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MedicX Fund

Interim Report
to 31 March 2014

Who we are

MedicX Fund Limited ("MXF", the "Fund" or the "Company", or together with its subsidiaries, the "Group") the specialist primary care infrastructure investor in modern, purpose-built primary healthcare properties in the United Kingdom, listed on the London Stock Exchange in November 2006. It has committed investment of £500.5 million and a portfolio of 134 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 30 people operating across the UK.

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What we do

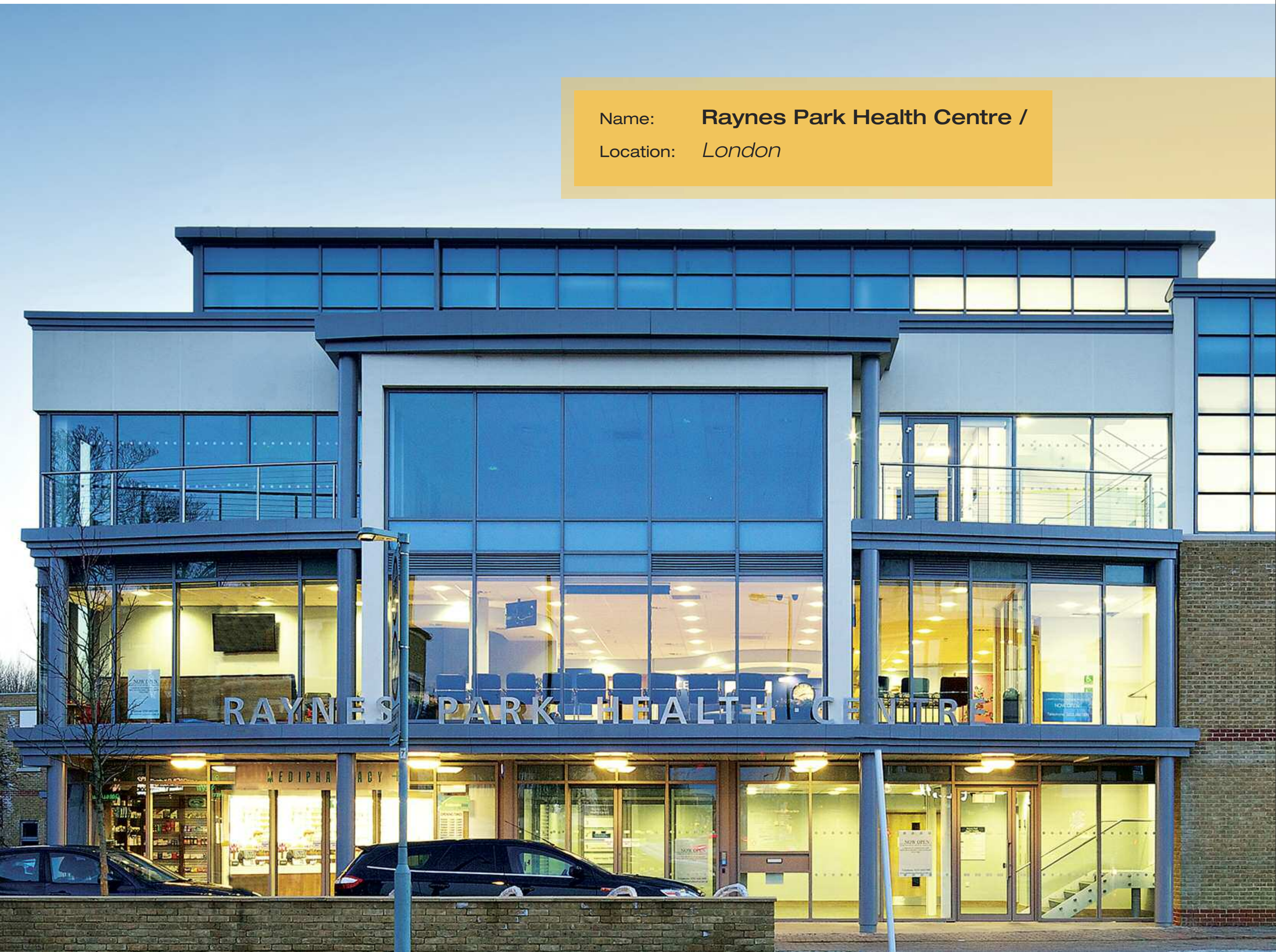
The MedicX Fund is a specialist primary care infrastructure investor in modern purpose-built primary healthcare properties, principally let to GPs and the NHS in the United Kingdom.

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: *London*

HIGHLIGHTS

Financial results

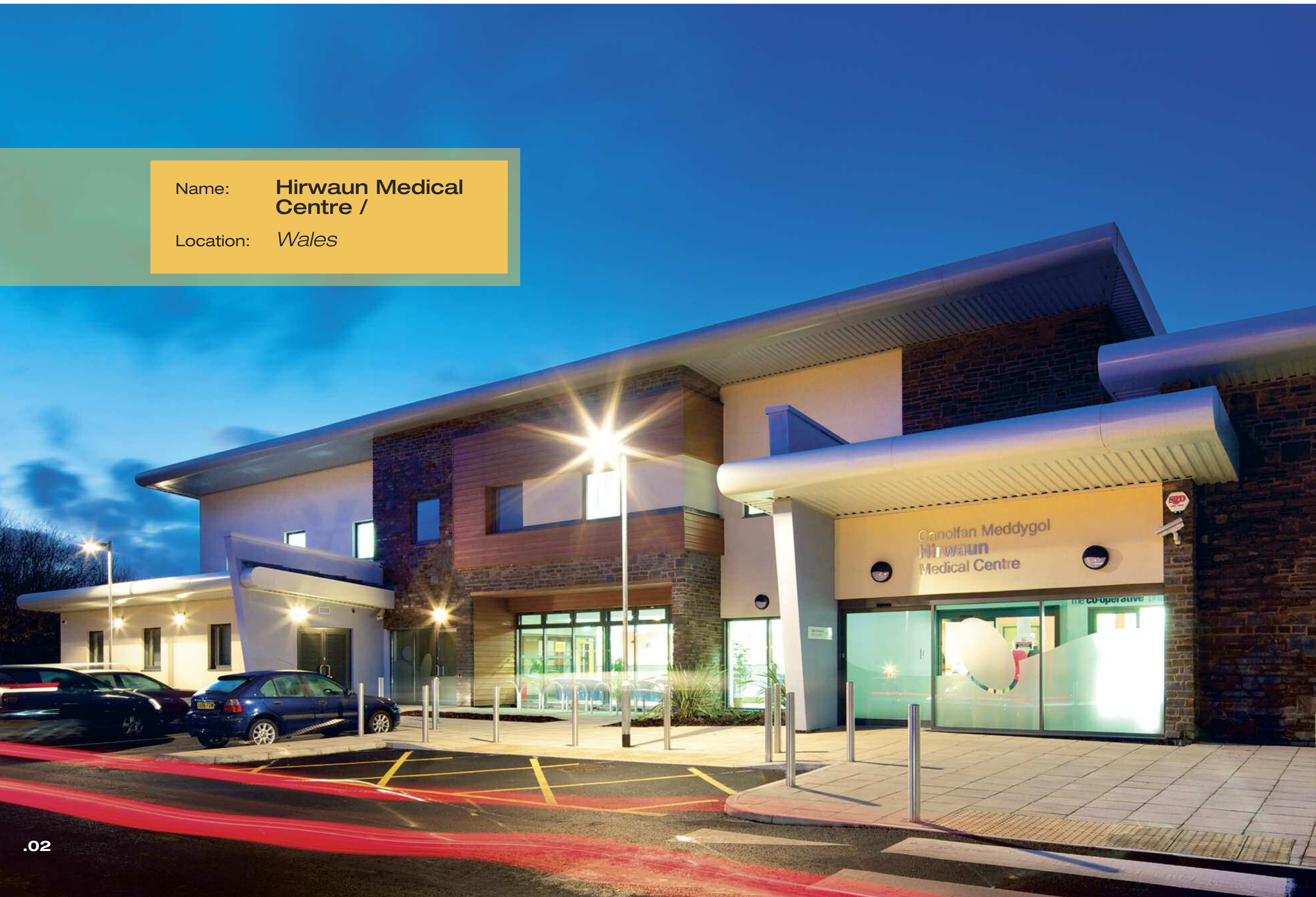
- Total shareholder return of 8.8% for the period[1]
- Quarterly dividend of 1.45p per share announced April 2014[2]; total dividends of 5.8p per share expected for the year, equivalent to 6.9% dividend yield (2013: total dividends of 5.7p per share; 7.2% dividend yield)[3,4]
- Rental income for the period £13.4 million representing a 15.6% increase from prior period
- £1.4 million rent reviews agreed in the period with the equivalent of an average 2.1% per annum increase, 0.9% from open market reviews, 3.4% from RPI reviews, and 3.2% from fixed uplifts[5]
- 11.8% increase in EBITDA to £11.0 million[6] (2013: £9.9 million)
- Adjusted earnings of £4.7 million, an increase of £0.4 million or 10.2% from prior year, equivalent to 1.4p per share (31 March 2013: £4.3 million; 1.6p per share)[6]
- Net valuation gain of £4.8 million (31 March 2013: £0.8 million)
- Dividend and underlying dividend cover 48% and 65% respectively reflecting the October fund raise (31 March 2013: 58% and 69%)[7]
- Discounted cash flow net asset value of £319.0 million equivalent to 93.1p per share (30 September 2013: £266.7 million; 97.0p per share)
- Adjusted net asset value of £221.8 million equivalent to 64.7p per share (30 September 2013: £173.3 million; 63.1p per share)[8]
- Adjusted net asset value plus the estimated benefit of fixed rate debt of £235.0 million equivalent to 68.6p per share (30 September 2013: £190.7 million; 69.4p per share)[8,9]

Investments

- £500.5 million committed investment in 134 primary healthcare properties an increase of 10% in the period (30 September 2013: £456.7 million, 121 properties)[3,10]
- New committed investment and approved investments since 1 October 2013 of £43.8 million acquired at a cash yield of 6.25% Annualised rent roll now £31.6 million with 91% of rents reimbursed by the NHS, an increase of £2.8 million since 1 October 2013[3]
- Strong pipeline of approximately £100 million further acquisition opportunities[3]

Funding

- Market capitalisation £293.7 million[3] following share price appreciation and £55.0 million net proceeds raised from 72.5 million shares issued since 1 October 2013 at an average issue price of 75.9 pence per share
- Acquired debt of £17.6 million with rates varying from 5.67% to 7.08% repaid during the period
- Total drawn debt facilities of £276.1 million with an average all-in fixed rate of debt of 4.45% and an average unexpired term of 15.3 years, close to unexpired lease term of the investment properties
- Net debt £248.7 million equating to 50.7% adjusted gearing at 31 March 2014 decreased from 56.4% as at 30 September 2013



Name: **Hirwaun Medical Centre /**

Location: *Wales*

HIGHLIGHTS (CONTINUED)

David Staples, Chairman said

“I am pleased to report another successful period for MedicX Fund, with a total return of 8.8% generated for shareholders in the period and an average return of 9.9% over the last five years.

The Fund has continued to maintain its progressive dividend policy with an increase in dividends for the period to 2.9 pence from 2.85 pence in the previous period. The shares currently yield 6.9% based on the share price at 28 May 2014 of 84.0 pence. Subject to unforeseen circumstances the Directors expect that the Company will pay dividends totalling 5.8p for the financial year ending 30 September 2014.

Following the substantially oversubscribed fund raise in October the Fund has successfully invested in a number of assets providing good returns to the Fund. Among these was a portfolio acquisition of nine completed cash generating assets. With demand for modern purpose-built primary healthcare properties remaining high the Fund has continued to source attractive acquisitions that meet its investment criteria. The Fund looks to invest in properties that will generate long term cash flows well beyond the original lease term.

During the period a number of acquired loans were repaid leaving the Company with debt facilities as at 31 March 2014 having a weighted average unexpired term of 15.3 years, and a weighted average all-in fixed rate of 4.45%.

We are delighted that the Fund has now reached the milestone of having committed £0.5 billion in modern primary healthcare properties that form such a key part of the delivery of primary care in the UK.

The Fund is well positioned to realise the substantial pipeline of investment opportunities identified to date, thereby further enhancing earnings and to continue to deliver attractive long term returns to shareholders.”

1 Based on share price growth between 30 September 2013 and 28 May 2014 and dividends received during the year
2 Ex-dividend date 14 May 2014, Record date 16 May 2014, Payment date 30 June 2014
3 As at 28 May 2014
4 Total dividends declared divided by share price at 28 May 2014 (2013: at 6 December 2013)
5 Excludes initial rent increase due to lease incentive on acquired property
6 Excluding (as appropriate) revaluation gain £4.8m, performance fees £0.8m, finance costs £6.7m, and interest income £0.3m
7 Dividend cover excludes revaluation gains, performance fee and fair value on reset of loans. Underlying 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 £1.2m, financial derivatives £0.1m, and the impact of resetting debt interest costs £1.4m
9 Estimated benefit of all fixed rate debt of £13.2m calculated following advice from the Group’s lenders
10 Includes completed properties, properties under construction and committed investment

CHAIRMAN'S STATEMENT

Overview

NHS England is working hard to consolidate the plans arising out of the Health and Social Care Act. It is pressing ahead with devolving more of the decisions around budgeting to the GPs working in the Clinical Commissioning Groups, and the GPs will soon be delivering a wider range of primary care services directly. There is work going on to provide a detailed template for the design of primary care buildings in the future alongside a review of how best to use notional rents to encourage new buildings that meet quality and design standards. The team at the Investment Adviser are monitoring these changes and are well placed to continue to deliver and acquire modern buildings that fit the future of general practice.

Against the back drop of these ongoing changes the Fund has performed well. Significant new investment in primary healthcare property has been achieved, with rapid deployment of the majority of the funds raised in October, and the realisation of excellent earnings enhancing growth. This follows the significant growth that has been consistently delivered over the last few years and further strengthens the Fund's position within the primary care investment property market.

The Fund has increased its portfolio with 13 new properties acquired during the period under review. Nine of these properties were acquired in March by way of a portfolio acquisition with committed investment of £24.6 million. All nine of the properties were completed and immediately revenue generating. The Group now has committed investment of £500.5 million across 134 properties of which five remain under construction. The Group's net asset value at 31 March 2014, adjusted to exclude the impact of deferred tax not expected to crystallise, financial derivatives and the impact of resetting debt costs, increased 28% to £221.8 million or 64.7 pence per share (30 September 2013: £173.3 million or 63.1p per share).

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. As at 31 March 2014 the market benefit of the Fund's debt is £13.2 million or 3.9 pence per share. The adjusted net asset value plus the estimated cost of fixed rate debt is therefore 68.6 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 £319.0 million or 93.1 pence per share, based upon a weighted average discount rate of 7.05% (30 September 2013: £266.7 million; 97.0p per share).

Rental income grew by £1.8 million or 15.6% during the period, with half of this growth from the portfolio acquired in the prior year and the remainder from the completion of a substantial number of properties under construction and rental uplifts obtained on existing properties. Costs are in line with expectations given the level of activity and the acquisitions in the year. Finance costs incurred in the period were £1.3 million higher than in the prior period, in line with expectations, reflecting the debt acquired last year and the RBS £25 million revolving facility that stands available for further investment. 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.

Included in the results is an accrual of £0.8 million for a performance fee payable to the Investment Adviser, reflecting half the estimated total shareholder return to 30 September 2014, which has been calculated using the average price for March 2014. The fee is payable on an annual basis only, and any subsequent change in the share price in the remainder of the year will have an impact.

EBITDA (earnings before interest, taxation and depreciation), excluding the impact of revaluations, fair value adjustments for financial instruments and performance fees has increased 11.8% to £11.0 million for the period to March 2014, from £9.9 million in the previous period.

Adjusted earnings excluding revaluation impact, performance fees, fair value adjustments for financial instruments and deferred taxation were £4.7 million, an increase of £0.4 million or 10.2% from the prior period.

Capital appreciation of the portfolio for the period was £5.2 million with £0.4 million of purchase and related costs written off generating a valuation gain of £4.8 million.

Profit before tax was £8.6 million an increase of £5.0 million or 139% compared with the same period to 31 March 2013.

Funding

A highly successful fund raise was completed at the beginning of the period. The issue was substantially over subscribed and we thank existing shareholders for their continued support as well as welcoming new investors. With the completion of the portfolio acquisition and other investment during the period the Fund has succeeded in deploying the majority of the proceeds into appropriate primary healthcare property investments whilst maintaining the quality of its portfolio, by 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 and will only be sold at a premium to adjusted net asset value. On 20 March 2014 500,000 shares were sold out of treasury at 83.25 pence per share and, since the period end a further 7 million shares have been sold out of treasury at an average price of 83.5 pence per share. Treasury shares have been and will continue to be utilised to satisfy further demand for shares under the scrip dividend scheme.

Debt facilities totalling £17.6 million were acquired as part of the portfolio acquisition in March. The average rate on the outstanding Aviva facilities ranged from 5.67% to 7.08%, with a weighted average of 6.36%, which was considered unattractive relative to existing debt facilities, the cost of new facilities available to the Fund and the cash balance following the earlier fund raising. As a result, after the acquisition the decision was taken to repay them.

Funding (continued)

The RBS facility remains available to utilise for further investment by the Fund. The facility has 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 weighted average unexpired term of all drawn debt is 15.3 years, closely matching the average remaining unexpired lease term of the Fund's portfolio. The debt strategy remains to pick the best time to put in place the right debt facilities with appropriate cost and duration.

The adjusted gearing as at 31 March 2014 was 50.7%, decreased from 56.4% as at 30 September 2013 as a result of the successful fund raising. The Directors are targeting borrowings of approximately 50% on average over time and not exceeding 65% of the Group's total assets.

The covenants on the debt facilities have been complied with in the period. The details of the covenants for each facility and the compliance with the covenants are described in note 12 of the financial statements for the year ended 30 September 2013.

The Fund has received a number of attractive offers for additional debt facilities, and the Board expects to put in place a new facility in the next few months.

Dividends

The Fund has maintained its progressive dividend policy, with total dividends expected to be declared of 5.8p per Ordinary Share in respect of the financial year ended 30 September 2014. This is an increase from the dividends of 5.7p per Ordinary Share for the year to 30 September 2013.

In April 2014 the Directors approved a quarterly dividend of 1.45p per Ordinary Share in respect of the period 1 January 2014 to 31 March 2014. The dividend will be paid on 30 June 2014 to shareholders who were on the register as at close of business on 16 May 2014 (the "Record Date"). The corresponding ex-dividend date was 14 May 2014.

The Company has offered qualifying shareholders the opportunity to take new Ordinary Shares in the Company, credited as fully paid, in lieu of the cash dividend to be paid on 30 June 2014, by participating in the Scrip Dividend Scheme (the "Scheme") put in place by the Company on 5 May 2010. The results from this offer will be announced on 11 June 2014.

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

The Fund pays a high proportion of its return in the form of a dividend, yielding 6.9% 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 successful fund raise in October has resulted in a reduction in dividend cover, however with the investment of these funds achieved in a short time frame the Fund is now well placed to achieve growth in dividend cover.

Dividend cover measured against adjusted earnings (as disclosed in note 8 of the financial statements) was 48% for the period to 31 March 2014. Underlying dividend cover adjusted to reflect completion of the properties under construction was 65% (assuming full annual rent on all properties and a full year of associated interest costs and other expenses). On the basis that further debt is raised on similar terms to the existing debt with gearing raised to 60%, and deployment of funds at similar yields underlying dividend cover would be 73%.

This means that of the dividend yield of 6.9%, the Fund is paying 4.5% 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 18.1% of the dividends paid in the period ended 31 March 2014 were in the form of scrip dividends, this was a substantial increase on the prior year, demonstrating investor confidence in the performance of the Fund.

As the Fund continues to grow it is expected that dividend cover and underlying dividend cover will improve further and will align themselves.

Investment Adviser

On completion of the October 2013 fundraising, the cap on the first right of refusal of £500 million was removed, 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.

Annual General Meeting

At the Annual General Meeting held on 18 February 2014, shareholders passed all of the resolutions proposed. This included authority for the Directors to issue Ordinary Shares for cash or sell from treasury up to an amount representing 10% of the issued Ordinary Share capital on 18 February 2014 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 next Annual General Meeting of the Company.

Share price and outlook

In the period to 31 March 2014, the total shareholder return, as measured by dividends received and share price growth, was 9.5%. Of the return, 3.6% was attributable to dividends received with the remainder from growth in the share price. At 28 May 2014, the mid-market share price was 84.0 pence per share ex-dividend. This represents a 6.9% dividend yield based upon the 5.8 pence per share dividends declared for the year, and a premium of 29.8% to the adjusted net asset value of 64.7 pence per share. Additionally, this represents a premium of 22.5% to the adjusted net asset value plus the estimated mark to market benefit of debt of 68.6 pence per share and a discount of 9.8% to the discounted cash flow net asset value of 93.1 pence per share.

The company is making an application to the Financial Conduct Authority ("FCA") to register as a self managed Alternative Investment Fund. ("AIF"). The Directors continue to keep the possibility of conversion to a Real Estate Investment Trust under review.

Having reached the committed investment milestone of £0.5 billion, 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

29 May 2014

INVESTMENT ADVISER'S REPORT

Market

The IPD UK Annual Healthcare Index 2013 released on 6 March 2014 shows that during the year to 31 December 2013, total return for All Healthcare Property performed below All Commercial Property (5.6% total return (2.4% 2012) versus 10.7% (3.4% 2012) respectively) with primary care returning 7.2% (6.8% 2012) against a Secondary Care return of 3.2% (-3.1% 2012). Yield compression, particularly on prime assets, has continued in the primary care investment sector. This has provided further growth in total returns despite market rental growth being slow.

The MedicX Fund portfolio was valued by Jones Lang LaSalle at a 5.75% net initial yield compared with a range of between 5.65% and 5.94% for key comparable portfolios. Initial yields on prime primary healthcare assets secured on leases with fixed or RPI linked rent reviews are currently in the order of between 5.00% and 5.50%, and those for prime assets secured on leases with upwards only, open market reviews are between 5.50% and 5.70% with other assets at higher yields.

Primary healthcare properties continue to provide good value compared with wider prime properties at yields close to or below 5%.

The Clinical Commissioning Groups have been given responsibility for managing and organising GP services, and have been charged with developing a local strategy for services for the next 10 years.

There is no doubt that the strategy employed by the Fund of investing in the best quality premises, in key locations with high quality GP tenants will ensure that they are best placed for all the current changes, as general practice is increasingly benchmarked by transparent competitive performance.

Portfolio update

The Fund now has committed investment of £500.5 million at today's date, an increase of 10% since 1 October 2013, in 134 primary healthcare properties. The annualised rent roll of the portfolio properties is £31.6 million, an increase of £2.8 million since 1 October 2013.

The valuation of the portfolio undertaken by Jones Lang LaSalle Limited, independent valuers to the Group, stood at £491.4 million as at 31 March 2014 on the basis that all properties were complete, reflecting a net initial yield of 5.75% (5.79% as at 30 September 2013). This results in a valuation gain of £4.8 million for the period of which the capital appreciation of the portfolio was £5.2 million with £0.4 million of purchase and related costs written off during the period.

At 31 March 2014, the portfolio of properties had an average age of 6.4 years, remaining lease length of 16.3 years and an average value of £3.7 million. Of the rents payable, 90.2% are from government funded doctors and the NHS, 8.1% from pharmacies and 1.7% from other parties.

During the period the Group procured a total of 13 properties representing a total commitment of £43.8 million at a cash yield of 6.25%. Nine 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 £24.6 million and £12.4 million respectively.

In March the Fund completed the acquisition of a portfolio of properties. This high quality portfolio consisted of nine operational, fully let primary care medical centres. Consisting of established medical centres the portfolio represented an income generating asset from the date of acquisition, thereby maximising the return to shareholders.

As part of the transaction, the Fund agreed options to sell four of the nine medical centres to a party connected to the seller for a price of £5.5 million. At the time of signing these financial statements it was not known if the onward sale would complete.

In the period, successful completion was achieved on properties under construction at Caerphilly, Wiveliscombe, Watford, Grange over Sands, Arnold, Maidstone, Rugby and Felixstowe representing a total commitment of £34.6 million. All of the completed projects were delivered within budget.

Construction continued on the existing projects at Prenton, Potters Bar and Wigston, while the construction of a new project at Buckley commenced in the period. The outstanding commitment on these properties at 31 March 2014 was £11.7 million, with most projects expected to complete by the end of the calendar year.

The Fund has a pipeline of identified investment opportunities of £100 million, of which £16 million relates to completed assets and £84 million relates to forward funding opportunities where the Fund is the preferred investment partner.

In October 2013 and November 2013 the Group disposed of two of its smaller properties, one at Wheathampstead for £0.6 million and one at High Wycombe for £1.0 million, being slightly above their carrying values. 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 5.75% compared with the Group's weighted average fixed rate debt of 4.45% and a benchmark 20-year gilt rate of 3.55% at 31 March 2014. With committed investment since 1 October 2013 of £43.8 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

For the period 1 October 2013 to 31 March 2014 the fund averaged 2.1% per annum growth on all rent reviews agreed, with 16 leases and rents of £1.4 million per annum having been reviewed.

Of these reviews, 0.9% per annum was achieved on open market reviews, 3.4% per annum was achieved on RPI based, and 3.2% per annum fixed uplift reviews. Reviews of £12.3 million of passing rent were under negotiation as at 31 March 2014.

Asset management (continued)

Stronger rental growth and therefore capital growth is anticipated as construction costs continue to rise.

The acquisition of portfolios has provided good asset management opportunities and the Fund has realised 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 further.

Of the £31.6 million annualised rent roll at 28 May 2014, there was £24.1 million subject to open market review, £5.9 million subject to RPI reviews, and £1.6 million subject to fixed uplift reviews. The proportion of rent subject to RPI uplifts has increased over the last seven years from 6.0% to 18.7%.

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 2014, the DCF valuation was £319.0 million or 93.1 pence per share compared with £266.7 million or 97.0 pence per share at 30 September 2013, the increase resulting mainly from the acquisition of the property portfolio and other individual assets.

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 7.05% and this represented a 3.50% risk premium to the 20 year gilt rate at 31 March 2014 of 3.55%.

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 31 March 2014 of 84.5 pence per share, the discounted cash flow calculation would have to assume a 1.0% increase in rents per annum, or a 0.1% capital reduction per annum, or a weighted average discount rate of 8.0%. These changes 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 28 May 2014 of 84 pence per share, the discounted cash flow calculation would have to assume no change in rents per annum, or a 0.2% capital reduction per annum, or a weighted average discount rate of 8.1%.

Net asset value sensitivity

Taking the adjusted net asset value together with the estimated benefit of fixed rate debt of 68.7 pence per share and assumed purchaser costs of 8.3 pence per share, an implied net initial yield of 5.17% is required to get to the discounted cash flow net asset value of 93.1 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 5.25%, the adjusted net asset value would increase by approximately 13.7 pence per share to 78.5 pence per share and the adjusted net asset value plus debt would increase to 82.4 pence per share.

Pipeline and investment opportunity

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

Interest in voting rights of the Company

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

	2014	2013
MedicX Adviser Ltd	**1,874,078**	1,554,384

The number of shares held by MedicX Adviser Ltd as at the date of this report is 1,874,078, equivalent to 0.55% of the issued share capital of the Company.

During the period the Investment Adviser received dividends on its 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 £26,691, compared with £21,754 in the period ended 31 March 2013.

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

MedicX Adviser Ltd

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.
- In the event that a 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 net asset value 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 of MedicX Fund Limited's annual report and financial statements for the year ended 30 September 2013.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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:

Shelagh Mason
Director

29 May 2014

INDEPENDENT REVIEW REPORT

to the members of MedicX Fund Limited

Introduction

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 2014 which comprises 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 to assist the company in meeting the requirements of the Disclosure and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA"). 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 DTR of the UK FCA. As disclosed in note 1, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the EU. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU.

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 UK. 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 2014 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FCA.

Bill Holland
for and on behalf of KPMG LLP
Chartered Accountants
15 Canada Square
London, E14 5GL

29 May 2014

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 March 2014

	Notes	Six months ended 31 March 2014 £'000	'Restated'[1] Six months ended 31 March 2013 £'000
Income			
Rent receivable		**13,415**	11,603
Other income		**449**	596
Total income		**13,864**	12,199
Realised and unrealised valuation movements			
Net valuation gain on investment properties	9	**4,810**	787
Loss on disposal of property	9	**(13)**	(7)
		4,797	780
Expenses			
Direct property expenses		**309**	143
Investment advisory fee	16	**1,593**	1,412
Investment advisory performance fee	16	**846**	1,706
Property management fee	16	**409**	306
Administrative fees	16	**39**	36
Audit fees		**66**	69
Professional fees		**137**	168
Directors' fees		**72**	72
Other expenses		**183**	112
Total expenses		**(3,654)**	(4,024)
Profit before interest and tax		**15,007**	8,955
Finance cost	4	**(6,746)**	(5,459)
Finance income		**301**	74
Profit before tax		**8,562**	3,570
Taxation	6	**(436)**	240
Profit attributable to equity holders of the parent		**8,126**	3,810
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Fair value gain/(loss) on financial derivatives	5	**20**	(77)
Total comprehensive income attributable to equity holders of the parent		**8,146**	3,733
Earnings per Ordinary Share			
Basic and diluted	8	**2.4p**	1.5p

1 See note 3 of the Notes to the financial statements

The accompanying notes on pages 15 to 23 form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2014

	Notes	31 March 2014 £'000	30 September 2013 £'000
Non-current assets			
Investment properties	9	**479,504**	426,649
Total non-current assets		**479,504**	426,649
Current assets			
Trade and other receivables		**11,347**	11,004
Cash and cash equivalents	13	**25,573**	27,063
		36,920	38,067
Total assets		**516,424**	464,716
Current liabilities			
Trade and other payables		**24,669**	19,994
Non-current liabilities			
Long-term loans	10	**271,110**	272,615
Rental deposits		**60**	60
Deferred tax liability	6	**1,210**	774
Provisions	7	**215**	215
Financial derivatives	5	**48**	68
Total non-current liabilities		**272,643**	273,732
Total liabilities		**297,312**	293,726
Net assets		**219,112**	170,990
Equity			
Share capital	11	**–**	–
Share premium	11	**204,043**	141,283
Treasury shares	11	**(14,107)**	(1,108)
Other reserves	12	**29,176**	30,815
Total attributable to equity holders of the parent		**219,112**	170,990
Net asset value per share			
Basic and diluted	8	**63.9p**	62.2p

The financial statements were approved and authorised for issue by the Board of Directors on 29 May 2014 and were signed on its behalf by

Shelagh Mason
Director

The accompanying notes on pages 15 to 23 form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 31 March 2014

	Notes	Share Premium £'000	Treasury Shares £'000	Other Reserve £'000	Total £'000
Balance at 30 September 2012		**131,328**	**(2,323)**	**36,311**	**165,316**
Proceeds on issue of shares		654	–	–	654
Share issue costs		(12)	–	–	(12)
Shares sold from treasury		(622)	622	–	–
Total comprehensive income for the year		–	–	3,733	3,733
Dividends paid	14	–	–	(7,363)	(7,363)
Balance at 31 March 2013		**131,348**	**(1,701)**	**32,681**	**162,328**
Balance at 30 September 2013		**141,283**	**(1,108)**	**30,815**	**170,990**
Proceeds on issue of shares		65,936	–	–	65,936
Share issue costs		(1,175)	–	–	(1,175)
Shares repurchased and held in treasury		–	(15,000)	–	(15,000)
Shares sold from treasury		(2,001)	2,001	–	–
Total comprehensive income for the period		–	–	8,146	8,146
Dividends paid	14	–	–	(9,785)	(9,785)
Balance at 31 March 2014		**204,043**	**(14,107)**	**29,176**	**219,112**

The accompanying notes on pages 15 to 23 form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the period ended 31 March 2014

	Notes	Six months ended 31 March 2014 £'000	'Restated'[1] Six months ended 31 March 2013 £'000
Operating activities			
Profit before taxation		**8,562**	3,570
Adjustments for:			
Net valuation gain on investment properties	9	**(4,810)**	(787)
Loss on disposal of investment properties		**13**	7
Financial income receivable		**(301)**	(74)
Finance costs payable and similar charges	4	**6,746**	5,459
		10,210	8,175
Increase in trade and other receivables		**(143)**	(2,042)
(Decrease)/increase in trade and other payables		**(1,305)**	775
Increase in provisions		**–**	1,191
Interest paid		**(6,454)**	(5,883)
Interest received		**479**	16
Net cash inflow from operating activities		**2,787**	2,232
Investing activities			
Acquisitions net of cash acquired		**(2,837)**	–
Additions to investment properties and properties under construction		**(25,662)**	(15,024)
Proceeds from sale of investment properties	9	**1,612**	1,012
Net cash outflow from investing activities		**(26,887)**	(14,012)
Financing activities			
Net proceeds from issue of share capital		**47,991**	(12)
New loan facilities drawn	10	**986**	–
Net repayment of long-term borrowings	10	**(581)**	(396)
Debt refinancing cost	10	**–**	(10,345)
Loan issue costs	10	**(156)**	(618)
Repayment of acquired loans		**(17,615)**	–
Dividends paid	14	**(8,015)**	(6,709)
Net cash inflow/(outflow) from financing activities		**22,610**	(18,080)
Decrease in cash and cash equivalents		**(1,490)**	(29,860)
Opening cash and cash equivalents		**27,063**	66,247
Closing cash and cash equivalents	13	**25,573**	36,387

1 See note 3 of the Notes to the financial statements

The accompanying notes on pages 15 to 23 form an integral part of the financial statements

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 31 March 2014

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 2013 on 9 December 2013. 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 2014 has been reviewed, not audited, and was approved and authorised for issue by the Board of Directors on 29 May 2014.

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 2014 has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct 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 2013, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union.

Going concern

The GE Capital loan is due for repayment in April 2015, however 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 a going concern basis to be appropriate given the availability of further debt at reasonable rates. Therefore these financial statements have been prepared on the going concern basis.

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 2013, as described in those annual financial statements, except as disclosed below:

New standards

Application of IFRS 13 Fair value measurement is required for any reporting periods starting on or after 1 January 2013. As such the new requirements per IFRS 13 have been considered in the preparation of these financial statements. However as the amendments to IFRS 13 are primarily changes to disclosure, which are not material to the interim report this has had no impact on the condensed financial statements.

Financial assets classified as fair value through profit or loss

At the period end the Group had derivative financial instruments that have not been treated as effective hedge instruments. Financial assets held for trading are carried in the statement of financial position at fair value, with changes in fair value recognised in the profit or loss in the finance income or expense line.

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 2013, 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 valuation of properties, classification of assets acquired as part of a portfolio in a corporate vehicle and the investment advisory performance fee accrual. The significant areas requiring judgement are consistent with those reported within the financial statements for the year ended 30 September 2013. With the exception of the investment advisory performance fee accrual, which is known at the year end and as such does not require significant judgement as it does in these financial statements.

Accounting for acquisitions of investment properties

For the financial statements for the year ended 30 September 2013 the Directors reconsidered the treatment of investment properties acquired in corporate vehicles, concluding that each previous acquisition should be treated as an asset purchase and not a business combination. Further details are included on pages 36 and 37 of the financial statements for the year ended 30 September 2013.

3. Accounting policies (continued)

Accounting for acquisitions of investment properties (continued)

This restatement of the 2012 results and financial position increased the opening net assets position at 1 October 2012 by £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 was the reclassification of amortisation of goodwill to valuation gains and losses; both items are contained within operating cash flows.

A summary of the effect on the Consolidated Statement of Comprehensive Income for the period ended 31 March 2013 is set out below:

	2013 £'000	Restatement £'000	Restated £'000
Net valuation gain on investment properties	1,173	(386)	787
Charge for impairment of goodwill	(386)	386	–
Total valuation and impairment adjustments	787	–	787

A summary of the effect on the Consolidated Statement of Cash flows for the period ended 31 March 2013 is set out below:

	2013 £'000	Restatement £'000	Restated £'000
Net valuation gain on investment properties	(1,173)	386	(787)
Charge for impairment of goodwill	386	(386)	–
Net effect on cash inflow from operating activities	(787)	–	(787)

4. Finance costs

	Six Months Ended 31 March 2014 £'000	Six Months Ended 31 March 2013 £'000
Interest payable on long-term loans	**7,216**	5,937
Amortisation of fair value of acquired loans	**(67)**	(217)
	7,149	5,720
Interest capitalised on properties under construction	**(403)**	(261)
	6,746	5,459

During the period interest costs on funding attributable to investment properties under construction were capitalised at an effective interest rate of 4.45%. The funding was sourced from the Aviva £100m loan facility which has an effective interest rate of 5.008%, the Aviva £50m loan facility which has an effective interest rate of 4.37% and the GE Capital 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.

	31 March 2014 £'000	31 March 2013 £'000
Movement in fair value of interest rate swaps treated as cash flow hedges under IAS39 ("effective swaps"):	**20**	(77)
	20	(77)

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

6. Taxation

	Six Months Ended 31 March 2014 £'000	Six Months Ended 31 March 2013 £'000
Deferred tax		
Charge/(credit) for the period	**436**	(240)
Total tax charge/(credit)	**436**	(240)

The Board has 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.

A reconciliation of the tax charge to the notional tax charge applying the average standard rate of UK corporation tax of 23% (2013: 24%) is set out below:

	Six Months Ended 31 March 2014 £'000	Six Months Ended 31 March 2013 £'000
Profit on ordinary activities before tax	**8,562**	3,570
Profit on ordinary activities multiplied by the average standard rate of corporation tax in the UK of 23% (2013: 24%)	**1,969**	857
Net Income/expenses not taxable/deductible for tax purposes	**(1,077)**	(724)
Losses/profits not subject to UK taxation	**182**	(590)
Effect of difference in deferred and corporation tax rates	**65**	(3)
Effect of income taxable at income tax rates	**(82)**	(67)
Current year losses (utilised)/carried forward	**(621)**	287
Total tax charge/(credit)	**436**	(240)

A breakdown of the deferred tax liability/(asset) is set out below:

	Fair value gains £'000	Accelerated capital allowances £'000	Unrelieved management expenses £'000	Total £'000
At 30 September 2012	**74**	**1,714**	**(1,313)**	**475**
Adjustment for change in tax rate	(10)	(224)	171	(63)
Provided/(released) in year	(14)	228	148	362
At 30 September 2013	**50**	**1,718**	**(994)**	**774**
Provided in period	66	199	171	436
At 31 March 2014	**116**	**1,917**	**(823)**	**1,210**

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 £46.3 million (September 2013: £48.1 million). These losses 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 £8,865,000 (September 2013: £8,639,000) in respect of fair value gains and £2,237,000 (September 2013: £2,155,000) in respect of accelerated capital allowances, and deferred tax assets of £708,000 (September 2013: £624,000) in respect of unrelieved management expenses, have not been recognised.

7. Provisions

	31 March 2014 £'000	30 September 2013 £'000
Brought forward	**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 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 period attributable to Ordinary Shares of £8,126,000 (2013: £3,810,000) and on 331,819,100 (2013: 260,625,800) 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 a basic and diluted earnings per Ordinary Share of 2.4 pence (2013: 1.5 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 £219,112,000 (2013: £170,990,000) and on 342,635,836 (2013: 274,906,714) Ordinary Shares being the aggregate of Ordinary Shares in issue at the period end, excluding amounts held in treasury at the period end. This gives rise to a basic and diluted net asset value per Ordinary Share of 63.9 pence per ordinary share (2013: 62.2 pence per Ordinary Share).

Adjusted earnings per share and net asset value per share

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

	Six Months Ended 31 March 2014 £'000	'Restated' Six Months Ended 31 March 2013 £'000
Profit attributable to equity holders of the parent	**8,126**	3,810
Adjusted for:		
Tax charge/(credit)	**436**	(240)
Revaluation gain	**(4,810)**	(787)
Performance fee	**846**	1,706
Fair value gain on acquired loans	**(73)**	(217)
Fixed term debt break costs	**183**	–
Adjusted earnings	**4,708**	4,272
Weighted average number of Ordinary shares	**331,819,100**	260,625,800
Adjusted earnings per Ordinary share – basic and diluted	**1.4p**	1.6p

	31 March 2014 £'000	30 September 2013 £'000
Net assets	**219,112**	170,990
Adjusted for:		
Deferred tax	**1,210**	774
Financial derivatives	**48**	68
Fair value adjustment made to reset loans	**1,438**	1,507
Adjusted net assets	**221,808**	173,339
Ordinary shares in issue at the period end	**342,635,836**	274,906,714
Adjusted net asset value per Ordinary share – basic and diluted	**64.7p**	63.1p

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 31 March 2014. The valuation takes account of the rental yield and the fact that a purchaser's offer price to the Group would be less than that in order to cover the purchaser's costs (which are estimated at 5.8% (2013: 5.8%) of what would otherwise be the purchase price).

Investment properties under construction are initially recognised at cost, and are subsequently measured at fair value as at the year end. The fair value has been determined based on valuations performed by Jones Lang LaSalle Limited as at 31 March 2014. 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 £491,350,000 as at 31 March 2014 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 31 March 2014.

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 the Group's properties for reporting purposes since 31 March 2008.

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

The valuation yield at 31 March 2014 was 5.75%; 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
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/cost 30 September 2013	**399,502**	**27,147**	**426,649**
Additions	29,932	19,738	49,670
Disposals at valuation	(1,625)	–	(1,625)
Transfer to completed properties	38,459	(38,459)	–
Revaluation	4,826	(16)	4,810
Total investment property	**471,094**	**8,410**	**479,504**

Some of the investment properties are security for the long-term loans as disclosed in note 10. Of the completed investment properties £127,920,000 (2013: £69,337,000) are leasehold properties.

In October 2013 and November 2013 the Group disposed of two of its smaller properties at Wheathampstead and High Wycombe, for £600,000 and £1,045,000 respectively. The carrying values for these properties were £585,000 and £1,040,000. The loss on the disposals of £13,000 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 £33,000.

In March the Fund completed the acquisition of a portfolio of properties. This portfolio consisted of nine operational, fully let primary care medical centres. As part of the transaction, the Fund agreed options to sell four of the nine medical centres to a party connected to the seller for a price of £5.5 million. At the time of signing these financial statements it was not known if the onward sale would complete.

During the period a portion of the Aviva £100m loan facility, the GE Capital loan facility, the Aviva £50m loan facility and Aviva GPG loan facility disclosed in note 10 were utilised to fund development work on investment properties under construction. Interest costs of £403,000 (2013: £261,000) attributable to development work in progress were capitalised.

10. Long-term loans

	31 March 2014 £'000	30 September 2013 £'000
Total facilities drawn down	**272,932**	274,553
Loan issue costs	**(13,914)**	(13,758)
Amortisation of loan issue costs	**2,106**	1,374
Fair value arising on acquisition of subsidiaries	**11,645**	11,645
Amortisation of fair value adjustment on acquisition	**(1,659)**	(1,199)
	271,110	272,615

The Group has five primary debt facilities drawn, being the Aviva £100m loan, the GE Capital loan, the Aviva £50m loan, the Aviva GPG loan and the Aviva PMPI loan, with a smaller loan facility for a single property. During the period GE Capital acquired the £31.2 million loan that was previously held by Deutsche Postbank. In addition the Group has a revolving loan facility with RBS. The RBS facility is undrawn at 31 March 2014. Repayments of the loans listed above, including amounts due within one year, fall due as follows:

	31 March 2014 £'000	30 September 2013 £'000
Due within one year	**3,155**	1,129
Between one and two years	**32,837**	32,592
Between two and five years	**5,748**	5,417
Over five years	**232,525**	234,606
	274,265	273,744

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 the outstanding acquired Aviva PMPI loans was £10,648,000 as at 31 March 2014. 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 £13,226,000 as at 31 March 2014 (30 September 2013 benefit: £17,334,000).

Cash flow movements

	Six Months Ended 31 March 2014 £'000	Six Months Ended 31 March 2013 £'000
Draw down of GPG loan facility	**986**	–
New loan facilities drawn	**986**	–
Repayment of mortgage principal	**(29)**	(27)
Repayment of Aviva PMPI loan facility	**(390)**	(369)
Repayment of Aviva GPG loan facilities	**(162)**	–
Repayment of loans acquired	**(17,615)**	–
Net repayment of long-term borrowings	**(18,196)**	(396)
Aviva £50m facility arrangement fee	**(35)**	(519)
Aviva PMPI loan facility costs	**–**	(2)
DPB loan facility draw down fees	**(3)**	(86)
Aviva £100m loan facility costs	**(4)**	(11)
RBS loan facility costs	**(114)**	–
Loan issue costs	**(156)**	(618)

11. 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 2013	**276,445,780**	
Shares issued under Placing, Open Offer and Offer for Subscription:		
23 October 2013	85,000,000	75.0 pence
Total shares issued as at 31 March 2014	**361,445,780**	
Shares held in treasury (see below)	(18,809,944)	
Total voting rights in issue as at 31 March 2014	**342,635,836**	

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

	Number of shares	Price per share
Total shares held in treasury as at 30 September 2013	**1,539,066**	**72.00 pence**
Shares issued under Placing, Open Offer and Offer for Subscription:		
23 October 2013	20,000,000	75.00 pence
Shares sold for cash:		
20 March 2014	(500,000)	83.25 pence
Shares utilised in lieu of cash payment of dividends:		
31 December 2013	(856,441)	80.55 pence
31 March 2014	(1,372,681)	78.70 pence
Total shares held in treasury as at 31 March 2014	**18,809,944**	**75.00 pence**

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	**31 March 2014 £'000**	30 September 2013 £'000
At 1 October	**141,283**	131,328
Net proceeds arising on issue of Ordinary Shares for placing and offer	**62,581**	–
Net excess of proceeds arising on sale of Ordinary Shares via Tap Issues	**56**	9,882
Net excess of consideration arising on utilising Ordinary Shares from treasury in lieu of dividends	**123**	73
Share premium at 30 September	**204,043**	141,283

The above proceeds are net of issue costs totalling £1,175,000 (2013: £144,000).

12. Other reserves

The movement in other reserves is set out in the Statement of Changes in Equity on page 13.

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 Companies (Guernsey) Law 2008 and that it satisfies any other requirements in its memorandum and articles.

13. Cash and cash equivalents

	31 March 2014 £'000	30 September 2013 £'000
Cash and balances with banks	**25,573**	27,063

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

Included in the above amounts are balances that are held in restricted accounts which are not immediately available for use by the Group of £10,404,000 (2013: £13,267,000). These amounts will be made available when sufficient property has been secured against the facility.

14. Dividends

	Six months ended 31 March 2014 £'000	Six months ended 31 March 2014 Dividend per share	Six months ended 31 March 2013 £'000	Six months ended 31 March 2013 Dividend per share
Quarterly dividend declared and paid 31 December 2013	4,844	1.425p	3,646	1.400p
Quarterly dividend declared and paid 31 March 2014	4,941	1.450p	3,717	1.425p
Total dividends declared and paid during the period	**9,785**		**7,363**	
Quarterly dividend declared after period end	5,070	1.450p	3,723	1.425p
Cash flow impact of scrip dividends:				
Total dividend declared and paid during the period	9,785		7,363	
Total cash equivalent value of scrip shares issued	(1,770)		(654)	
Cash payments made for dividends declared and paid	**8,015**		**6,709**	

Dividends are scheduled for the end of March, June, September and December of each year, subject to Board approval. On 25 April 2014, the Board approved a dividend of 1.45 pence per share, bringing the total dividend declared in respect of the period to 31 March 2014 to 2.9 pence per share. The record date for the dividend was 16 May 2014 and the payment date is 30 June 2014. The amount disclosed above is the cash equivalent of the declared dividend. The option to issue scrip dividends in lieu of cash dividends, with effect from the quarterly dividend paid in June 2010, was approved by a resolution of Shareholders at the Company's Annual General Meeting on 10 February 2010. On 25 April 2014 the Board announced an opportunity for qualifying Shareholders to receive the June 2014 dividend in new Ordinary Shares instead of cash.

15. Commitments

At 31 March 2014, the Group had commitments of £11.7 million (2013: £23.1 million) to complete properties under construction.

16. 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 period ended 31 March 2014 was 10% per annum (2013: 10%). 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 originally. 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.

16. Material contracts (continued)

Investment Adviser (continued)

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

During the period, the agreements with MedicX Adviser gave rise to £3,094,000 (2013: £3,424,000) of fees as follows:

	Six Months Ended 31 March 2014 £'000	Six Months Ended 31 March 2013 £'000
Expensed to the consolidated statement of comprehensive income:		
Investment advisory fee	**1,593**	1,412
Investment advisory performance fee	**846**	1,706
Property management fees	**409**	306
Capitalised as part of property acquisition costs:		
Corporate acquisition fees	**246**	–
Total Fees	**3,094**	3,424

Of these fees, £722,000 (2013: £391,000) remained unbilled or outstanding at the end of the period. This excludes the performance fee which is billed after the year end calculation is finalised. The amount above is an estimate for the half year and is included within accruals.

During the period property development costs of £3,323,000 (2013: £9,362,000) 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 £876,000 that remained unbilled or outstanding (2013: £2,681,000). In addition, licence fee income of £261,000 (2013: £447,000) was recognised on properties under construction being developed by MedicX Property Ltd during the period. At 31 March 2014 licence fees totalling £149,000 (2013: £1,313,000) remained unbilled or outstanding.

Administrator

Each Group company has entered into a separate administration agreement with International Administration Group (Guernsey) Limited for the provision of administrative services. Under these agreements fees were incurred totalling £39,000 (March 2013: £36,000) for the provision of corporate secretarial services to all Group companies and other administrative services. Of these fees £8,900 (September 2013: £12,700) remained unbilled or outstanding at the period end.

17. Related party transactions

During the period fees of £39,000 (March 2013: £13,000) were paid to Aitchison Raffety Limited to negotiate rent reviews, and to act as agent for the disposal of properties, of which £3,000 (September 2013: £49,000) remained unbilled or outstanding at the period end. John Hearle is Group Chairman of Aitchison Raffety Limited.

Aitchison Raffety Limited has been 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 31 March 2014. The estimated annual fee expected to be earned by Aitchison Raffety for providing this service is £59,000 (2013: £59,000).

18. Post period end events

On 14 May 2014 the Company acquired by way of a forward funding agreement a GP surgery in Peterborough, for consideration of £6.7 million.

Since the period end a further 7 million shares have been sold out of treasury at an average price of 83.5 pence per share.

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