small loss on the disposal. This property was acquired as part of the corporate acquisition in July 2012 and did not fully meet the long term investment criteria of the Fund. The Fund will continue to dispose of properties selectively if 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 3.10% at 31 March 2013. With committed investment since 1 October 2012 of £50.1 million and the identified investment opportunities of approximately £105 million, the Company is well placed to continue to grow and deliver value to its shareholders.

Asset management

During the period to 24 May 2013, 27 leases and rents of £2.1 million have been reviewed and the equivalent of a 2.3% per annum increase was achieved. Of these reviews, 1.9% per annum was achieved on open market reviews, and 3.2% per annum was achieved on RPI based and fixed uplift reviews[4]. Reviews of £8.7 million of passing rent are currently under negotiation as at 24 May 2013. There is continued short term pressure on open market rent reviews.

Of the £27.9 million annualised rent roll at 24 May 2013, there is £20.9 million, 74.9% is subject to open market review, £5.5 million, 19.8%, subject to RPI reviews and £1.5 million, 5.3%, subject to fixed uplift reviews, of an average 2.5% per annum increase.

There are a number of properties where asset management opportunities, including extensions to premises and re-gearing of leases, are being targeted to bring further earnings and capital appreciation.

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 31 March 2013, the DCF valuation was £242.8 million or 92.9 pence per share compared with £239.3 million or 91.9 pence per share at 30 September 2012.

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 7.09% and this represented a 3.99% risk premium to the 20 year gilt rate at 31 March 2013 of 3.10%.

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 24 May 2013 of 79.00p per share, the discounted cash flow calculation would have to assume a 0.2% increase in rents per annum, or a 0.8% capital decrease per annum, or a weighted average discount rate of 8.9%. These increases and decreases in rents and capital values respectively would need to take place every year until the expiry of individual property leases.

Taking the adjusted net asset value plus the estimated benefit of fixed rate debt of 64.4 pence per share as at 24 May 2013 and assumed purchaser costs of 8.7 pence per share, an implied net initial yield of 5.11% is required to get to the discounted cash flow net asset value of 92.9 pence.

A review of sensitivities has been carried out in relation to the valuation of properties. If valuation yields firmed by 0.5% to a net initial yield of 5.29%, the adjusted net asset value would increase by approximately 14.2 pence per share to 77.2 pence per share and the adjusted net asset value plus debt would increase to 77.8 pence per share.

Pipeline and investment opportunity

The significant spread between the yields the Fund can acquire properties at, the cost of long term debt that we can fix, and Government gilts noted previously remains. The Investment Adviser continues 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. As a result the Fund currently has access to a property pipeline, subject to contract, which is already estimated to be worth approximately £105 million in value when fully developed.

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

1 Ex dividend date 15 May 2013, Record date 17 May 2013, Payment date 28 June 2013
2 As at 24 May 2013
3 Total dividends declared divided by share price at 24 May 2013 (2012: at 4 December 2012)
4 This excludes a 100% fixed uplift on a small nominal rent, which if included increases the overall achieved per annum to 2.9% in the period, and 5.1% per annum on RPI and fixed uplift reviews.
5 Excluding revaluation impact, performance fees, exceptional costs related to acquisitions, amortisation of debt fair value uplift and debt reset costs and deferred taxation
6 Dividend cover adjusted to include impact of properties under construction as completed properties
7 Adjusted to exclude goodwill, the impact of deferred tax not expected to crystallise, unamortised value of debt reset costs and debt fair value uplift and financial derivatives.
8 Estimated benefit of all fixed rate debt calculated following advice from the Group's lenders
9 Based on share price growth between 30 September 2012 and 24 May 2013 and dividends declared during the period
10 Includes completed properties, properties under construction and committed investment

"With committed investment since 1 October 2012 of £50.1 million and the identified investment opportunities of approximately £105 million, the Company is well placed to continue to grow and deliver value to its shareholders."

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.
- The rental costs of premises used for the provision of primary healthcare are reimbursed to GPs (subject to the fulfilment of certain standard conditions) by the NHS Commissioning Board. There is no guarantee that rental costs will continue to be reimbursed to GPs in this way.
- In the event that GP tenants, Clinical Commissioning Groups, the NHS Property Services Company or other tenant found itself unable to meet its liabilities the Group 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 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 net asset value or dividends and those borrowings may not be available at the appropriate time or on appropriate terms. 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 such circumstances arise where it would be unable to remedy such breach, the Group may be required to repay such borrowings requiring the Group 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 18, and Corporate governance statement on page 21 of MedicX Fund Limited's annual report and financial statements for the year ended 30 September 2012.

Directors responsibilities statement

The Directors confirm that, to the best of their knowledge, the half-yearly financial report has been prepared in accordance with the International Accounting Standard 34 "Interim Financial Reporting" as adopted by the European Union, and gives a true and fair view of the assets, liabilities, financial position and profit or loss of the undertakings included in the consolidation as a whole. The half-yearly financial report includes a fair review of the information required by:

- DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the year; and
- DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the company during that period, and any changes in the related party transactions described in the last annual report that could have a material effect on the financial position or performance of the company in the first six months of the current financial year.

The condensed consolidated interim financial information, in addition to the paper version, will be published on the Company's website, www.medicxfund.com. The maintenance and integrity of the Company's website is the responsibility of the Directors.

By order of the Board:

David Staples
Director
28 May 2013

Independent Review Report

to MedicX Fund Limited

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 31 March 2013 which comprises the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows and the related explanatory notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with the terms of our engagement. Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this 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 for our review work, for this report, or for the conclusions we have reached.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 2, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31 March 2013 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

PKF (UK) LLP
London, UK
28 May 2013

Consolidated Statement of Comprehensive Income

For the six months ended 31 March 2013

	Notes	**Six months ended 31 March 2013 £'000**	Six months ended 31 March 2012 £'000
Income			
Rent receivable		**11,603**	6,917
Finance income		**74**	16
Other income		**596**	455
Total income		**12,273**	7,388
Valuation and impairment adjustments			
Net valuation gain on investment properties	10	**1,173**	747
Charge for impairment of goodwill	8	**(386)**	(460)
Total valuation and impairment adjustments		**787**	287
Expenses			
Loss on disposal of property	10	**7**	–
Direct property expenses		**143**	140
Investment advisory fee	17	**1,412**	1,125
Investment advisory performance fee provision	17	**1,706**	292
Property management fee	17	**306**	186
Administrative fees		**36**	32
Audit fees		**69**	40
Professional fees		**168**	101
Directors' fees		**72**	63
Other expenses		**112**	105
Finance costs	4	**5,459**	3,045
Total expenses before exceptional costs		**(9,490)**	(5,129)
Exceptional costs related to acquisitions			
Legal and professional fees	19	**–**	(394)
Goodwill written-off on acquisitions	19	**–**	(1,252)
Total expenses including acquisition costs		**(9,490)**	(6,775)
Profit before tax		**3,570**	900
Taxation	6	**240**	1,140
Profit attributable to equity holders of the parent		**3,810**	2,040
Other comprehensive income			
Fair value loss on financial derivatives	5	**(77)**	(72)
Total comprehensive income attributable to equity holders of the parent		**3,733**	1,968
Earnings per ordinary share			
Basic and diluted	9	**1.5p**	1.0p

1. All items in the above statement are derived from continuing operations.
2. Included in note 9 is an adjusted earnings per share calculation that adjusts for the impact of deferred tax and goodwill which, based on the expected manner of realisation of the carrying amount of investment properties, is unlikely to crystallise.

The accompanying notes on pages 15 to 24 form an integral part of the financial statements.

Consolidated Statement of Financial Position

As at 31 March 2013

	Notes	31 March 2013 £'000	30 September 2012 £'000
Non-current assets			
Goodwill	8	**9,472**	9,858
Investment properties	10	**380,506**	365,067
Total non-current assets		**389,978**	374,925
Current assets			
Trade and other receivables		**8,458**	6,358
Cash and cash equivalents	15	**36,387**	66,247
Total current assets		**44,845**	72,605
Total assets		**434,823**	447,530
Current liabilities			
Trade and other payables		**16,253**	15,573
Performance fee incentive provision		**1,706**	515
		17,959	16,088
Non-current liabilities			
Long-term loans	11	**244,026**	255,453
Deferred tax liability	6	**11,630**	11,870
Provisions	7	**215**	215
Financial derivatives	5	**202**	125
Total non-current liabilities		**256,073**	267,663
Total liabilities		**274,032**	283,751
Net assets		**160,791**	163,779
Equity			
Share capital		**–**	–
Share premium		**131,348**	131,328
Treasury shares		**(1,701)**	(2,323)
Distributable reserves	14	**28,893**	36,256
Accumulated profits/(losses)		**2,251**	(1,482)
Total attributable to equity holders of the parent		**160,791**	163,779
Net asset value per share			
Basic and diluted	9	**61.5p**	62.9p

The financial statements were approved and authorised for issue by the Board of Directors on 28 May 2013 and were signed on its behalf by

David Staples
Director

The accompanying notes on pages 15 to 24 form an integral part of the financial statements.

Consolidated Statement of Changes in Equity

For the six months ended 31 March 2013

	Notes	Share Premium £'000	Treasury Shares £'000	Distributable Reserve £'000	Cashflow hedge reserve £'000	Accumulated Profits/ (Losses) £'000	Total £'000
Balance at 1 October 2011		**80,315**	**–**	**48,752**	**–**	**(1,490)**	**127,577**
Proceeds on issue of shares		52,379	–	–	–	–	52,379
Share issue costs		(915)	–	–	–	–	(915)
Shares repurchased and held in treasury		–	(13,176)	–	–	–	(13,176)
Shares sold from treasury		(1,139)	1,139	–	–	–	–
Total comprehensive income for the period		–	–	–	(72)	2,040	1,968
Dividends paid	13	–	–	(5,359)	–	–	(5,359)
Balance at 31 March 2012		**130,640**	**(12,037)**	**43,393**	**(72)**	**550**	**162,474**
Balance at 1 October 2012		**131,328**	**(2,323)**	**36,256**	**(125)**	**(1,357)**	**163,779**
Proceeds on issue of shares		654	–	–	–	–	654
Share issue costs		(12)	–	–	–	–	(12)
Shares sold from treasury		(622)	622	–	–	–	–
Total comprehensive income for the period		–	–	–	(77)	3,810	3,733
Dividends paid	13	–	–	(7,363)	–	–	(7,363)
Balance at 31 March 2013		**131,348**	**(1,701)**	**28,893**	**(202)**	**2,453**	**160,791**

The accompanying notes on pages 15 to 24 form an integral part of the financial statements.

Consolidated Statement of Cash Flows

For the six months ended 31 March 2013

	Notes	Six months ended 31 March 2013 £'000	Six months ended 31 March 2012 £'000
Operating activities			
Profit before taxation		**3,570**	900
Adjustments for:			
Net valuation gain on investment properties	10	**(1,173)**	(747)
Goodwill impairment	8	**386**	460
Goodwill written-off on acquisitions	8	**–**	1,252
Loss on disposal of investment property	10	**7**	–
Financial income receivable		**(74)**	(16)
Finance costs payable and similar charges	4	**5,459**	3,045
		8,174	4,894
(Increase)/decrease in trade and other receivables		**(2,042)**	932
Increase/(decrease) in trade and other payables		**775**	(1,230)
Increase in provisions		**1,191**	10
Interest paid		**(5,883)**	(2,908)
Interest received		**16**	41
Net cash inflow from operating activities		**2,231**	1,739
Investing activities			
Acquisitions net of cash acquired		**–**	(1,087)
Proceeds from sale of investment properties	10	**1,012**	–
Additions to investment properties and properties under construction		**(15,024)**	(14,331)
Net cash outflow from investing activities		**(14,012)**	(15,418)
Financing activities			
Net proceeds from issue of share capital		**(12)**	37,943
New loan facilities drawn	11	**–**	57,000
Debt refinancing costs	11	**(10,345)**	(1,929)
Net repayment of long-term borrowings	11	**(396)**	(16,411)
Loan issue costs	11	**(618)**	(619)
Dividends paid	13	**(6,709)**	(5,013)
Net cash inflow from financing activities		**(18,079)**	70,971
(Decrease)/increase in cash and cash equivalents		**(29,860)**	57,292
Opening cash and cash equivalents		**66,247**	18,112
Closing cash and cash equivalents	15	**36,387**	75,404

The accompanying notes on pages 15 to 24 form an integral part of the financial statements.

Notes to the financial statements

For the six months ended 31 March 2013

1. General information

The Company is a limited liability company incorporated and domiciled in Guernsey. The address of its registered office is Regency Court, Glategny Esplanade, St Peter Port, Guernsey, GY1 1WW.

The Company is listed on the London Stock Exchange.

The condensed consolidated interim financial information does not constitute the statutory financial statements of the Group within the meaning of section 245 of The Companies (Guernsey) Law, 2008. The Board of Directors approved the statutory financial statements for the year ended 30 September 2012 on 5 December 2012. The report of the auditors on those financial statements was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 263 of The Companies (Guernsey) Law, 2008.

The condensed consolidated interim financial information will be published on the Company's website, www.medicxfund.com. The maintenance and integrity of the Company's website is the responsibility of the Directors.

The condensed consolidated interim financial information for the six months ended 31 March 2013 has been reviewed, not audited, and was approved and authorised for issue by the Board of Directors on 28 May 2013.

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.

2. Basis of preparation

The condensed consolidated interim financial information for the six months ended 31 March 2013 has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority and with IAS 34 'Interim financial reporting' as adopted by the European Union. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 30 September 2012, which have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

3. Accounting policies

The accounting policies and presentation of figures applied are consistent with those of the annual financial statements for the year ended 30 September 2012, as described in those annual financial statements, except as disclosed below:

Debt refinancing and early settlement costs of £10,345,000 (2012: £1,929,000), have been shown within financing activities in the Consolidated Statement Cash Flows, rather than as an operating cash flow movement.

Taxation

Taxes on profits in interim periods are accrued using the tax rate that would be applicable to expected total annual profits.

Use of estimates

In the process of applying the Group's accounting policies described within the financial statements for the year ended 30 September 2012, the Directors are required to make certain judgements and estimates to arrive at the carrying value for its assets and liabilities.

Significant areas requiring judgement in the preparation of these financial statements include the estimate of provisions, the valuation of properties and the performance fee accrual. The significant areas requiring judgement are consistent with those reported within the financial statements for the year ended 30 September 2012.

4. Finance costs

	Six months ended 31 March 2013 £'000	Six months ended 31 March 2012 £'000
Interest payable on long-term loans	**5,937**	3,247
Amortisation of Aviva PMPI loan fair value adjustment	**(500)**	–
Amortisation of Aviva PMPI loan reset fee	**283**	–
Interest capitalised on properties under construction	**(261)**	(202)
	5,459	3,045

During the period interest costs on funding attributable to investment properties under construction were capitalised at an effective interest rate of 4.46%. The funding was sourced from the Aviva £100m loan facility which has an effective interest rate of 5.008%, the Deutsche Postbank loan facility which has an effective interest rate of 2.75% and the Aviva £50m loan facility which has an effective interest rate of 4.37%.

Notes to the financial statements (continued)

For the six months ended 31 March 2013

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 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.

	31 March 2013 £'000	30 September 2012 £'000
Fair value of interest rate swaps treated as cash flow hedges under IAS39 ("effective swaps"):		
Non-current liabilities	**(202)**	(125)
	(202)	(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 with Deutsche Postbank to fix the interest rate on the drawdown of the facility that was made on the same day. The swap exchanged the floating rate for a fixed rate of 1.14% from 1 January 2012 to 30 April 2015, with the floating rate reset at the start of each month. The notional value of the swap is £7.5 million, matching the value of the hedged debt.

A further swap contract was entered into on 1 October 2012. The swap exchanged the floating rate for a fixed rate of 0.62% from inception to 30 April 2015, with the floating rate reset at the start of each month. The notional value of the swap is £23.7 million, matching the value of the hedged debt.

6. Taxation

	Six months ended 31 March 2013 £'000	Six months ended 31 March 2012 £'000
Deferred Tax		
Change in corporate tax rate	**–**	(488)
On fair value movement for the period	**(386)**	(162)
Released during the period	**146**	(490)
Total tax credited in the statement of comprehensive income	**(240)**	(1,140)

The Board have estimated that for the period 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 period 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.

6. Taxation (continued)

A reconciliation of the current tax charge/credit to the notional tax charge/credit applying the Schedule A income tax rate of 20% (2012: 20%) and at the average standard rate of UK corporation tax of 24% (2012: 26%) where appropriate is set out below:

	Six months ended 31 March 2013 £'000	Six months ended 31 March 2012 £'000
Profit on ordinary activities before tax	**3,570**	900
Profit on ordinary activities multiplied by the average standard rate of corporation tax in the UK of 24% (2012: 26%)	**857**	234
Effect of lower tax rates for Guernsey companies	**(67)**	(149)
Capital allowances in excess of depreciation	**(181)**	(258)
Effect on deferred tax balance by change in UK corporate tax rate	**–**	(488)
Effect on deferred tax balance of difference in UK corporate tax rate	**(3)**	–
Profits not subject to UK taxation	**(590)**	(2,118)
Non-taxable property revaluations	**(227)**	(67)
Benefit of indexation allowances	**(316)**	(311)
Utilisation of losses brought forward – not previously recognised	**4**	–
Current period losses carried forward	**283**	2,017
Total tax credit in the statement of comprehensive income	**(240)**	(1,140)

	Fair value gain on acquisition £'000	Accelerated capital allowances £'000	Unrelieved management expenses £'000	Total £'000
At 1 October 2011	**5,652**	**1,893**	**(1,631)**	**5,914**
Adjustment for change in tax rate	(671)	(249)	189	(731)
Acquired with subsidiaries	5,342	2,766	(831)	7,277
Released/provided in year	(465)	(115)	(10)	(590)
At 30 September 2012	**9,858**	**4,295**	**(2,283)**	**11,870**
Adjustment for change in tax rate	–	–	–	–
(Released)/provided in period	(386)	108	38	(240)
At 31 March 2013	**9,472**	**4,403**	**(2,245)**	**11,630**

As required by IAS 12 "Income taxes", full provision has been made for the temporary timing differences arising on the fair value gain 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. Had the provision not been previously made, the Group's earnings for the period would be £386,000 lower (2012: £1,136,000 lower).

There are accumulated tax losses within MedicX Properties I Limited, MedicX Properties V Limited, MedicX Properties VI Limited and MedicX Properties VII Limited totalling £47.5 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.

7. Provisions

	31 March 2013 £'000	30 September 2012 £'000
Provisions acquired with subsidiaries	**215**	215
	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 Limited 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.

Notes to the financial statements (continued)

For the six months ended 31 March 2013

8. Goodwill

	31 March 2013 £'000	30 September 2012 £'000
Brought forward	**9,858**	6,410
Goodwill on acquisition of subsidiaries	**–**	13,338
Goodwill on acquisition written-off	**–**	(7,996)
Impairment recognised in period	**(386)**	(1,894)
Carried forward	**9,472**	9,858

Goodwill arose in a prior period on the acquisitions of MedicX Properties II Ltd, MedicX Properties III Ltd, MedicX Properties IV Ltd and MedicX (Istead Rise) Ltd. Further goodwill arose in the prior year as a result of the acquisitions of MPVII Investments Ltd and CSPC 3PD Limited and its subsidiaries. The recognition of goodwill has been primarily due to the requirement of IAS 12 "Income taxes" to recognise deferred tax on the fair value gains at the date of acquisition. In keeping with common practice within the property investment sector, the consideration for the acquisitions did not reflect such a deferred tax liability as it is often regarded as unlikely to crystallise as it is usually possible to sell the company that holds the property portfolio rather than sell an individual property. The impact of providing for such deferred tax gave rise to an excess of the fair value of the consideration paid over the fair value of the net assets acquired as determined under International Accounting Standards. Consequently, goodwill is inextricably linked to the fair value of the underlying property portfolio acquired as they form a single cash generating unit. As such with the disposal of the Chandlers Ford property, as disclosed in note 10 the element of goodwill relating to this property is considered to be impaired and has been written off accordingly.

The Board has reviewed the carrying value of goodwill and consider it to be impaired to the extent of the movement in the deferred tax liability relating to fair value gains on acquisition.

9. 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 period attributable to Ordinary Shares of £3,810,000 (2012: £2,040,000) and on 260,625,800 (2012: 203,937,886) Ordinary Shares, being the weighted average aggregate of Ordinary Shares in issue calculated over the period, excluding amounts held in treasury at the period end. This gives rise to basic and diluted earnings per Ordinary Share of 1.5 pence (2012: 1.0 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 £160,791,000 (2012: £163,779,000) and on 261,283,923 (2011: 260,419,719) Ordinary Shares being the aggregate of Ordinary Shares in issue at the period end, excluding amounts held in treasury at the period end. This gives rise to a basic and diluted net asset value per Ordinary Share of 61.5 pence per ordinary share (2012: 62.9 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:

	Six months ended 31 March 2013 £'000	Six months ended 31 March 2012 £'000
Adjusted earnings per Ordinary Share – basic and diluted	**1.5p**	1.5p

	31 March 2013 £'000	30 September 2012 £'000
Adjusted net asset value per Ordinary Share – basic and diluted	**63.0p**	63.7p

The adjusted earnings per Ordinary Share is based on the profit for the period of £3,810,000 (2012: £2,040,000) attributable to Ordinary Shares, adjusted for the impact of the deferred tax credit of £240,000 (2012: £1,140,000), goodwill impairment of £386,000 (2012: Impairment £460,000) and exceptional costs from the acquisition of subsidiaries totalling £nil (2012: £1,646,000) attributable to Ordinary Shares for the period of and, respectively, giving an adjusted earnings profit of £3,956,000 (2012: £3,006,000) and on 260,625,800 (2012: 203,937,886) Ordinary Shares being the weighted average number of Ordinary Shares in issue in the period.

9. Earnings and net asset value per Ordinary Share (continued)

The adjusted net asset value per Ordinary Share is based on the net asset position attributable to Ordinary Shares at the period end of £160,791,000 (2012: £163,779,000) as adjusted for deferred tax of £11,630,000 (2012: £11,870,000), goodwill of £9,472,000 (2012: £9,858,000), financial derivatives of £202,000 (2012: £125,000) and the excess of the fair value to the reset cost of the Aviva PMPI loans £1,580,000, giving an adjusted net assets figure of £164,731,000 (2012: £165,916,000) and on 261,283,923 (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, in most cases 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. The goodwill arose on prior period acquisitions and was due to the requirement to recognise deferred tax on fair value gains on acquisition (refer to note 8).

10. 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 LLP as at 31 March 2013. In accordance with industry standards, the valuation is net of purchaser costs which are estimated at 5.8% (2012: 5.8%) of purchase price.

Investment properties under construction are initially recognised at cost, and are subsequently measured at fair value as at the period end. The fair value has been determined based on valuations performed by Jones Lang LaSalle LLP as at 31 March 2013. In accordance with industry standards, the valuation is the net of the completed property value less the remaining costs to complete the property.

The freehold and long leasehold interests in the property investments of the Group were valued at an aggregate of £391,293,000 as at 31 March 2013 by Jones Lang LaSalle LLP. This valuation assumes that all properties, including those under construction, are complete. The difference between the total valuation and the carrying value is the cost to complete those properties under construction and other fair value adjustments as at 31 March 2013.

	Completed investment properties £'000	Properties under construction £'000	Total investment properties £'000
Fair value/cost 30 September 2011	**195,589**	**18,014**	**213,603**
Additions	310	41,946	42,256
Additions from business combinations	104,727	–	104,727
Adjustment to base cost	43	–	43
Disposals at valuation	(1,340)	–	(1,340)
Transfer to completed properties	32,289	(32,289)	–
Fair value revaluation	6,235	(457)	5,778
Fair value/cost 30 September 2012	**337,853**	**27,214**	**365,067**
Additions	–	15,275	15,275
Adjustment to base cost	11	–	11
Disposals at valuation	(1,020)	–	(1,020)
Transfer to completed properties	23,669	(23,669)	–
Fair value revaluation	1,188	(15)	1,173
Fair value 31 March 2013	**361,701**	**18,805**	**380,506**

Most of the investment properties are security for the long-term loans as disclosed in note 11. Of the completed investment properties £70,749,000 (30 September 2012: £70,208,000) are long-leasehold properties.

In March 2013 the Knightwood Surgery investment property in Chandlers Ford, Hampshire was sold for £1,035,000 being above its valuation of £1,020,000. The loss on the disposal of £7,000 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. Aitchison Raffety acted as the estate agent on behalf of the Company, and their commission is included in the amounts disclosed within note 19.

During the period a portion of the Aviva £100m loan facility, the Deutsche Postbank loan facility and Aviva £50m loan facility disclosed in note 11 were utilised to fund development work on investment properties under construction. Interest costs attributable to development work in progress of £261,000 (2012: £202,000) were capitalised.

Notes to the financial statements (continued)

For the six months ended 31 March 2013

11. Long-term loans

	31 March 2013 £'000	30 September 2012 £'000
Total facilities drawn down	244,734	245,163
Loan issue costs	(2,758)	(2,140)
Amortisation of loan issue costs	469	287
Fair value arising on acquisition of subsidiaries	12,342	12,342
Amortisation of fair value adjustment on acquisition	(699)	(199)
Debt renegotiation costs	(10,345)	–
Amortisation of debt renegotiation costs	283	–
	244,026	255,453

The Group has four primary debt facilities, being the Aviva £100m loan, the Deutsche Postbank loan, the Aviva £50m loan and the Aviva PMPI loan, with a smaller loan facility for a single property. Details of each facility are disclosed further in note 13 of the financial statements for the year ended 30 September 2012. Repayments of the loans listed above, including amounts due within one year, fall due as follows:

	31 March 2013 £'000	30 September 2012 £'000
Due within one year	829	796
Between one and two years	880	848
Between two and five years	35,305	3,840
Over five years	207,841	250,765
	244,855	256,249

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 in a corporate acquisition or other business combination. 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 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 is £1,518,000 as at 31 March 2013 (30 September 2012 benefit: £211,000).

Cash flow movements

	Six months ended 31 March 2013 £'000	Six months ended 31 March 2012 £'000
Draw down of DPB loan facility	–	7,000
Draw down of Aviva £50m facility	–	50,000
Net proceeds of long-term borrowings	–	57,000
Repayment of mortgage principal	(27)	(26)
Repayment of Aviva PMPI loan facility	(369)	–
Repayment of loans acquired	–	(16,385)
Net repayment of long-term borrowings	(396)	(16,411)
Aviva £50m facility arrangement fee	(519)	(595)
Aviva PMPI loan facility costs	(2)	–
DPB loan facility draw down fees	(86)	–
Aviva £100m loan facility costs	(11)	–
Other costs	–	(24)
Loan issue costs	(618)	(619)

12. Shares

Ordinary Shares of no par value were sold from treasury during the period as detailed below:

	Number of shares
Total shares issued as at 30 September 2012 and 31 March 2013	263,645,780
Shares held in treasury (see below)	(2,361,857)
Total voting rights in issue as at 31 March 2013	261,283,923

On 27 February 2012 the Company purchased 18,300,000 of its own shares at 72.0 pence per share to hold in treasury at a total cost of £13,176,000. Subsequent to that transaction, a number of shares were sold to investors at the prevailing market price, and treasury shares were also utilised to satisfy the demand for shares in lieu of cash payment for the dividend payable from 30 March 2012 onwards. 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	
Shares utilised in lieu of cash payment of dividends:		
31 December 2012	(396,751)	73.90 pence
28 March 2013	(467,453)	77.43 pence
Total shares held in treasury as at 31 March 2013	2,361,857	

13. Dividends

	Six months ended 31 March 2013 £'000	Six months ended 31 March 2013 Dividend per share	Six months ended 31 March 2012 £'000	Six months ended 31 March 2012 Dividend per share
Quarterly dividend declared and paid during the period	3,646	1.4p	2,648	1.375p
Quarterly dividend declared and paid during the period	3,717	1.425p	2,711	1.4p
Total dividends declared and paid during the period	7,363		5,359	
Quarterly dividend declared after period end	3,723	1.425p	3,471	1.4p
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	361		240	
Total cash equivalent value of scrip shares issued	654		346	
Cash payments made for dividends declared and paid	6,709		5,013	

Dividends are paid quarterly and are scheduled for the end of March, June, September and December of each year, subject to Board approval.

On 29 April 2013, the Board approved a dividend of 1.425 pence per share, bringing the total dividend declared in respect of the period to 31 March 2013 to 2.85 pence per share. The record date for the dividend was 17 May 2013 and the payment date is 28 June 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 April 2013 the Board announced an opportunity for qualifying shareholders to receive the June 2013 dividend in new Ordinary Shares instead of cash. The Company encourages shareholders to consider the advantages of the scrip dividend, and details of the Scrip Dividend Scheme are available on the Company's website (http://www.medicxfund.com/scrip).

Shareholders who have any questions regarding the Scrip Dividend Scheme should contact Capita Registrars helpline on 0871 664 0321 (calls made to this number are charged at 10 pence per minute plus network charges). Lines are open 8.30 a.m. to 5.30 p.m. (London time) Monday to Friday (except Bank Holidays).

Notes to the financial statements (continued)

For the six months ended 31 March 2013

14. Distributable reserve

The movement in distributable reserves is set out in the Statement of Changes in Equity on page 19.

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 distributable reserve is freely distributable with no restrictions. In particular, distributions from the share capital or share premium account do not require the sanction of the court. The Directors may authorise a distribution at any time from share capital, share premium or distributable reserves 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

	31 March 2013 £'000	30 September 2012 £'000
Cash in hand and balances with banks	**36,387**	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 £15,128,000 (2012: £41,396,000). Subsequent to 31 March a further £3,638,000 has been released from restricted accounts. These amounts are fully secured and will be made available as the properties under construction are completed, in accordance with the draw down covenants detailed in note 13 of the accounts for the year ended 30 September 2012.

16. Commitments

At 31 March 2013, the Group had commitments of £10.2 million (2012: £19.6 million) to complete properties under construction.

17. 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 and 17 February 2012 (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 gross assets (excluding cash) up to £300 million subject to a minimum fee of £2.25 million, with an additional 0.65% per annum payable on gross assets (excluding cash) between £300 million and £500 million, 0.5% per annum payable on gross assets (excluding cash) between £500 million and £750 million, and 0.4% per annum payable on gross assets (excluding cash) over £750 million;

(ii) a property management fee of 3% of gross rental income;

(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.

On 28 May, the Fund and the Investment Adviser agreed a reduction in the investment adviser base fee and property management fees effective from 1 July 2013. Further details are included in note 20.

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 period ended 31 March 2013 was 10% per annum (2012: 8%). The high watermark used for the calculation of the performance fee for the year to 30 September 2012 was set with reference to the share price at 30 September 2011, of 75.00 pence per share. The current high watermark is set with reference to the average share price during September 2012, being 76.45 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 7-year term and each 3-year term thereafter, provided 12 months' notice is given.

17. Material contracts (continued)

The performance fee that can be earned by the Investment Adviser in respect of the financial year ended 30 September 2012 was the lower of:

(i) the performance fee as set out in the Investment Advisory Agreement, calculated on the basis of the weighted average of the number of Ordinary Shares in issue during the period (which would, for the avoidance of doubt, include the shares issued as a result of the placing and offer for subscription closed on 27 February 2012 (the "New Ordinary Shares")); and

(ii) the aggregate of:

(a) the performance fee attributed to the New Ordinary Shares on the basis of their issue price of 72 pence for the period from Admission to 30 September 2012; and

(b) the performance fee as set out in the Investment Advisory Agreement, calculated on the basis of the weighted average of the number of Ordinary Shares in issue during the period but excluding, for the purposes of this calculation, the New Ordinary Shares.

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 3 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 period, the agreements with MedicX Adviser gave rise to £3,424,000 (2012: £1,803,000) of fees as follows:

	Six months ended 31 March 2013 £'000	Six months ended 31 March 2012 £'000
Expensed to the consolidated statement of comprehensive income:		
Investment advisory fee	**1,412**	1,125
Investment advisory performance fee	**1,706**	292
Property management fees	**306**	186
Corporate Acquisition fees	**–**	200
Total Fees	**3,424**	1,803

Of these fees, £722,000 (2012: £1,057,000) remained unbilled or outstanding at the end of the period. This excludes the performance fee which is included within provisions due within one year.

The Investment Adviser performance fee noted above is a provision of the estimated amount payable to MedicX Adviser Ltd for the period ended 31 March 2013 based on the excess total shareholder return for the period to 31 March 2013 over the annual hurdle rate calculated using the average share price in March 2013. Estimates used within the calculation have been assessed by the Directors as being reasonable. However, the performance fee is only earned by reference to the full year result, and the calculation is based upon total shareholder return which, in turn, is affected by movements in the share price of the Company in the last month of the financial year. Consequently the actual fee payable for the year ending 30 September 2013 may be significantly different from the amount provided for in these financial statements. A sensitivity analysis has been performed and a delivery of further returns to shareholders by way of dividend or share price appreciation of 0.25 pence will result in a movement in the performance fee payable of approximately £140,000. Based on the share price of 79 pence per share at 24 May 2013, the performance fee would be £928,000.

During the period property development costs of £9,362,000 (2012: £11,841,000) were paid to MedicX Property Ltd, a member of the same group of companies as MedicX Adviser Ltd. At the period end there was a total of £2,681,000 that remained unbilled or outstanding (2012: £346,000). In addition, licence fee income of £447,000 (2012: £346,000) was recognised on properties under construction by MedicX Property Ltd during the period. At 31 March 2013 licence fees totalling £1,313,000 (2012: £513,000) remained unbilled or outstanding.

Notes to the financial statements (continued)

For the six months ended 31 March 2013

17. Material contracts (continued)

Administrator

Effective from 1 April 2012, each Group company entered into a separate administration agreement with International Administration Group (Guernsey) Limited for the provision of administrative services. Fees were incurred totalling £73,000 (2012: £69,000) for the provision of corporate secretarial services to all Group companies and other administrative services.

During the period, the agreements with International Administration Group (Guernsey) Limited gave rise to the following fees, of which £21,000 (2012: £5,000) remained unbilled or outstanding at the period end.

	Six months ended 31 March 2013 £'000	Six months ended 31 March 2012 £'000
Administrative fees	**43**	41

18. Related party transactions

During the period fees of £13,000 (2012: £22,000) were paid to Aitchison Raffety Limited, of which £nil (2012: £nil) remained unbilled or outstanding at the period end. John Hearle is Group Chairman of Aitchison Raffety Limited.

19. Business combinations

Included in the results for the comparative six month period ended 31 March 2012 is the impact of the acquisition of MPVII Investments Limited. Full details of the acquisition are contained within note 22 of the MedicX Fund Limited Annual Report and financial statements for the year ended 30 September 2012.

20. Post period end events

GPG No.5 Limited

On 24 May 2013 the Group acquired 100% of the Ordinary Share Capital of GPG No.5 Limited, a private property company registered in England and Wales. The company owns seven operational properties and seven properties currently under construction. The portfolio has been acquired for a total acquisition cost of £44.7 million. The consideration for the acquisition of £10 million including transaction costs of £0.8 million is being satisfied in cash.

The debt facilities acquired in the transaction £34.7 million of which £21.4m is drawn and are secured against the investment properties; the weighted average interest rate was 4.47% with an average remaining term of 15.0 years. The covenant for this debt requires FRI equivalent rental income from the secured property in the quarter to be at least 103% of the aggregated quarterly interest and capital repayment. Following the acquisition net debt will increase to £240.1 million in total, equating to an adjusted gearing of 57.2%.

Investment Adviser management fees

On the 28 May 2013, the Fund agreed a further reduction in the investment adviser base fees and property management fees effective 1 July 2013.

The investment adviser fee was amended to be charged on healthcare property assets only rather than gross assets and a further lower tier of fees was added. The revised fees are 0.75% of healthcare property assets excluding cash up to £300 million, subject to a minimum of £2.25 million, 0.65% of healthcare property assets excluding cash between £300 million and £500 million, 0.50% of healthcare property assets excluding cash between £500 million and £750 million, 0.40% of healthcare property assets excluding cash between £750 million and £1 billion, and 0.33% of healthcare property assets excluding cash over £1 billion. This will lead to reduced fees as a percentage of assets managed as the Fund grows.

Property management fees payable under the agreement will also reduce to 1.5% from 3.0% above £25 million of rents per annum.

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

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