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Annual Report and Accounts
to 30 September 2009

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HIGHLIGHTS

INVESTMENTS

- Continued success in achieving strategy of investing in modern, purpose-built primary healthcare properties
- £196.3 million committed investment in 50 primary healthcare properties at a cash yield of 5.82%[1,2]
- New committed investment during the year of £30.3 million acquired at a cash yield of 6.29%[1,2]
- Three properties under construction completed; four remain to be completed[1]
- Annualised rent roll now £11.7 million[1]
- £1.1 million rent reviews agreed with the equivalent of an average 2.4% per annum increase, 3.1%, 2.5% and 1.8% from open market, fixed uplifts and RPI rent reviews respectively
- Strong pipeline of £129 million further acquisition opportunities

FINANCIAL RESULTS

- Rental income for the year £8.8 million representing an 18% increase in the year
- 42% increase in EBITDA to £6.1 million excluding revaluation impact and performance fees
- Finance income £0.3 million, a reduction of £1.6 million in the year due to lower cash balance and deposit rates
- Adjusted earnings of £1.4 million excluding revaluation impact and performance fees, an increase of £0.3 million from prior year, equivalent to 1.6p per share (30 September 2008: £1.1 million; 1.4p per share)[3,4]
- 24.3% annualised total shareholder return since April 2009; performance fee earned by Investment Adviser £0.9 million, £0.1 million now payable and remainder carried forward
- Quarterly dividend of 1.3325p per share announced November 2009[5]; total dividends of 5.33p per share for the year, an increase of 2.5%
- Discounted cash flow net asset value of £93.5 million equivalent to 89.5p per share (30 September 2008: £85.5 million; 107.3p per share)
- Adjusted net asset value of £64.8 million equivalent to 62.0p per share (30 September 2008: £56.0 million; 70.3p per share)[3]
- Improved valuation net initial yield of 6.06% compared with 6.09% at 31 March 2009 (30 September 2008: 5.90%) generating a valuation gain in the second half of £1.6 million
- Adjusted net asset value plus the estimated benefit of fixed rate debt of £75.8 million equivalent to 72.5p per share (30 September 2008: £72.3 million; 90.8p per share)[3]

FUNDING

- £17.1 million net proceeds raised from 25.4 million shares issued since April 2009 at an average of 70.4p per share
- Existing £100 million of debt at fixed rate of 5.0% until 2036 or for a further 27 years
- Debt service interest cover ratio of 193% against covenant of 140%
- Loan to value ratio of 67.7% against 75% covenant
- Net debt £93.7 million (56.9% adjusted gearing)[3] at year end
- New £25.5 million debt facility agreed December 2009

David Staples, Chairman, said "MedicX Fund has performed well during the past year despite challenging times in the world's economy. We have maintained our progressive dividend policy and the share price has risen to 77.5 pence per share from the 56.0 pence per share as reported in my Chairman's statement in December 2008, an increase of 38.4%. MedicX Fund is now also included in the FTSE All Share Index.

The Fund has been successful in raising both equity and debt funding on a non-dilutive earnings enhancing basis and whilst there have been few transactions in the investment market we have experienced some stabilisation of primary care property values.

We believe the properties remain good investments at current levels and opportunities continue to exist in the sector which would complement the Fund's portfolio and enhance earnings further. Primary care property is increasingly being seen as an institutional asset class and the recent introduction by IPD of a healthcare index, which we have contributed to, has recognised this.

The pace of new investments will continue to depend upon our ability to access further capital and as such we are considering raising new equity capital in the New Year.

The Fund remains an attractive proposition for long-term investors."

INFORMATION ON MEDICX FUND LIMITED

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 £196.3 million and a portfolio of 50 properties.

The Investment Adviser to the Company is MedicX Adviser Ltd, which is authorised and regulated by the Financial Services Authority and is a subsidiary of the MedicX Group. The MedicX Group is a specialist investor, developer and manager of primary healthcare properties with 33 people operating across the UK.

The Company's website address is www.medicxfund.com

1 As at 8 December 2009; completed properties, properties under construction and committed investment
2 Net rents divided by total acquisition price and costs; cash yield on gross rents 6.02%
3 Adjusted to exclude goodwill and the impact of deferred tax not expected to crystallise
4 Revaluation impact for the prior period included £0.5 million prepayment written off
5 Ex dividend date 2 December 2009, Record date 4 December 2009, Payment date 31 December 2009

INTRODUCTION

Having been appointed as Chairman just over a year ago on 1 November 2008, I am pleased to present my second annual report and the third for MedicX Fund, on behalf of the board.

RESULTS OVERVIEW

The Group now has committed investment of £196.3 million across 50 properties of which two remain under construction and two are due to start construction in 2010. There are no material operational issues to report regarding the portfolio properties which continue to perform in line with our long-term objectives.

The cash yield on investments is currently 5.82% compared with the Group's fixed rate debt of 5%. The cash yield on the £30.3 million committed investment during the year is 6.29%. The cash yield on investments is expected to continue to rise with rent increases and further acquisitions.

In line with other infrastructure funds and given the long-term predictable cash flows it is appropriate to calculate a net asset value based upon discounted cash flows. This basis gives a net asset value of £93.5 million or 89.5 pence per share.

The Group's net asset value adjusted to exclude goodwill and deferred taxation at 30 September 2009 was £64.8 million or 62.0 pence per share[3]. The benefit of the Group's fixed rate debt as at 30 September 2009 is estimated at £11.0 million or 10.5 pence per share which has not been included in the adjusted net asset value. If it were to be included, the adjusted net asset value plus the estimated benefit of fixed rate debt would be equivalent to 72.5 pence per share[3].

The property valuations carried out by King Sturge LLP, the Group's valuer, and adopted in the adjusted net asset value, reflect a 6.06% net initial yield compared with 5.90% at the beginning of the year equivalent to a 3% fall in property valuations during the year as values appear to have stabilised. In fact, during the second half the year a valuation gain of £1.6 million arose reflecting an improvement of 0.03% from March 2009 i.e. from 6.09% to 6.06% net initial yield.

The Group's adjusted net asset value excluding the impact of the accelerated dividend payment on 30 September 2009, following the move to quarterly dividend payments, and excluding the performance fee was 64.2 pence per share representing an increase on the 64.0 pence per share as at 31 March 2009.

The Fund realised a profit of £1.4 million, excluding the impact of revaluations, deferred taxation and performance fees, which equates to 1.6p per share, an improvement of £0.3 million on the previous financial year[3,4].

Rental income grew by £1.3 million or 18% during the year. However this was offset by £1.6 million lower finance income as a result of lower cash balance and deposit rates where the average rate of interest on deposit has fallen from 6.34% last year to 1.89% for this financial year.

We met our target for annual overheads of £650,000, a reduction of 43% compared with the prior year, even allowing for funding additional initiatives such as the research by Edison Investment Research, the introduction of an internal audit programme and the new IPD Index specific to healthcare properties. Costs will continue to be managed prudently.

EBITDA (earnings before interest, taxation and depreciation), excluding the impact of revaluations and performance fees, has increased 42% to £6.1 million for the year to September 2009, from £4.3 million in the previous year.

FUNDING

One of MedicX Fund's key achievements over the last twelve months has been the issue of 25.4 million shares, including 0.5 million shares issued after the financial year end, at an average price of 70.4 pence per share, generating net proceeds of £17.1 million. All shares were issued at prices above the adjusted net asset value demonstrating the market's confidence in the Fund. The success of the equity raising activities during the year allowed the Fund to take out further debt facilities and in December 2009, the Board agreed terms with Deutsche Postbank for a £25.5 million facility over a 5 year term. The new capital has enabled the Fund to commit £30.3 million new investment during the year and headroom exists for around £10 million further investment. The loan interest rate will be fixed as the loan is drawn down. Based upon the current 5 year swap rate the loan would be fixed at an all-in rate including margin of 5.0%.

Bank lending margins have widened considerably over the last two years and therefore the Board decided to fix the cost of the new borrowing for five years rather than be tied into a higher rate for a longer term loan. The additional facility will be earnings enhancing due to the attractive margin between the borrowing rate and the yield available on new property investments. The loan will be drawn down at 65% loan to value on the properties secured, against a 70% loan to value covenant that will only be tested after years two and four. The loan amortises by 1% per annum. The interest to income covenant of the loan is 140% and is expected to be comfortably exceeded.

In order to bring the Company's gearing limits in line with its maximum loan to value covenant of 75% under the Aviva facility, the directors intend to propose an appropriate resolution at the annual general meeting on 10 February 2010 to increase the Company's gearing limit from 65% to 75%.

DIVIDENDS

In November 2009 the Board announced its intention to pay a quarterly interim dividend of 1.3325p per ordinary share to be paid 31 December 2009[5]. This represents the second of the quarterly dividends since they were introduced following the equity raising in April 2009. The Fund's dividends have increased by 2.5% on the previous year to 5.33p per ordinary share. This is in line with the Fund's investment objective of targeting a long-term progressive return. In addition dividend payments were accelerated by one month with the September 2009 dividend therefore bringing the total paid in the year to 6.5975p per share.

Dividend cover from adjusted earnings is currently around a third and is targeted to increase to 50% over time and further following future capital raising. The earnings shortfall is expected to be met by surplus cash and the increase in capital values over time as a result of the increase in rental income generated from investment properties.

The Company also intends to introduce an option for shareholders to elect to receive dividends in scrip form, allowing ordinary shareholders to take Ordinary Shares as dividends in lieu of cash. The directors intend to propose an appropriate resolution to permit scrip dividends at the Company's annual general meeting on 10 February 2010 and the first such scrip alternative is expected to be available in respect of the quarterly interim dividend intended for June 2010.

INVESTMENT ADVISER FEES

In conjunction with the equity raising earlier this year the Investment Adviser agreed to vary its fee calculation and under the new arrangements, the investment advisory base fee in relation to gross assets (excluding cash) in excess of £150 million has been cut significantly. There is now no investment advisory base fee payable on gross assets of between £150 million and £300 million (excluding cash). Above this threshold of £300 million, a reduced investment advisory base fee of 0.75% of gross assets (excluding cash) per annum is payable.

The Investment Adviser is entitled to a performance fee equal to 15% of the amount by which the total shareholder return exceeds an 8% per annum compound hurdle rate calculated from the 69.0p issue price, subject to a high watermark. If in any year the total shareholder return falls short of 8% per annum then the deficit in total shareholder return has to be made up in subsequent years before any performance fee can be earned. Unlike the previous performance fee structure, the compounding of the 8% hurdle rate will be adjusted upwards to compound from the high watermark level at which the performance fee was last earned.

The new investment advisory base fee and performance fee earned in aggregate in any one financial year cannot exceed 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. Any fees which would otherwise be earned in excess of 1.5% of gross assets (excluding cash) for such period, are carried forward to future years, subject at all times to the annual 1.5% of gross assets (excluding cash) fee limit.

In the period from 8 April 2009 to 30 September 2009, the total shareholder return, as measured by dividends received and share price growth, was 12.0%, 24.3% on an annualised basis, which under the new Investment Adviser fee arrangements triggers the payment of a performance fee to the Investment Adviser. Of the performance fee earned of £0.9 million under the terms of the fee agreement £0.1 million is now payable with the remainder carried forward and payable in future periods subject to the cap.

EXTRAORDINARY GENERAL MEETING

At the extraordinary general meeting held on 22 April 2009, shareholders approved the adoption of new Memorandum and Articles of Incorporation reflecting changes to Guernsey law. Provisions were also introduced to give members rights of pre-emption in order to reflect the Company's policy and practice in this area. A resolution was also passed reserving authority for the Directors to issue Ordinary Shares for cash up to an amount representing 10% of the issued Ordinary Share capital on 22 April 2009 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. This power expires immediately prior to the date of the annual general meeting of the Company to be held in February 2010.

RESIGNATION OF ALISON SIMPSON

n view of the drive to reduce the overhead cost base of the Company, the Board reduced to four directors during the year with Alison Simpson retiring as a non-executive director on 13 February 2009. On behalf of the Board, I would like to thank Alison for her contribution to the development of the Company since its incorporation in August 2006.

SHARE PRICE AND OUTLOOK

At the time of writing, the mid-market share price was 77.5 pence per share ex dividend, this represents a 6.9% dividend yield based upon the 5.33 pence per share dividends declared for the year, a premium of 24.9% to the adjusted net asset value of 62.0p per share, a premium of 6.9% to the adjusted net asset value plus the estimated mark to market benefit of debt of 72.5p per share and a discount of 13.4% to the discounted cash flow net asset value of 89.5p per share.

The share price has increased 38.4% since last December prior to the announcement of our second year's results compared with respective rises in the FTSE All Share Index and FTSE Real Estate Index of 26.9% and 5.3%.

Primary care infrastructure with its secure long-term cash flow continues to represent an attractive long-term investment proposition. With its high quality portfolio and pipeline of further acquisition opportunities the MedicX Fund is well positioned to deliver progressive long-term returns to shareholders.

The pace of new investments will continue to depend upon our ability to access further capital and as such we will be considering raising new equity capital in the New Year.

David Staples, CHAIRMAN

8 December 2009

MARKET

As reported last year the Investment Adviser was an initiator to the formation by IPD of an index specific to healthcare properties and this launched in October 2009. This recognises the increasing size and importance of the healthcare property sector. The IPD UK Annual Healthcare Index total return in 2008 was -4.4% year-on-year fairing significantly better than the UK wider property market total return of -22.1 year-on-year. In addition, whilst total returns fell in 2007 in the UK All Property Annual Index, the Healthcare Index recorded a positive total return of 11.2% year-on-year.

The primary care sector has again proved very resilient over the past year and outperformed the main property sectors over the same period. In the wider property market there has been a recent increase in the number of transactions taking place. The main area of investor focus has been on prime retail and office property and we have seen the value of this type of property rise significantly since the year-end. The October IPD All Property net initial yield reported a further decline of 0.23% to 7.48% following the 0.14% reduction in September. Retail property has improved at an even faster rate with October's reported net initial yield 7.20% down from 7.45% in September and 7.75% in August.

This increase in investor activity has yet to be experienced in the primary care property market where there has been limited transactional evidence over the past year. However, the long-term secure cash flows, strong counterparties and level of rental growth being achieved continue to make this asset class attractive.

There remains government and cross party support to the increasing role of primary care and the transfer of healthcare services into the community. The potential for primary care to reduce NHS total expenditure is likely to become increasingly important following expected cut backs in public spending across all departments. Together with the demands of an ageing population, increasing life expectancy and prevalence of chronic disease, and a majority of premises not being fit for purpose, this highlights the need and underlying long-term occupier demand for modern, purpose-built primary care buildings.

PORTFOLIO UPDATE

The MedicX Fund has committed investment of £196.3 million at today's date in 50 primary healthcare properties at a cash yield of 5.82%[2]. The annualised rent roll of the portfolio properties is £11.7 million[1].

At 30 September 2009, the completed portfolio properties had an average age of 3.5 years, remaining lease length of 19.1 years and an average value of £3.4 million. Of the rents payable, 92% are from government-funded doctors and Primary Care Trusts/Local Health Boards, 6% from pharmacies and 2% from other parties. There are no voids in the portfolio.

In the year, successful completion was achieved of two properties under construction at Castlecroft and Lytham. The property at Ossett completed in November 2009. All projects were delivered on time and within budget. Construction started during the year on two new properties at Abergele and Ruabon, with a total commitment of £5.6 million. These projects are due to complete in January 2010 and August 2010, respectively.

In August 2009, the Fund's portfolio was strengthened by the acquisition of a completed property at Bury. Bury was acquired at a total acquisition cost of £13.2 million at a cash yield of 6.22% with 94.2% of the rental income being derived from the PCT tenant with the remainder from a pharmacy tenant. The property recently completed in October 2008 and all leases have 19 years remaining.

In September 2009, the Fund entered into a forward funding framework agreement for two primary care centres in Middlewich and Scholar Green. Construction is expected to complete in late 2010 for both these properties.

There were no property disposals during the year.

ASSET MANAGEMENT

During the year to 30 September 2009, 19 leases and rents of £1.1 million have been reviewed and the equivalent of a 2.4% per annum increase was

achieved. Of these reviews, 3.1% per annum was achieved on open market reviews, 2.5% per annum was achieved on fixed uplift reviews and 1.8% on RPI based rental reviews. Reviews of £3.0 million of passing rent are currently under negotiation.

Of the £11.7 million annualised rent roll at 8 December 2009, there is £9.1 million, 78%, subject to open market review, £1.7 million, 15%, subject to RPI reviews and £0.9 million, 7%, subject to fixed uplift reviews, of an average 2.5% per annum increase.

The Investment Adviser has identified asset management opportunities on a number of properties and during the period, work began on the addition of two pharmacies and a podiatry suite to existing properties. These additions are expected to generate uplift of £0.5 million in property values.

Enhancement of the service offering to existing tenants is well underway with the "My MedicX" tenant portal currently being rolled out across the country and this should be completed by early next year. All new developments are brought online immediately following completion. Early trials of the system proved very successful and the portal has been well received by tenants.

CASH AND DEBT

As at 30 September 2009, the Fund had net debt of £93.7 million, which is 56.9% of gross assets excluding cash and goodwill (30 September 2008: £77.0 million and 54.9%). The debt service cover ratio was 193% versus a covenant of 140% and the loan to value ratio was 67.7% against a covenant of 75%.

The Group has a £100 million debt facility (the "Aviva Loan") provided by Aviva Commercial Finance (formerly Norwich Union Commercial Finance), at a fixed annual rate of 5.0% on an interest only basis for 30 years. The final drawdown date under the Aviva Loan facility agreement was extended to 30 April 2009 to cover properties where development extended into 2009. Following payment of a £99,000 fee, all monies were drawn down at that date except £2.4 million reserved for the funding of the completion of two properties at Lytham and Ossett. Following the completion of Lytham and Ossett all monies have now been released.

The net assets on the balance sheet do not reflect the fair value of the £100 million Aviva facility. Advice from the Company's lenders indicates that the fixed interest rate on a similarly dated loan taken out at 30 September 2009 would have had a margin of 1.8% over the gilt yield, equivalent in aggregate to 5.8%. On this basis, the mark-to-market benefit of the facility at September 2009 was £11.0 million, or 10.5 pence per share. Incorporating this benefit would take the Fund's net asset value to £75.8 million or 72.5 pence per share.

DISCOUNTED CASH FLOW VALUATION OF ASSETS AND DEBT

The Investment Adviser on the Fund's behalf has independently 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 Company.

The discount rates used are 7% for completed and occupied properties and 8% for properties under construction. These represent 2.5% to 3.5% risk premiums to an assumed 4.5% long-term gilt rate. With 10-year, 20-year and 30-year gilt rates 3.69%, 4.26% and 4.25% as at 7 December 2009 respectively there has been no change in these discount rate assumptions over the year. The weighted average discount rate, 7.09%, reflects the high proportion of completed and occupied properties in the portfolio.

The discounted cash flows assume an average 2.5% per annum increase in individual property rents at their respective review dates, a reduction of 0.5% compared with prior year to reflect lower RPI and property rents in the wider commercial property sector. 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 borrowings.

At 30 September 2009, the DCF valuation was £93.5 million or 89.5 pence per share compared with £85.5 million or 107.3 pence per share at 30 September 2008. The increase of £8.0 million in the year is net of £16.7 million new equity raised, £6.1 million of dividends paid, £4.0 million reduction due to the lower rent increase assumption, £1.3 million reduction due to the impact of property revaluations and an increase of £2.7 million due to trading performance.

SENSITIVITIES

The Investment Adviser has carried out sensitivities to the discounted cash flow net asset value. For the discounted cash flow net asset value to equate to the share price as at 7 December 2009 of 77.5 pence per share, the discounted cash flow calculation would have to assume a 0.9% increase in rents per annum, or a 0.5% capital reduction per annum, or a weighted average discount rate of 8.4%. These reductions in rents and capital values would need to take place every year until the expiry of individual property leases.

With some evidence that property valuations may have reached their low point, the Investment Adviser has also calculated that the property valuation required in terms of net initial yield for the adjusted net asset value plus the benefit of the fixed rate debt to equate to the share price as at 7 December 2009 of 77.5 pence per share is 5.88%.

ENTRY VALUE

Based upon the current portfolio valuation at 6.06% net initial yield at 30 September 2009, with net asset value of 62.0 pence per share, assumed purchaser costs of 5.75% equating to 9.9 pence per share, and the debt benefit of 10.5 pence per share, the cost of acquiring a similar portfolio would be 82.4 pence per share.

PIPELINE AND INVESTMENT OPPORTUNITY

The Investment Adviser continues to establish and maintain relationships with investors and developers in the sector to ensure the Fund can take full advantage of available opportunities that match its investment strategy. MedicX Fund currently has access to a property pipeline, subject to contract, which is estimated to be worth approximately £129 million in value when fully developed. Of the pipeline, £114 million comprises MedicX Group's own pipeline of projects

Keith Maddin, CHAIRMAN

Mike Adams, CHIEF EXECUTIVE OFFICER

Mark Osmond, CHIEF FINANCIAL OFFICER

MedicX Adviser Ltd

1 As at 8 December 2009; completed properties, properties under construction and committed investment

2 Net rents divided by total acquisition price and costs; cash yield on gross rents 6.02%

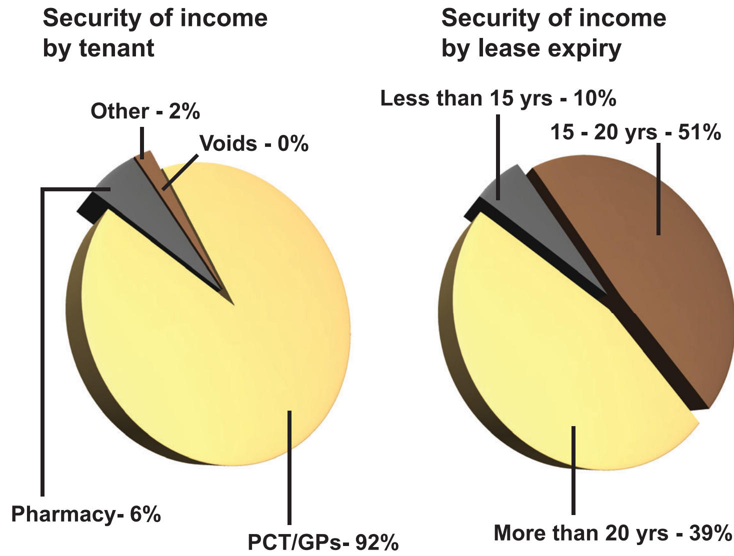
3 Adjusted to exclude goodwill and the impact of deferred tax not expected to crystallise

4 Revaluation impact including £0.5 million prepayment write off in prior period

5 Ex dividend date 2 December 2009, Record date 4 December 2009, Payment date 31 December 2009

PORTFOLIO AND ANALYSIS

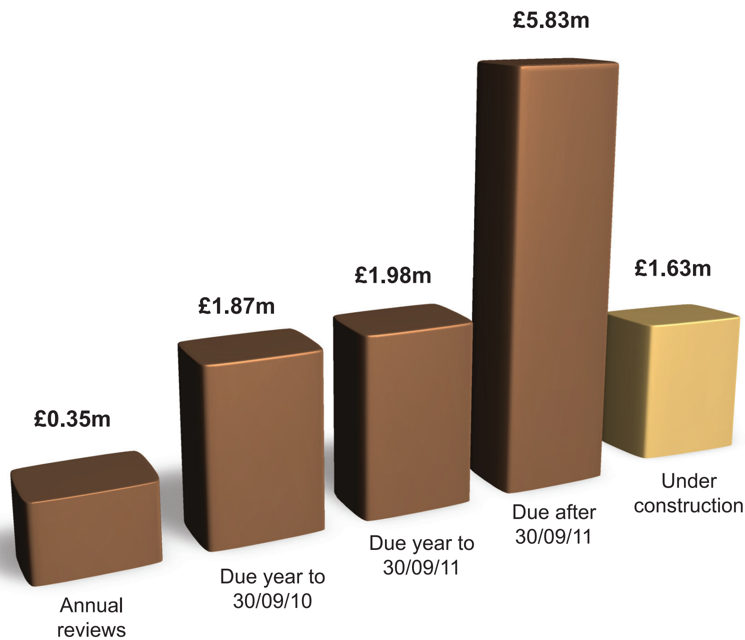
PORTFOLIO REVIEW*



*As at 8 December 2009; based on rents on completed properties under-construction and committed investment

RENT REVIEW PROFILE*

£11.7 million annualised current rent falling due for review by year*



*As at 8 December 2009; based on rents

COMPANY INFORMATION

DIRECTORS

David Staples (Chairman)
(appointed director 1 October 2008)
(appointed chairman 1 November 2008)
Jorge Tavares (Chairman)
(resigned 31 October 2008)
Christopher Bennett
John Hearle
Shelagh Mason
Alison Simpson
(resigned 13 February 2009)

REGISTERED OFFICE

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ADMINISTRATOR AND SECRETARY

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St Peter Port
Guernsey
GY1 4AE

BANKERS

Barclays Private Clients International Limited
Guernsey International Banking Centre
Le Marchant House
Le Truchot
Guernsey
GY1 3BE

BOARD OF DIRECTORS

David Staples – Non-executive Chairman

David Staples (aged 52) is a Chartered Accountant and a Chartered Tax Adviser. He also holds the Institute of Directors' Diploma in Company Direction. For thirteen years until 2003, Mr. Staples was a partner with PricewaterhouseCoopers ("PwC") and led the tax practice in the South East of England advising several well known family and owner-managed businesses. Since leaving PwC, Mr. Staples has joined the boards of six groups as a non-executive director and chairs the audit committees of two of them, Gottex Fund Management Holdings (listed on the Swiss Exchange, SIX) and Premier Renewable Energy Fund (listed on LSE main market). His other appointments include certain private equity funds of Apax and a private property investment group. Mr. Staples is resident in Guernsey where he is Chairman of the Chartered Institute of Taxation.

Christopher Bennett – Non-executive director

Christopher Bennett (aged 44) is a member of the Royal Institution of Chartered Surveyors, and also has an MBA from Cranfield University and a BA in Law & Economics from Durham University. He is a Jersey resident and is Managing Director of Dominion Real Estate, a real estate administration business which he co-founded in 2005. He was previously with Royal Bank of Scotland International in Jersey where he spent five years in real estate finance. Prior to working for Royal Bank of Scotland International he worked for Mutual Finance (an associate company of Rotch Property Group) for 18 months, was a self employed property consultant for six years and spent three years in the residential agency sector. He is a director of Alpha Pyrenees Trust Limited, a property investment company which is listed on the Official List.

His property experience includes property management, development, appraisal, planning and agency in addition to finance, in both commercial and residential markets.

John Hearle – Non-executive director

John Hearle (aged 57) is a fellow of the Royal Institution of Chartered Surveyors and a Member of the Chartered Institute of Arbitrators. He is both a director and heads the Healthcare Division of Aitchison Raffety Limited based at St Albans. He is also Group Chairman of Aitchison Raffety Limited and its subsidiaries. After working for the District Valuers' Office, John joined Aitchison in the late 1970s followed by TSB Property Services and then Aitchison Raffety. John has undertaken various roles and responsibilities including for the Healthcare and the Residential Surveyors' groups (including responsibility for all TSB Property Services' surveyors) and was also responsible for its commercial estate agency and surveying operation. John is recognised as an expert and an arbitrator by the President of the Royal Institution of Chartered Surveyors and regularly receives appointments for such roles. In addition, in respect of healthcare, he acts as Chairman of the RICS Working Party, and, on occasions, has undertaken a consultancy role to the British Medical Association. John was one of the founding members of the Primary Care Premises Forum.

Shelagh Mason – Non-executive director

Shelagh Mason (aged 50) is an English property solicitor with over 25 years' experience in commercial property. She currently practises as Mason & Co in Guernsey specialising in English commercial property. Her last position in the United Kingdom was as a senior partner of Edge & Ellison (now part of Hammonds). For two years until 2001 she was Chief Executive of Long Port Properties Limited, a property development company active throughout the United Kingdom and the Channel Islands. Mrs. Mason is a member of the board of directors of Standard Life Investment Property Income Trust, a property fund listed on both the London Stock Exchange and the Channel Islands Stock Exchange, and is a non-executive director of Atlas Estates Limited, an AIM and Warsaw Stock Exchange listed property development and investment company operating in Central and eastern Europe. She is also a non executive director of PFB Data Centre Fund and also of G.Res:1 Limited, a residential property investment company, New River Retail Limited which is AIM listed and Safehaven Property Investments Company Limited. She is immediate past Chairman of the Guernsey Branch of the Institute of Directors and a member of the Chamber of Commerce and the Guernsey International Legal Association.

She also sits on the committee of Hope for Guernsey, a medical research charity which is part of the Wessex Medical Trust.

REPORT OF THE DIRECTORS

PRINCIPAL ACTIVITIES

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

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

BUSINESS REVIEW

A review of the business and future developments is contained in the Chairman's statement and Investment Adviser's report.

RESULTS AND DIVIDEND

The results for the year are shown on page 22. A half-yearly dividend of 2.665p was paid in July 2009, as well as a quarterly dividend of 1.3325p per Ordinary Share in September 2009. The directors have approved a further quarterly dividend of 1.3325p per share to be paid 31 December 2009.

As at 30 September 2009, the ordinary share price was 73.0p.

SHARE ISSUES

Ordinary shares of no par value were issued for cash during the year and post year-end generating net proceeds of £17.1 million. The issues are detailed below:

	Number of shares	Issue price per share
8 April 2009	21,750,000	69.00 pence
27 August 2009	1,800,000	70.00 pence
3 September 2009	600,000	70.00 pence
11 September 2009	750,000	70.25 pence
7 October 2009	500,000	72.50 pence

FINANCIAL INSTRUMENTS

The Group utilises financial instruments in its operations. The financial instruments of the Group at both 30 September 2009 and 30 September 2008 comprised trade receivables, other debtors and prepayments, cash and cash equivalents, non-current borrowings and current borrowings. Other than its £100 million fixed interest debt facility, for which a mark to market calculation is detailed in note 13, it is the directors' opinion that the carrying value of all financial instruments on the balance sheet is equal to their fair value.

The financial instruments of the Group are not hedged. For a more detailed analysis of the Group's financial risk management please refer to note 18.

TAXATION

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

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

MANAGEMENT

The Company receives investment and property advice as well as accounting administration services from the Investment Adviser, MedicX Adviser Ltd which is a specialist investor in, developer of and manager of primary healthcare properties. MedicX Adviser Ltd is incorporated in England and Wales and is authorised by the Financial Services Authority to carry out certain investment advisory activities.

In conjunction with the equity raising earlier this year, the Investment Adviser agreed to vary its fee calculation and under the new arrangements, the investment advisory base fee in relation to gross assets (excluding cash) in excess of £150 million has been cut significantly. There is now no investment advisory base fee payable on gross assets of between £150 million and £300 million (excluding cash). Above this threshold of £300 million, a reduced investment advisory base fee of 0.75% of gross assets (excluding cash) per annum is payable.

The Investment Adviser is entitled to a performance fee equal to 15% of the amount by which the total shareholder return exceeds an 8% per annum compound hurdle rate calculated from the 69.0p issue price, subject to a high watermark. If in any year the total shareholder return falls short of 8% per annum then the deficit in total shareholder return has to be made up in subsequent years before any performance fee can be earned. Unlike the previous performance fee structure, the compounding of the 8% hurdle rate will be adjusted upwards to compound from the high watermark level at which the performance fee was last earned.

The new investment advisory base fee and performance fee earned in aggregate in any one financial year cannot exceed 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. Any fees which would otherwise be earned in excess of 1.5% of gross assets (excluding cash) for such period, are carried forward to future years, 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 extension thereafter, provided 12 months' notice is given.

The Investment Adviser also carries out the day-to-day management of the properties in the Group's investment portfolio for which it receives an aggregate annual management fee equal to 3% of gross rents received. The Investment Adviser has the ability, under the agreement, to delegate certain property management responsibilities to other suitable companies on terms such that the Investment Adviser remains liable for the performance of the management responsibilities.

The Administrator, International Administration (Guernsey) Limited, acts as administrator and secretary of the Company and its subsidiaries. The Administrator receives an aggregate fee of £60,000 for corporate secretarial services and administration services. The agreements are terminable on 90 days' notice.

DIRECTORS

The members of the Board are listed on page 10.

All directors are considered independent and are non-executive.

Jorge Tavares retired as Chairman on 31 October 2008. David Staples was appointed as director on 1 October 2008 and took over as Chairman on 1 November 2008. Alison Simpson retired as director on 13 February 2009 and was not replaced. All other directors were appointed on 25 August 2006.

David Staples holds 20,000 shares in the Company. No other director holds any interest in the shares of the Company. In the prior year no director held any interest in the shares of the Company.

No director is under contract of service with the Company. Details of directors' remuneration are disclosed in note 3.

SUBSTANTIAL SHAREHOLDINGS

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

	Number of Ordinary Shares	Percentage of Ordinary Shares in issue
Rensburg Sheppards Investment Management Ltd	19,957,951	19.00%
CCLA Investment Management	11,500,000	11.15%
East Riding of Yorkshire Council Pension Account	8,375,000	8.12%
Rathbone Brothers PLC	5,995,626	5.81%
Smith & Williamson Holdings Ltd	5,123,550	5.05%
The Royal Bank of Scotland PLC	5,148,390	4.99%

AUDITORS

PKF (UK) LLP have expressed their willingness to continue to act as auditors of the Company and a resolution for their re-appointment will be proposed at the Annual General Meeting.

GOING CONCERN

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the results overview in the Chairman's statement. The financial position of the Company, its cash flows, liquidity position and borrowing facilities are described in the Investment Adviser's report. In addition, notes 18 and 23 to the financial statements include the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

The Company has considerable financial resources together with long-term leases across different geographic areas within the United Kingdom. The directors believe that the Company is well placed to manage its business risks successfully despite the current uncertainties in economic outlook.

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

CORPORATE GOVERNANCE

As a closed-ended investment company registered in Guernsey, the Company is eligible for exemption, under the Listing Rules of the UK Listing Authority, from the requirements of the Combined Code on Corporate Governance published in June 2008 by the Financial Reporting Council ("the Code"), which establishes best practice for good governance. However, the Board has put in place a corporate governance framework following the Association of Investment Companies ("AIC") guidelines that are suitable for an investment company and facilitates voluntary compliance with the Code.

The Company has complied with the relevant provisions of the Code throughout the year except where detailed below. The Company's Board, of which David Staples is Chairman, is comprised solely of non-executive directors meaning the Code provisions relating to executive directors' remuneration are not relevant to the Company. All directors are independent of the Investment Adviser, MedicX Adviser Ltd and directors' independence is subject to annual review as part of the Board's annual performance review. New directors receive an induction from the Investment Adviser and Company Secretary on joining the Board and all directors receive relevant training as necessary. Directors are required under their letters of appointment to be reappointed every three years.

There is no formal third party process for evaluation of the performance of the Board. Each member of the Board is subject to removal without notice under the Articles. As each director's letter of appointment allows for

termination on three months' notice, in cases of poor performance the Chairman or shareholders could remove a director without the Company incurring a substantial compensation liability. The Board did, however, conduct an evaluation of its performance during the year, following AIC guidelines.

The Company does not maintain nomination or remuneration committees. A nomination committee is not considered necessary, as all the non-executive directors are contributors to nomination discussions regarding the appointment of new members. Similarly, all directors are party to remuneration reviews and are paid fees as determined by service agreements.

There are no executive directors or employees of the Company. The Investment Adviser agreement establishes the areas of authority that have been delegated to the Investment Adviser and the limits on the Investment Adviser's scope of operation whereby Board approval must be sought. All other areas outside the agreement remain under Board authority. These areas include all strategy matters, investment and divestment policies, financing and dividend policies and corporate governance processes. The Board meets at least five times a year and receives full information on financial performance and financial position along with other relevant information ahead of meetings.

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

The numbers of scheduled and ad-hoc Board and Audit Committee meetings held during the year to 30 September 2009 along with the attendance of the directors were:

	Board of Directors				Audit Committee			
	Scheduled		Ad hoc		Scheduled		Ad hoc	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
D Staples	6	6	5	5	4	4	1	1
C Bennett	6	6	5	4	4	4	1	1
S Mason	6	6	5	4	4	4	1	1
J Hearle[2]	6	6	5	3	4	4	–	–
A Simpson[1]	3	3	–	–	–	–	–	–

1. A Simpson resigned on 13 February 2009

2. J Hearle was not a member of the audit committee, but was in attendance

The Audit Committee (the "Committee") has been in operation during the year. Christopher Bennett chairs the Committee and the other members are David Staples and Shelagh Mason. The Committee operates within its terms of reference as determined by the Board and as published on the Company website. During the year, the audit committee carried out its duties as laid out in the terms of reference including the reappointment and appointment of external and internal auditors, monitoring the performance of the auditors, reviewing the financial statements of the Company, the results and scope of the audit, setting and monitoring the Company's system of internal controls. It is within the Committee's terms of reference for the directors to seek independent professional advice, at the Company's expense, as required in the furtherance of their duties.

The Committee meets three times a year and meets the auditors at least annually without the Investment Adviser. The Committee review the performance and continued suitability of the Fund's external auditors on an annual basis. They assess the external auditors' independence, qualification, extent of relevant experience, effectiveness of audit procedures as well as the robustness of their quality assurance procedures. In advance of each audit, the Committee obtains confirmation from the external auditors that they are independent and of the level of non-audit fees earned by them and their affiliates. Where non-audit fee levels are considered significant, the Committee considers the appropriateness of the independence safeguards put in place by the auditors. Note 4 details the total fees paid to PKF (UK) LLP in the financial year to 30 September 2009. The Committee considers PKF (UK) LLP to be independent of the Company and that the provision of non-audit services does not threaten the objectivity and independence of the audit.

As part of its annual review procedures, the Committee has obtained sufficient assurance from their own evaluation, the audit feedback documentation and from discussion with the Audit firm's senior partner. Based on the assurance obtained, the Committee has recommended to the Board that PKF (UK) LLP is reappointed and that a resolution to this effect be proposed at the forthcoming AGM. PKF (UK) LLP, who succeeded PKF Guernsey, have held office as statutory auditors in respect of the Fund's last two statutory reporting periods and, consequently auditor rotation is not required.

There is no formal third party process for evaluation of the performance of the Committee. The Committee did, however, conduct an evaluation of its performance during the year, following the AIC guidelines.

INTERNAL CONTROL

The Committee has in place a formal procedure for identifying, evaluating and monitoring the risks most likely to impact the Group. The Committee uses a matrix to record internal and external risks that are graded High, Medium or Low and the control processes used to mitigate those risks, setting out the parties responsible for the processes. At each meeting, the matrix is reviewed and updated for changes to the risk profile or processes. The Committee is provided with status updates from any actions raised in previous meetings.

The Company’s internal control procedures are regularly monitored by the Board and were further enhanced by appointing Roffe Swayne, an independent firm of accountants as internal auditors during the year. The scope of the internal audit reviews are determined by the Audit Committee to ensure full coverage of key risk areas. The internal auditors began their programme of rolling reviews during the year to 30 September 2009 and reported their findings to the Committee.

At each Board meeting, the Board receive reports from the Investment Adviser, the Administrator and Company Secretary and the Brokers in respect of compliance activities, Group financial performance and financial position. The Board annually reviews performance of key service providers such as the Investment Adviser, the Administrator and the Financial Adviser and Stockbroker, to ensure adherence to service agreements. The directors believe that the control procedures in place combined with internal and external audits and independent biannual valuations by independent chartered surveyors adequately safeguard the Group’s assets.

HEALTH AND SAFETY

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

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

CORPORATE RESPONSIBILITY

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

The Fund pays particular attention to energy consumption, water consumption, greenhouse gas emissions, waste generation and reducing the proportion of its wastes which are disposed of to landfill, all being aspects where improvements offer commercial as well as environmental benefits.

The Fund recognises that its external stakeholders are nowadays looking for independent assurance or verification that Corporate Responsibility and Environmental Health and Safety reports have been properly prepared.

PROVISION OF INFORMATION TO AUDITORS

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

- there is no relevant audit information of which the Company's auditors should be aware
- the directors have taken all steps they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information

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

Shelagh Mason, DIRECTOR

8 December 2009

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties in relation to financial instruments are set out in note 18. The financial instrument risks and uncertainties can be summarised as follows:

- Credit risk – the risk that a counterparty fails to meet its financial obligations
- Interest rate risk – the risk of adverse interest rate fluctuations
- Liquidity risk – the risk that funding is withdrawn from the business

Other key risk factors relating to the Company are considered 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
- Rental income and the market value for properties are generally affected by overall conditions in the local economy, demographic trends, inflation and changes in interest rates, which in turn may impact upon the demand for properties. Movements in interest rates may also affect the cost of financing
- 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 PCT or other tenant found itself unable to meet its liabilities the Company may not receive rental income when due and/or the total income received may be less than that due under the relevant contract. Budgetary restrictions might restrict or delay the number of opportunities available to the Company
- 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 PCTs. There is no guarantee that this will always be the case, which could therefore increase the risk of default on the leases if there is a change to government policy
- Prospective investors should be aware that the Company uses and intends to use borrowings to raise capital, which may have an adverse impact on NAV or dividends. There is no guarantee that facilities will be available in future at acceptable levels or terms
- In the longer term, should a material fall in asset values result in the Company breaching any financial covenants, in circumstances where it would be unable to remedy such breach, the Company may be required to repay such borrowings requiring the Company to sell assets at less than their market value
- Future deterioration in the property market could have an adverse effect on the value of properties
- Property investments are relatively illiquid; disposals could take longer than may be commercially desirable
- The directors intend to secure further borrowing. Facilities may not be available at acceptable levels or terms

More information on the principal financial risks and how they are mitigated can be found in note 18.

Further details of the Audit Committee's risk monitoring activities may be found in the Report of the directors on page 12.

ANALYSIS OF PROPERTY PORTFOLIO – LARGEST INVESTMENTS

Property	Year ended 30 September 2009 Valuation £'000	Year ended 30 September 2009 Percentage of total	Year ended 30 September 2008 Valuation £'000	Year ended 30 September 2008 Percentage of total
Moorgate Primary Care Centre, Bury	12,900	7.92%	–	–
Lytham Primary Care Centre, Lytham	12,000	7.37%	–	–
Evesham Health Centre, Evesham	7,720	4.74%	7,860	5.73%
Alsager Medical Centre, Alsager	7,590	4.66%	7,780	5.67%
Sawston Medical Centre, South Cambridgeshire	7,050	4.33%	7,070	5.15%
Darlaston Health Centre, West Midlands	6,510	4.00%	6,620	4.83%
Marisco Medical Centre, Mablethorpe	6,210	3.81%	6,270	4.57%
West Allington Medical Centre, Bridport	5,930	3.64%	5,790	4.22%
West View Health Village, Fleetwood	5,800	3.56%	5,450	3.97%
Trinity Surgery, Wisbech	5,050	3.10%	5,020	3.66%
10 largest properties	76,760	47.13%	51,860	37.80%
Other properties	86,143	52.87%	85,297	62.20%
	162,903	100.00%	137,157	100.00%

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing consolidated financial statements for each accounting period which give a true and fair view of the state of affairs of the Group and of its results for the period then ended in accordance with applicable Guernsey Law and with International Financial Reporting Standards ("IFRS") as adopted by the European Union.

In preparing the consolidated financial statements the directors are required to:

- select suitable accounting policies and apply them consistently
- make judgments and estimates that are reasonable and prudent
- state whether applicable accounting standards have been followed subject to any material departures disclosed and explained in the financial statements
- prepare the consolidated financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and to enable them to ensure that the consolidated financial statements comply with the requirements of The Companies (Guernsey) Law, 2008. They are also responsible for safeguarding the assets of the Group and hence taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for ensuring that the Report of the directors and other information included in the Annual Report is prepared in accordance with applicable company law. They are also responsible for ensuring that the Annual Report includes information required by the Listing Rules of the Financial Services Authority.

The directors are responsible for ensuring that information published on the website is consistent with the Annual Report. They are also responsible for the maintenance and integrity of the corporate and financial information included on the Group's website. Legislation in Guernsey governing the preparation and dissemination of the financial statements and other information included in annual reports may differ from legislation in other jurisdictions.

The directors confirm that they have complied with the above requirements in preparing the consolidated financial statements. They also confirm that the annual report includes a fair review of the development and performance of the business together with a description of the principal risks and uncertainties faced by the Group. The directors of the parent company as at 30 September 2009 are shown on page 10 of the financial statements.

REPORT OF THE INDEPENDENT AUDITORS
to the members of MedicX Fund Limited

We have audited the consolidated financial statements of MedicX Fund Limited for the year ended 30 September 2009 which comprise the Consolidated Income Statement, the Consolidated Balance Sheet, the Consolidated Statement of Changes in Equity, the Consolidated Cash Flow Statement and the related notes. These consolidated financial statements have been prepared under the accounting policies set out therein.

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

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors' responsibilities for preparing the Annual Report and the consolidated financial statements in accordance with Guernsey law, International Financial Reporting Standards as adopted by the European Union and the listing rules of the Financial Services Authority are set out in the Statement of directors' responsibilities.

Our responsibility is to audit the consolidated financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the consolidated financial statements give a true and fair view and have been properly prepared in accordance with The Companies (Guernsey) Law, 2008. We also report to you if, in our opinion, the Report of the directors is not consistent with the consolidated financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit or the information specified by the listing rules regarding directors' transactions with the Group is not disclosed. The information in the Report of the directors includes that specific information presented in the Chairman's statement and Investment Adviser's report which is cross referenced from the Business Review section of the Report of the directors.

We read the other information accompanying the consolidated financial statements and consider whether it is consistent with the audited consolidated financial statements. The other information comprises only the Chairman's statement, Investment Adviser's report, Company information, the Report of the directors, Analysis of property portfolio – largest investments and Statement of directors' responsibilities. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the consolidated financial statements. Our responsibilities do not extend to any other information.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the consolidated financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the consolidated financial statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the consolidated financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the consolidated financial statements.

OPINION

In our opinion the consolidated financial statements:

- give a true and fair view, in accordance with International Financial Reporting Standards, of the state of the Group's affairs as at 30 September 2009 and of its loss for the year then ended
- have been properly prepared in accordance with The Companies (Guernsey) Law, 2008

PKF (UK) LLP
Guildford

8 December 2009

CONSOLIDATED INCOME STATEMENT

For the year ended 30 September 2009

	Notes	2009 £'000	2008 £'000
Income			
Rent receivable	2	8,804	7,467
Finance income	2	348	1,906
Other income		633	769
Total income		**9,785**	**10,142**
Valuation and impairment adjustments			
Net valuation loss on investment properties	10	(1,499)	(15,164)
Impairment of properties under construction	10	(712)	(2,209)
Charge for impairment of goodwill	9	(169)	(1,961)
Total valuation and impairment adjustments		**(2,380)**	**(19,334)**
Expenses			
Investment advisory fee	20	2,226	2,269
Investment advisory performance fee	20	869	–
Property management fee	20	267	211
Direct property expenses		168	313
Administrative fees	20	94	340
Audit fees	4	68	88
Professional fees		175	397
Directors' fees	3	130	158
Other expenses		180	669
Finance costs	5	5,096	5,077
Total expenses		**(9,273)**	**(9,522)**
Loss before tax		**(1,868)**	**(18,714)**
Taxation	6	403	2,880
Loss attributable to equity holders of the parent		**(1,465)**	**(15,834)**
Earnings per ordinary share			
Basic and diluted	8	(1.6)p	(21.0)p

1. All items in the above statement are derived from continuing operations.

2. Included in note 8 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 26 to 44 form an integral part of the financial statements

CONSOLIDATED BALANCE SHEET

As at 30 September 2009

	Notes	2009 £'000	2008 £'000
Non-current assets			
Goodwill	9	7,529	7,698
Investment properties	10	153,069	126,937
Properties under construction	10	9,834	10,220
Total non-current assets		**170,432**	**144,855**
Current assets			
Trade and other receivables	11	1,939	3,048
Cash and cash equivalents	16	7,172	24,061
Total current assets		**9,111**	**27,109**
Total assets		**179,543**	**171,964**
Current liabilities			
Trade and other payables	17	5,552	7,234
Non-current liabilities			
Long-term loan	13	100,857	101,046
Performance fee provision	7	766	–
Deferred tax provision	6	6,393	6,796
Total non-current liabilities		**108,016**	**107,842**
Total liabilities		**113,568**	**115,076**
Net assets		**65,975**	**56,888**
Equity			
Share capital	14	–	–
Share premium	14	18,284	1,585
Distributable reserves	15	64,476	70,623
Retained earnings		(16,785)	(15,320)
Total attributable to equity holders of the parent		**65,975**	**56,888**
Net asset value per share			
Basic and diluted	8	63.1p	71.4p

The financial statements were approved and authorised for issue by the board of directors on 8 December 2009 and were signed on its behalf by

Shelagh Mason
Director

The accompanying notes on pages 26 to 44 form an integral part of the financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 September 2009

	Notes	Share Premium £'000	Distributable Reserve £'000	Retained Earnings £'000	Total £'000
Balance at 1 October 2007		1,585	74,684	514	76,783
Loss attributable to equity holders for the year		–	–	(15,834)	(15,834)
Dividends paid	17	–	(4,061)	–	(4,061)
Balance at 30 September 2008		**1,585**	**70,623**	**(15,320)**	**56,888**
Proceeds on issue of shares		17,213	–	–	17,213
Share issue costs		(514)	–	–	(514)
Loss attributable to equity holders for the year		–	–	(1,465)	(1,465)
Dividends paid	17	–	(6,147)	–	(6,147)
Balance at 30 September 2009		**18,284**	**64,476**	**(16,785)**	**65,975**

The accompanying notes on pages 26 to 44 form an integral part of the financial statements

CONSOLIDATED CASH FLOW STATEMENT
For the year ended 30 September 2009

	Notes	2009 £'000	2008 £'000
Operating activities			
Loss before taxation		(1,868)	(18,714)
Adjustments for:			
Net valuation losses on investment property		1,499	15,164
Impairment of properties under construction		712	2,209
Goodwill impairment		169	1,961
Profit on disposal of investment property		–	(20)
Financial income receivable		(348)	(1,906)
Finance costs payable and similar charges		5,096	5,077
		5,260	3,771
Decrease/(increase) in trade and other receivables		1,173	(141)
(Decrease)/increase in trade and other payables		(934)	1,877
Interest paid		(5,078)	(5,081)
Interest received		284	1,982
Taxation paid		–	(6)
Net cash inflow from operating activities		**705**	**2,402**
Investing activities			
Acquisitions net of cash acquired	16	–	(376)
Proceeds from sale of investment properties		–	3,553
Additions to investment properties and properties under construction		(27,957)	(26,169)
Net cash outflow from investing activities		**(27,957)**	**(22,992)**
Financing activities			
Net proceeds from issue of share capital		16,699	–
Net proceeds of long-term borrowings		(189)	(113)
Dividends paid		(6,147)	(4,061)
Net cash inflow from financing activities		**10,363**	**(4,174)**
Decrease in cash and cash equivalents		**(16,889)**	**(24,764)**
Opening cash and cash equivalents		**24,061**	**48,825**
Closing cash and cash equivalents	16	**7,172**	**24,961**

The accompanying notes on pages 26 to 44 form an integral part of the financial statements

1. BUSINESS AND INVESTMENT OBJECTIVE

MedicX Fund Limited ("the Company") and its subsidiaries (together "the Group") have been established for the purpose of investing in primary healthcare properties in the United Kingdom. The Group's investment objective is to achieve rising rental income and capital growth from the ownership of a portfolio of mainly modern, purpose built, primary healthcare properties. The Group receives investment and property advice and management services from MedicX Adviser Ltd, a member of the MedicX Group, an independent group of companies which is a specialist investor in, developer of and manager of primary healthcare properties.

The Group's investment policy is to acquire primary healthcare properties in the United Kingdom, some of which may have potential for enhancement, which will be sourced in the market by MedicX Adviser Ltd. Acquisitions may include properties that form part of the MedicX Group's own pipeline of development and investment opportunities.

2. PRINCIPAL ACCOUNTING POLICIES

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

Impact of revision to International Financial Reporting Standards
In preparing these financial statements, the Board have chosen not to adopt early any revisions to International Financial Reporting Standards.

The IASB and IFRIC have issued the following standards and interpretations with an effective date after the date of these financial statements:

International Accounting Standards (IAS/IFRS):		Effective date - periods beginning on or after
IAS 1	Presentation of Financial Statements	1 January 2009
IAS 39	Financial Instruments: Recognition and measurement	1 July 2009
IFRS 3	Business Combinations	1 July 2009
IFRS 7	Financial Instruments: Disclosures	1 January 2009
IFRS 8	Operating Segments	1 January 2009
International Financial Reporting Interpretations Committee:		
IFRIC 17	Distributions of non-cash assets to owners	1 January 2009

The directors do not anticipate that the adoption of these standards and interpretations will have a material impact on the Group's financial statements in the period of initial application.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation

The Group financial statements consolidate the financial statements of MedicX Fund Limited and entities controlled by the Company (its subsidiary undertakings) made up to 30 September 2009. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to benefit from its activities. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured as the aggregate of the fair values at the date of exchange of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquired company, plus any costs directly attributable to the business combination. The acquired companies' assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 "Business Combinations" are recognised at their fair value at the acquisition date.

Goodwill

Goodwill arising on acquisitions is accounted for as the difference between the fair value of the consideration given and the fair value of the Group's share of identifiable net assets of the entity acquired. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill arising on acquisition has an indefinite useful life and is subject to annual review for any impairment.

Segmental reporting

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

Revenue recognition

Rent receivable comprises rent and service charges receivable for the year in relation to the Group's investment properties exclusive of value added tax.

Other income includes licence fee income which is receivable on properties under construction, this being a lease charge to developers for access to the construction site. Licence fee income is recognised on an accruals basis exclusive of value added tax.

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

Expenses

All expenses are accounted for on an accruals basis.

Employees

The Company has no employees.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Taxation
The tax liability represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year.

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

Full provision is made for deferred tax assets and liabilities arising from all temporary differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying temporary differences can be deducted.

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the temporary differences are expected to reverse.

Deferred tax assets and liabilities are not discounted.

Investment properties
The Group's completed properties are held for long-term investment. Freehold properties are initially recognised at cost, being fair value of consideration given including transaction costs associated with the property. After initial recognition, freehold properties are measured at fair value, with unrealised gains and losses recognised in the consolidated income statement. Both the base costs and valuations take account of core fixtures and fittings. Fair value is based upon the valuations of the properties as provided by King Sturge LLP, an independent firm of chartered surveyors, as at the balance sheet date.

Long-leasehold properties are accounted for as freehold properties and, after initial recognition at cost, are measured at fair value on the same basis as freehold properties above.

Properties under construction
Freehold properties under construction are valued at cost until such time as a certificate of practical completion has been issued from which date they are treated as investment properties as set out above. At each balance sheet date an assessment is made of whether provision is required to reflect an impairment in the value of development work in progress. Any impairment is taken to the consolidated income statement. This assessment is based on whether the costs to date plus estimated future costs to completion exceed an independent valuer's estimate of the value of the property following completion. Costs of financing development are capitalised and included in the cost of development. During the year there were no material borrowing costs on development work in progress and none were capitalised.

Derivative financial instruments and hedging activities
The Group has no derivative financial instruments.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

Finance costs
Borrowing costs are taken to the consolidated income statement in the year to which they relate on an accruals basis.

Use of estimates
In the process of applying the Group's accounting policies described above, the directors are required to make certain judgements and estimates to arrive at fair carrying value for its assets and liabilities. Significant areas requiring judgement in the preparation of these financial statements include the assessment of the fair value of investment properties and properties under construction described above and the deferred tax provision required on latent gains, which is itself an estimate as it relies on the valuations and on an assessment of the nature of expenditure for taxation purposes. The valuations are performed by a firm of independent chartered surveyors applying current Appraisal and Valuation Standards of The Royal Institution of Chartered Surveyors.

3. DIRECTORS' FEES

	2009 £'000	2008 £'000
During the year each of the directors received the following fees:		
D Staples	40	–
S Mason	27	26
C Bennett	25	26
J Hearle	25	26
A Simpson	9	26
J M S Tavares	4	54
	130	**158**

4. AUDITORS' REMUNERATION

The amount disclosed in the consolidated income statement relates to an accrual for audit fees for the year ending 30 September 2009, payable to PKF (UK) LLP.

Fees paid to PKF (UK) LLP and PKF (Guernsey) Limited include the following amounts:

	2009 £'000	2008 £'000
Audit fees for the current year	68	70
Audit fees for the prior period	–	18
Total audit fees	**68**	**88**
Review of the interim report	15	15
Tax compliance	50	33
Other tax services	14	88
For acting as reporting accountants in respect of the share issue	30	–
Other professional services	–	25
Total audit and other fees	**177**	**249**

5. FINANCE COSTS

	2009 £'000	2008 £'000
Interest payable on long-term loan	**5,096**	**5,077**

6. TAXATION

	2009 £'000	2008 £'000
Current Tax		
Corporate tax charge for the year	–	–
Corporate tax charge for prior periods	–	(6)
Deferred Tax		
On fair value movement for the year	403	2,886
Total tax charged in the income statement	**403**	**2,880**

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

The Company has obtained exempt company status in Guernsey under the terms of Income Tax (Exempt Bodies) (Guernsey) Ordinance 1989 so that it is exempt from Guernsey taxation on income arising outside Guernsey and on bank interest receivable. The Company is, therefore, only liable to a fixed fee of £600 per annum. The directors intend to conduct the Group's affairs such that this company continues to remain eligible for the exemption. Guernsey companies are taxable on UK net rental income. During the year no tax arose in respect of the income of any of the Guernsey companies. The Company's UK subsidiaries, MedicX Properties II Ltd, MedicX Properties III Ltd, MedicX Properties IV Ltd, MedicX (Verwood) Ltd and MedicX (Istead Rise) Ltd 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% (2008: 22%) is set out below:

	2009 £'000	2008 £'000
Loss on ordinary activities before tax	(1,868)	(18,714)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (20% for UK income tax) (2008: 22%)	(576)	(4,117)
Expenses not deductible for tax purposes	619	3,767
Profits not subject to UK taxation	(2,231)	(529)
Current year losses carried forward	1,954	539
Deferred tax movement on fair value gains	(169)	(2,546)
Under provision in prior year	–	6
Total tax charged in the income statement	**(403)**	**2,880**

The calculation of the Group's tax charge necessarily involves a degree of estimation in respect of certain items whose tax treatment cannot be finally determined until a formal resolution has been reached with the relevant tax authorities.

Deferred tax liability/(asset) in respect of:

	FAIR VALUE GAIN ON ACQUISITION £'000	FAIR VALUE GAINS POST ACQUISITION £'000	ACCELERATED CAPITAL ALLOWANCES £'000	UNRELIEVED MANAGEMENT EXPENSES £'000	TOTAL £'000
At 1 October 2007 (as restated)	8,904	585	379	(186)	9,682
Released/provided in year	(1,961)	(585)	949	(1,289)	(2,886)
At 30 September 2008	**6,943**	**–**	**1,328**	**(1,475)**	**6,796**
Released/provided in year	(169)	–	313	(547)	(403)
At 30 September 2009	**6,774**	**–**	**1,641**	**(2,022)**	**6,393**

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 income statement. 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 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 year would be £169,000 lower (2008: £2,546,000 lower).

7. PERFORMANCE FEE PROVISION

	2009 £'000	2008 £'000
Provided in year	766	–
At 30 September 2009	**766**	**–**

Full provision has been made for performance fees payable to the Investment Adviser that were in excess of 1.5% of gross assets (excluding cash) for the period and are carried forward for payment in future years.

8. EARNINGS AND NET ASSET VALUE PER ORDINARY SHARE

The basic and diluted earnings per ordinary share are based on the loss for the year attributable to ordinary shares of £1,465,000 (2008: loss of £15,834,000) and on 90,368,612 (2008: 75,249,829) ordinary shares being the weighted average aggregate of ordinary shares in issue calculated over the year. This gives rise to a basic and diluted earnings per ordinary share of (1.6) pence (2008: (21.0) pence) per ordinary share.

The basic and diluted net asset value per ordinary share are based on the net asset position at the balance sheet date attributable to ordinary shares of £65,975,000 (2008: £56,888,000) and on 104,521,215 (2008: 79,621,215) ordinary shares being the aggregate of ordinary shares in issue at the balance sheet date. This gives rise to a basic and diluted net asset value per ordinary share of 63.1 pence per ordinary share (2008: 71.4 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.

	2009	2008
Adjusted earnings per ordinary share – basic and diluted	(1.9)p	(22.3)p
Adjusted net asset value per ordinary share – basic and diluted	62.0p	70.3p

The adjusted earnings per ordinary share is based on the loss for the year of £1,465,000 (2008: loss of £15,834,000) attributable to ordinary shares, adjusted for the impact of the deferred tax credit and goodwill impairment attributable to ordinary shares for the year of £403,000 (2008: credit £2,886,000) and £169,000 (2008: £1,961,000), respectively, giving an adjusted earnings loss of £1,699,000 (2008: loss of £16,759,000) and on 90,368,612 (2008: 75,249,829) ordinary shares being the weighted average number of ordinary shares in issue in the year.

The adjusted net asset value per ordinary share is based on the net asset position attributable to ordinary shares at the balance sheet date of £65,975,000 (2008: £56,888,000) as adjusted for deferred tax of £6,393,000 (2008: £6,796,000) and goodwill of £7,529,000 (2008: £7,698,000), giving an adjusted net assets figure of £64,839,000 (2008: £55,986,000) and on 104,521,215 (2008: 79,621,215) ordinary shares, being the aggregate of ordinary shares in issue at the balance sheet date.

In common with practice in the sector, the Group would 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 recognition of deferred tax on fair value gains on acquisition.

9. GOODWILL

	2009 £'000	2008 £'000
Brought forward	7,698	9,283
Recognised on acquisitions of subsidiaries	–	376
Impairment recognised in year	(169)	(1,961)
Carried forward	**7,529**	**7,698**

The goodwill arose on a prior period acquisition of MedicX Properties III Ltd, MedicX Properties IV Ltd and MedicX (Istead Rise) Ltd and was due to the recognition of deferred tax on fair value gains on acquisition. Due to the specialist nature of the properties acquired and limited availability of build cost details at the time of acquisition, it was necessary, when initially accounting for the acquisitions in 2006, to make provisional estimates for deferred taxation within these companies.

During the prior year, additional consideration of £218,000 was paid in respect of MedicX Properties IV Ltd and an adjustment in respect of completion accounts of £158,000 on MedicX Properties IV Ltd was also made.

The Board have 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, refer to note 6.

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 King Sturge LLP as at 30 September 2009. In accordance with industry standards, the valuation is net of purchaser costs which are approximately 5.75% of purchase price.

	COMPLETED INVESTMENT PROPERTIES £'000	PROPERTIES UNDER CONSTRUCTION £'000	TOTAL £'000
Fair value/cost 30 September 2007	112,325	19,569	131,894
Additions	45	26,537	26,582
Adjustment to base cost	(413)	–	(413)
Disposals at valuation	(1,337)	(2,196)	(3,533)
Transfer to completed properties	31,481	(31,481)	–
Fair value revaluation	(15,164)	–	(15,164)
Impairment	–	(2,209)	(2,209)
Fair value/cost 30 September 2008	**126,937**	**10,220**	**137,157**

	COMPLETED INVESTMENT PROPERTIES £'000	PROPERTIES UNDER CONSTRUCTION £'000	TOTAL £'000
Additions	13,368	14,962	28,330
Adjustment to base cost	(373)	–	(373)
Disposals at valuation	–	–	–
Transfer to completed properties	14,636	(14,636)	–
Fair value revaluation	(1,499)	–	(1,499)
Impairment	–	(712)	(712)
Fair value/cost 30 September 2009	**153,069**	**9,834**	**162,903**

Some of the investment properties are security for the long-term loan as disclosed in note 13.

Of the completed investment properties £38,150,000 (2008: £26,650,000) are long-leasehold properties.

11. TRADE AND OTHER RECEIVABLES

	2009 £'000	2008 £'000
Rent receivable	1,175	2,038
Other debtors and prepayments	764	1,010
	1,939	**3,048**

Included in other debtors and prepayments is £nil (2008: £50,000) due from MedicX Adviser Ltd, a related party of the Group as the Group's Investment Adviser.

12. TRADE AND OTHER PAYABLES

	2009 £'000	2008 £'000
Mortgage	44	44
Trade creditors	228	1,282
Deferred rental income	2,217	1,695
Interest payable and similar charges	1,071	1,053
Accruals	1,242	1,965
Social security and other taxes	90	197
Other creditors	660	998
	5,552	**7,234**

The mortgage is secured on one investment property and has a remaining term of 11 years.

13. LONG-TERM LOANS

	2009 £'000	2008 £'000
£100 million loan facility:		
Amount drawn down	100,000	100,000
Loan issue costs	(396)	(245)
Amortisation of loan issue costs	9	4
	99,613	99,759
Mortgage due after more than one year	1,244	1,287
	100,857	**101,046**

Included in the above are amounts falling due as follows:

	2009 £'000	2008 £'000
Due within one year	44	44
Between one and two years	49	47
Between two and five years	166	160
Over five years	100,642	100,839
	100,901	**101,090**

Creditors include amounts not wholly repayable within five years as follows:

	2009 £'000	2008 £'000
Repayable by instalments	100,642	100,839

In a prior year, previous loan facilities taken out by MedicX Properties I Limited were refinanced and replaced by loans to MedicX Properties I Limited: £30,000,000, MedicX Properties II Ltd: £33,000,000, MedicX Properties III Ltd: £9,000,000 and MedicX Properties IV Ltd: £28,000,000 with The General Practice Finance Corporation Limited ("GPFC") at a fixed rate of 5.008% on an interest only basis which was fully drawn down on 1 December 2006, with the cash held on deposit to meet future investment requirements. This loan is due for repayment in its entirety on 1 December 2036. GPFC is now trading as Aviva Commercial Finance (formerly Norwich Union Commercial Finance).

Under the terms of the loans, further charges are incurred when amounts are taken off deposit and utilised for investment purposes. The charge for these withdrawals depends on the quantum of the withdrawal and will be recognised as and when withdrawals are made, and are added to the loan issue costs.

The value of the loan on an amortised cost basis at 30 September 2009 was £99,613,000 (2008: £99,759,000).

The Group does not mark to market its £100 million fixed interest debt in its financial statements. 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 £100 million debt, and the fixed interest rate, including margin, achievable on the last business day of the financial year. 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 to the Group is £10,990,000 (2008: £16,335,000).

13. LONG-TERM LOANS (CONTINUED)

The Group's bank borrowings are subject to the following financial covenants:

(i) long-term rental income from the properties charged must cover 140% of projected finance costs;

(ii) monies released from deposit must not exceed 65% of the property value charged; and

(iii) the net loan amount must not exceed 75% of the market value of mortgaged property (first tested 30 April 2009).

The Group has been in compliance with the financial covenants throughout the year since issue. At 30 September 2009, the debt service coverage ratio was 193% against a covenant of 140% and the loan to value was 67.7% against a covenant of 75%.

The loan is secured on some of the Group's investment properties. As at 30 September 2009, the Group had cash of £1.7 million (2008: £12.4 million) on deposit secured against the loan.

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

14. SHARE CAPITAL

2009	NUMBER OF SHARES	SHARE CAPITAL £'000
Authorised		
Ordinary shares of no par value	Unlimited	–
Issued and fully paid		
Ordinary shares of no par value	104,521,215	–

2008	NUMBER OF SHARES	SHARE CAPITAL £'000
Authorised		
Ordinary shares of no par value	Unlimited	–
Issued and fully paid		
Ordinary shares of no par value	79,621,215	–

14. SHARE CAPITAL (CONTINUED)

On 8 April 2009, the Company issued 21,750,000 ordinary shares at 69.0p per share in a placing and offer for subscription. Ordinary shares of no par value were issued for cash during the year as detailed below:

	NUMBER OF SHARES	ISSUE PRICE PER SHARE
27 August 2009	1,800,000	70.00 pence
3 September 2009	600,000	70.00 pence
11 September 2009	750,000	70.25 pence

SHARE PREMIUM	2009 £'000	2008 £'000
At 1 October 2008	1,585	1,585
Net proceeds arising on issue of ordinary shares on 8 April 2009	14,514	–
Net proceeds arising on issue of ordinary shares on 27 August 2009	1,247	–
Net proceeds arising on issue of ordinary shares on 3 September 2009	416	–
Net proceeds arising on issue of ordinary shares on 11 September 2009	522	–
Share premium at 30 September	**18,284**	**1,585**

15. DISTRIBUTABLE RESERVE

In a prior period, the Company applied to the Royal Court in Guernsey on 8 November 2006 to transfer its entire share premium account on that date (£54,651,000) to a distributable reserve and this was approved on 10 November 2006. On 20 July 2007 the Company applied to the Royal Court of Guernsey to transfer the amount standing to the credit of the share premium account attributable to previously issued C shares (£21,469,000) to a distributable reserve. Approval was granted on 3 August 2007. The distributable reserve is freely distributable with no restrictions having been applied by the Court.

The Companies (Guernsey) Law 2008, as amended ("2008 Law") makes 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.

In particular, distributions from the share capital or share premium account no longer 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.

16. CASH FLOW NOTES

	2009 £'000	2008 £'000
Acquisition of subsidiaries		
Goodwill	–	376
Net cost of acquisition	**–**	**376**

	2009 £'000	2008 £'000
Cash in hand and balances with banks	**7,172**	**24,061**

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.

17. DIVIDENDS

	2009 £'000	2008 £'000
Dividend paid during the year	2,070	1,991
Dividend per share	2.6p	2.5p
Interim dividend paid during the year	2,702	2,070
Interim dividend per share	2.665p	2.6p
Quarterly interim dividend paid during the year	1,375	–
Quarterly interim dividend per share	1.3325p	–

Following the equity raising the Company introduced quarterly dividend payments. Such dividends are scheduled for March, June, September and December of each year, subject to Board approval, and commenced with a payment of 1.3325p per share on 30 September 2009.

The directors have approved a further quarterly interim dividend for the year ended 30 September 2009 of 1.3325 pence per ordinary share, which equates to £1,392,745. The record date for the dividend is 4 December 2009 and the payment date is 31 December 2009.

The Company also intends to introduce an option for shareholders to elect to receive dividends in scrip form, allowing ordinary shareholders to take ordinary shares as dividends in lieu of cash. The Directors intend to propose an appropriate resolution to permit scrip dividends at the Company's annual general meeting in February 2010 and the first such scrip alternative is expected to be available in respect of the quarterly interim dividend intended for June 2010.

18. FINANCIAL INSTRUMENTS RISK MANAGEMENT

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

The financial instruments of the Group at both 30 September 2009 and 30 September 2008 comprised trade receivables, other debtors and prepayments, cash and cash equivalents, non-current borrowings and current borrowings. It is the directors' opinion that, with the exception of the mark to market benefit set out in note 13, the carrying value of all financial instruments on the balance sheet is equal to their fair value.

Credit risk
The Group invests some of its surplus funds in high quality liquid market instruments. Such investments have a maturity of no greater than six months. To reduce the risk of counterparty default the Group deposits the remainder of its surplus funds in AA rated banks.

Concentrations of credit risk with respect to customers are limited due to the Group's revenue being largely payable from government derived sources. As at the year end 92% of rental income was derived from NHS tenants, who are spread across several Primary Care Trusts to further reduce credit risk from this area. The default risk is considered low due to the nature of Primary Care Trusts funding for GP practices.

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

	2009 £'000	2008 £'000
Financial assets		
Trade receivables	1,175	2,038
Other current assets	764	1,010
Cash and cash equivalents	7,172	24,061

It is the Group's policy to assess debtors for recoverability on an individual basis and to make provision where it is considered necessary. Of the Group's trade receivables balance £751,000 (2008: £1,571,000) is neither impaired nor past due. £425,000 (2008: £467,000) is past due and of this £287,000 (2008: £183,000) is more than 120 days past due. The Board takes active steps to recover all amounts and does not consider any debts to be impaired.

All financial assets are categorised as loans and receivables.

Market risk
Market risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market prices. The Group is exposed to the following market risks: interest rate risk; and equity price risk. The Group operates solely within the United Kingdom; therefore the directors do not consider the Group to be exposed to foreign currency risk.

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

The Group's borrowing facilities of £99,613,000 (2008: £99,759,000) were negotiated at a fixed rate of interest of 5.008%, these facilities represent 99% of the borrowing facilities at year end. The directors consider interest rate risk to be immaterial and do not consider it appropriate to perform sensitivity analysis on these items.

Liquidity risk
Liquidity risk is the risk that the Group will encounter in realising assets or otherwise raising funds to meet financial commitments. The directors review cash flow forecasts on a regular basis to determine whether the Group has sufficient cash reserves to meet future working capital requirements.

18. FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

Contractual maturity analysis for financial liabilities at 30 September:

	DUE OR DUE LESS THAN ONE MONTH £'000	DUE BETWEEN 1 TO 3 MONTHS £'000	DUE BETWEEN 3 MONTHS TO 1 YEAR £'000	DUE BETWEEN 1 TO 5 YEARS £'000	DUE AFTER 5 YEARS £'000	TOTAL £'000
Trade and other payables	1,130	152	–	–	–	1,282
Non-current borrowings	–	–	–	207	100,839	101,046
Current portion of non-current borrowings	44	–	–	–	–	44
Balances at 30 September 2008	**1,174**	**152**	**–**	**207**	**100,839**	**102,372**
Trade and other payables	228	–	–	–	–	228
Non-current borrowings	–	–	–	215	100,642	100,857
Current portion of non-current borrowings	44	–	–	–	–	44
Balances at 30 September 2009	**272**	**–**	**–**	**215**	**100,642**	**101,129**

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

19. COMMITMENTS

At 30 September 2009, the Group had commitments of £3.8 million (2008: £12.4 million) to complete properties under construction and £11.6 million for further forward funding agreements (2008: nil).

20. MATERIAL CONTRACTS AND RELATED PARTY TRANSACTIONS

Investment Adviser

MedicX Adviser Ltd is appointed to provide property advice under the terms of an agreement dated 17 October 2006 and amended on 2 May 2007, 10 January 2008 and 20 March 2009. Fees payable under this agreement prior to the 8 April 2009 equity raising were (i) 1.5% per annum on gross assets excluding cash by way of property advisory fee; (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; and (iv) a performance fee of 15% of the amount by which the return to shareholders in terms of share price growth plus cumulative dividends paid exceeds the initial offer price compounded annually by 10% in each accounting year.

In conjunction with the equity raising earlier this year the Investment Adviser agreed from 8 April 2009 to vary its fee calculation and under the new arrangements, the investment advisory base fee in relation to gross assets (excluding cash) in excess of £150 million has been cut significantly. There is now no investment advisory base fee payable on gross assets of between £150 million and £300 million (excluding cash). Above this threshold of £300 million, a reduced investment advisory base fee of 0.75% of gross assets (excluding cash) per annum is payable.

20. MATERIAL CONTRACTS AND RELATED PARTY TRANSACTIONS (CONTINUED)

The Investment Adviser is entitled to a performance fee equal to 15% of the amount by which the total shareholder return exceeds an 8% per annum compound hurdle rate calculated from the 69.0p issue price, subject to a high watermark. If in any year the total shareholder return falls short of 8% per annum then the deficit in total shareholder return has to be made up in subsequent years before any performance fee can be earned. Unlike the previous performance fee structure, the compounding of the 8% hurdle rate will be adjusted upwards to compound from the high watermark level at which the performance fee was last earned.

The new investment advisory base fee and performance fee earned in aggregate in any one financial year cannot exceed 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. Any fees which would otherwise be earned in excess of 1.5% of gross assets excluding cash for such period are carried forward to future years subject at all times to the annual 1.5% of gross assets excluding cash fee limit or is payable on termination. 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.

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

During the year, the agreements with MedicX Adviser gave rise to £3,362,000 (2008: £2,480,000) of fees as follows:

	2009 £'000	2008 £'000
Expensed to the consolidated income statement:		
Investment advisory fee	2,226	2,269
Investment advisory performance fee	869	–
Property management fees	267	211
Total Fees	**3,362**	**2,480**

Of these fees, £3,000 (2008: £nil) remained outstanding at the end of the year. This excludes performance fees which were billed after the year end and are included within accruals and provisions due after one year.

Administration agreements

From 1 April 2008, each Group company entered into a separate administration agreement with International Administration (Guernsey) Limited for the provision of administrative services for fees totalling £58,000 for the provision of corporate secretarial and administration services to all Group companies plus time spent fees for other administration services.

Effective from 1 July 2009, each Group company entered into a separate administration agreement with International Administration (Guernsey) Limited for the provision of administrative services for fees totalling £60,000 (2008: £58,000) for the provision of corporate secretarial services to all Group companies and other administrative services.

During the year, the agreements with International Administration (Guernsey) Limited gave rise to the following fees, of which £10,000 (2008: £6,000) remained outstanding at the year end:

	2009 £'000	2008 £'000
Administrative fees	94	340

20. MATERIAL CONTRACTS AND RELATED PARTY TRANSACTIONS (CONTINUED)

Other transactions

During the year fees of £47,000 (2008: £26,000) were paid to Aitchison Raffety Limited. John Hearle is Group Chairman of Aitchison Raffety Limited.

During the year property development costs of £10,873,000 (2008: £10,688,000) were paid to Primary Asset Ltd, a member of the same group of companies as MedicX Adviser Ltd. At the year end £3,000 (2008: £342,000) was outstanding for these amounts.

21. SUBSIDIARY COMPANIES

The following were the subsidiary companies in the Group at 30 September 2009:

NAME	COUNTRY OF INCORPORATION	PRINCIPAL ACTIVITY	OWNERSHIP PERCENTAGE	NOMINAL VALUE OF SHARES IN ISSUE	TYPE OF SHARE HELD
MedicX Properties I Limited	Guernsey	Acquisition of properties	100%	2	Ordinary
MedicX Properties II Ltd	England & Wales	Acquisition of properties	100%	2	Ordinary
MedicX Properties III Ltd	England & Wales	Acquisition of properties	100%	1,000	Ordinary
MedicX Properties IV Ltd	England & Wales	Acquisition of properties	100%	25,000	Ordinary
MedicX Properties V Limited	Guernsey	Acquisition of properties	100%	2	Ordinary
MedicX (Verwood) Ltd*	England & Wales	Acquisition of properties	100%	1,000	Ordinary
MedicX (Istead Rise) Ltd*	England & Wales	Acquisition of properties	100%	1,000	Ordinary

*Held indirectly

22. OPERATING LEASES

At 30 September 2009 the Group had entered into leases in respect of investment properties for the following rental income, excluding any future rent reviews:

	2009 £'000	2008 £'000
Amounts receivable under leases		
Within one year	9,972	8,125
Between one and five years	45,717	32,466
After more than five years	133,471	121,552
Total	**189,160**	**162,143**

23. CAPITAL MANAGEMENT

The Group's objectives when managing capital are:

- To safeguard the Group's ability to continue as a going concern, so that it can continue as a going concern and continue to provide returns for shareholders and benefits for other stakeholders; and
- To provide an adequate return to shareholders by pricing services and setting rents commensurately with the level of risk.

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

The Group monitors capital on the basis of the adjusted gearing ratio. This is calculated as net debt divided by adjusted capital. Net debt is calculated as total debt, per the balance sheet, less cash and cash equivalents. Adjusted capital comprises all equity components less cash and cash equivalents and goodwill.

The adjusted gearing ratios at 30 September 2009 and 30 September 2008 were as follows:

	2009 £'000	2008 £'000
Total debt	100,901	101,090
Less: cash and cash equivalents	(7,172)	(24,061)
Net debt	**93,729**	**77,029**
Total assets	179,543	171,964
Less: cash and cash equivalents	(7,172)	(24,061)
Less: goodwill	(7,529)	(7,698)
Adjusted capital	**164,842**	**140,205**
Adjusted gearing ratio	**0.57:1**	**0.55:1**

The increase in debt to adjusted capital during the financial year resulted in part from the reduction in net assets due to the revaluation losses recognised through the income statement and in part from the utilisation of pre-existing cash balances and the funds raised through equity issues in the acquisition of assets during the year. The Group is not subject to any externally imposed capital requirements.

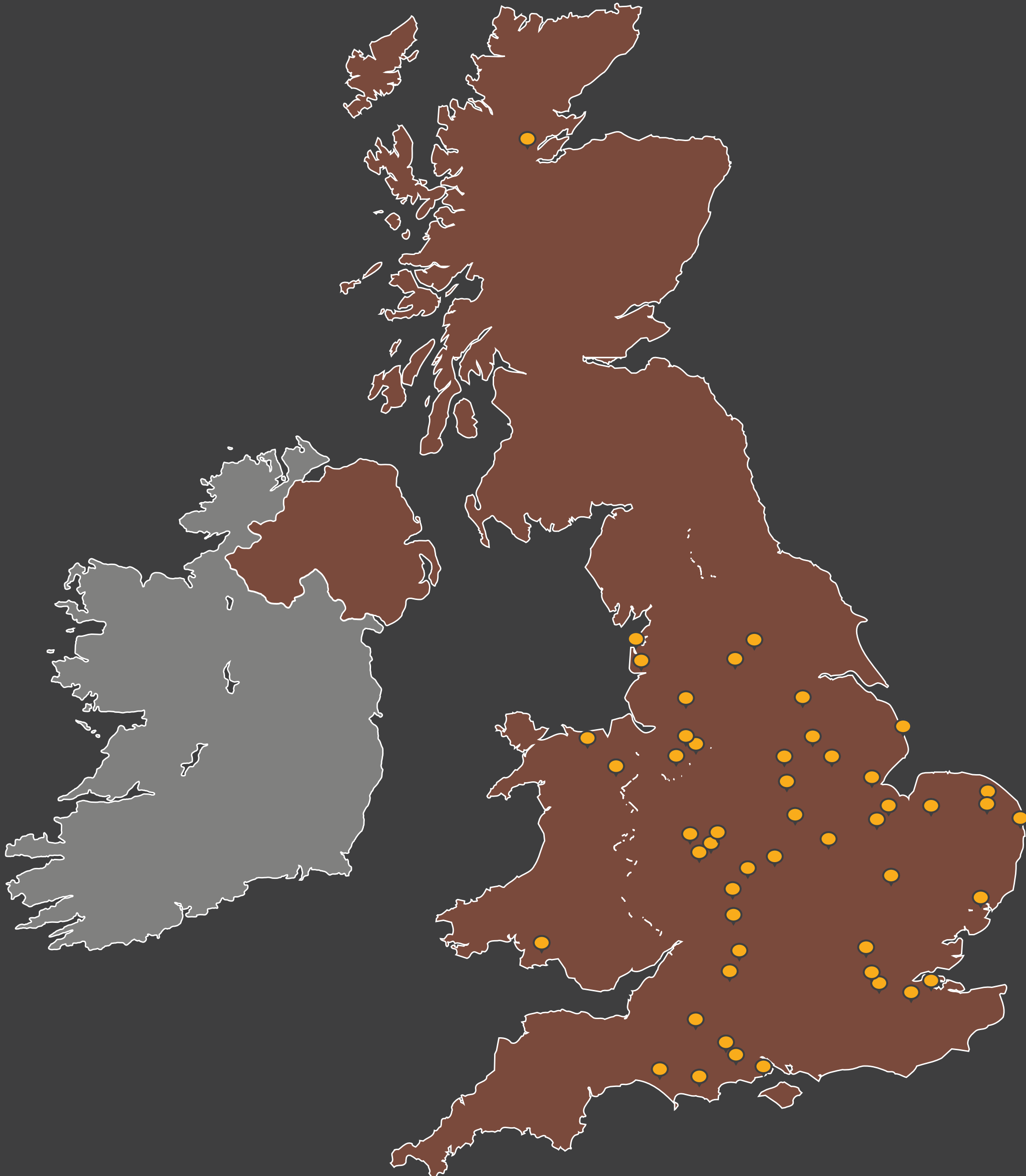
24. POST BALANCE SHEETS EVENTS

On 7 October 2009 a further tap issue of 500,000 shares was made at 72.5p per share generating net proceeds of £359,000.

On 18 November 2009 a subsidiary MedicX Properties VI Limited was established which is wholly owned by MedicX Fund Limited.

On 7 December 2009 a debt facility of £25.5 million was agreed with Deutsche Postbank.

MEDICX FUND PROPERTY PORTFOLIO



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