MedicX Fund

Building a brighter future for primary healthcare investment

MedicX Fund Limited Interim Report to 31 March 2018

BUILDING A BRIGHTER FUTURE FOR PRIMARY HEALTHCARE INVESTMENT

MedicX Fund is a leading investor in modern purpose-built primary healthcare properties. Our investment supports the transformation of the primary healthcare estate in the United Kingdom and Republic of Ireland.

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MedicX Fund Limited ("MXF" or the "Company", or together with its subsidiaries, "MedicX", the "Fund" or the "Group") is a specialist primary healthcare infrastructure investor in modern, purpose-built primary healthcare properties in the United Kingdom & the Republic of Ireland. It is a UK Real Estate Investment Trust ("REIT") traded on the premium segment of the main market of the London Stock Exchange.

Our business model

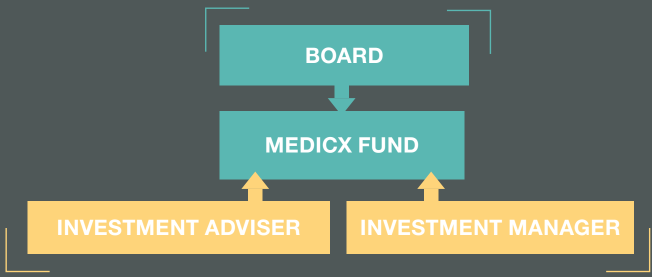
CREATING VALUE FOR SHAREHOLDERS, TENANTS, PATIENTS AND SOCIETY

Our business model creates value for shareholders, tenants, patients and society. We invest in high quality sustainable primary healthcare properties. We work with our tenants, development partners and other health providers to drive transformation of the primary healthcare estate, growing the Fund and transforming patient outcomes.

How we are structured

MedicX Fund Limited is a UK REIT operating in the UK and Republic of Ireland with an external Investment Adviser and Manager.

The Company's day-to-day management and administrative functions are outsourced to third parties. As a result, the Company has no executive directors or employees.



What we and our partners do

The Group works with its various stakeholders to own and maintain a high quality portfolio of mainly modern, purpose-built primary healthcare properties in the UK and Republic of Ireland. Properties are let principally to the NHS, HSE or to GPs subject to NHS rent reimbursement.

SOURCE

Properties are sourced by the Investment Adviser from Octopus Healthcare's strong developer relationships, the Fund's preferred developer framework agreements and through specialist investment agents in the primary healthcare market.

SELECTIVELY INVEST

MedicX selectively buys high quality dominant assets or forward funds new schemes under framework agreements with a range of experienced developers in both the UK and Republic of Ireland. Acquisitions are of freehold or long leasehold interests. At completion, properties are typically let for 20-25 years directly to the NHS, HSE or to GPs.

ENHANCE AND ASSET MANAGE

The Investment Adviser continually reviews the Fund's portfolio, regularly visiting its properties and meeting its tenants.

The Investment Adviser understands the changing primary care landscape and engages with local commissioners to ensure that the property portfolio is meeting local healthcare needs.

The Investment Adviser identifies opportunities to enhance value through active asset management including extensions, re-configuring space, re-gearing leases and achieving operating cost reductions.

MANAGE

Investment risks are mitigated by investing in a well spread portfolio of primary healthcare properties across the UK and Republic of Ireland, and by applying explicit policies in relation to portfolio asset allocation and restrictions on borrowings.

READ MORE ABOUT RISKS ON PAGE 12

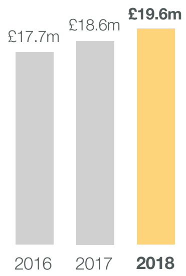
How we create value

The business model supports the Company's key objective of increasing net income over time to support a growing covered dividend that also supports capital growth.

The Company initially raises equity finance to invest in high quality modern purpose-built investment properties with long secure government backed income. The Group then seeks to put in place low cost, fixed rate, long term debt, thereby locking into a spread between the property yield and financing cost. The proceeds of the long term debt are then used to invest in standing let investment properties or to forward fund new schemes, both of which are sourced from preferred developers or in the open market. As the portfolio grows, economies of scale will enhance shareholder returns, as will rental increases which are typically achieved on a three yearly basis with 28% being inflation linked. As the portfolio grows and matures, the Fund increasingly works with its tenants to identify and facilitate value adding asset management projects which accelerate the pace of growth and returns.

Financial highlights and key achievements

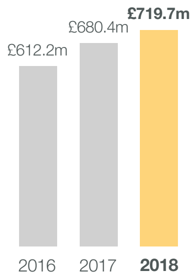
DRIVING ESTATE TRANSFORMATION IN PRIMARY HEALTHCARE



RENT RECEIVABLE (£19.6m)

+5.4%

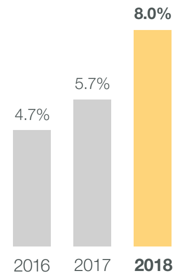
(2017: £18.6m)[1]



INVESTMENT PROPERTY (£719.7m)

+5.8%

(2017: £680.4m)[2]



TOTAL RETURN ON EPRA NAV (8.0%)

+2.3%

(2017: 5.7%)[1]

FINANCIAL RESULTS

- Increase in rent receivable of 5.4% to £19.6 million for the six month period ending 31 March 2018 (2017: 18.6 million)[1];
- 94.1% increase in profit before tax for the six months ending 31 March 2018 to £26.4 million (six months ending 31 March 2017: £13.6 million);
- 1.8% increase in annualised rent roll since 30 September 2017 from £40.0 million to £40.7 million; 2.8% like for like increase before selling five non-core properties with rent roll of £0.4 million;
- 89.6% (31 March 2017: 89.7%) of rent roll directly from or reimbursed by the NHS, HSE or Irish GPs;
- 5.7%[1] increase in six month EPRA earnings per Ordinary Share, from 1.75p per share to 1.85p per Ordinary Share;
- 4.1%[2] increase in EPRA NAV from 76.5p per share to 79.6p per share; and
- 8.0% total return on EPRA NAV for the six months ending 31 March 2018 (2017: 5.7%)[1].

INVESTMENTS

- 5.8% increase in the value of the property portfolio to £719.7 million (2017: £680.4 million)[2,7]. Follows £26.5 million of capital investment to acquire a standing let property and fund developments through forward funding schemes less £5.3 million of disposals and a £18.3 million net valuation gain over the six months ending 31 March 2018;
- New committed investments in UK and the Republic of Ireland, since 1 October 2017, of £11.6 million with an average cash yield of 6.27% together with the acquisition of four sites for £5.5 million in anticipation of new schemes;
- Subject to market conditions, the Company intends to issue up to 42.88 million new Ordinary Shares at a premium to EPRA NAV (after taking into account issuance costs) in order to partially fund an exclusive opportunity to complete by 8 June 2018, the corporate acquisition of a £64 million portfolio of 12 primary care centres with WAULT of 14.3 years and average lot size of £5.3 million; and
- Strong pipeline of approximately £110 million of further acquisition opportunities including projects with a value of £60 million in solicitors' hands (2017: £175 million)[2].

CAPITAL MANAGEMENT

- Total drawn debt facilities of £380.0 million with an average fixed rate cost of debt of 4.27% and an average unexpired term of 12.1 years, close to the average unexpired lease term of the investment properties of 14.0 years; compared with £372.8 million; 4.29% and 12.7 years at 30 September 2017; and
- Net debt of £361.0 million, equating to 49.5% adjusted gearing at 31 March 2018 (30 September 2017: £340.7 million; 49.5%).

CORPORATE DEVELOPMENTS

- The Company entered the UK Real Estate Investment Trust ("REIT") regime on 1 October 2017, which had the effect of exempting qualifying property income and capital gains from corporation tax; and
- Helen Mahy was appointed as Chairman with effect from 8 February 2018.

The Directors believe that presenting the adjusted performance measures assists readers of the financial statements in understanding and analysing the performance and position of the Group, as well as providing industry standard measures for benchmarking against other companies. In particular, the Directors believe EPRA measures provide more meaningful industry standard key performance indicators.

CHANGE TO DIVIDEND POLICY

The Company intends to transition towards declaring a fully covered dividend for the 2019 financial year onwards. Further details on the change of dividend policy are set out in the Chairman's statement. The shift to a policy of paying a fully covered dividend will not change the total return received by shareholders, but instead will re-balance how shareholders receive that return between income and capital growth.

The dividend target for the 2018 financial year of 6.04 pence, subject to unforeseen circumstances, will be unchanged. Going forward, the Company intends to continue to pay shareholders the reset dividend on a quarterly basis, in March, June, September and December of each financial year and on a growing covered basis thereafter.

For illustrative purposes, if the Company had declared and paid a fully covered dividend on the basis of the results for the six months ended 31 March 2018, less headroom of 5%, this would imply an annualised dividend of 3.5 pence[10].

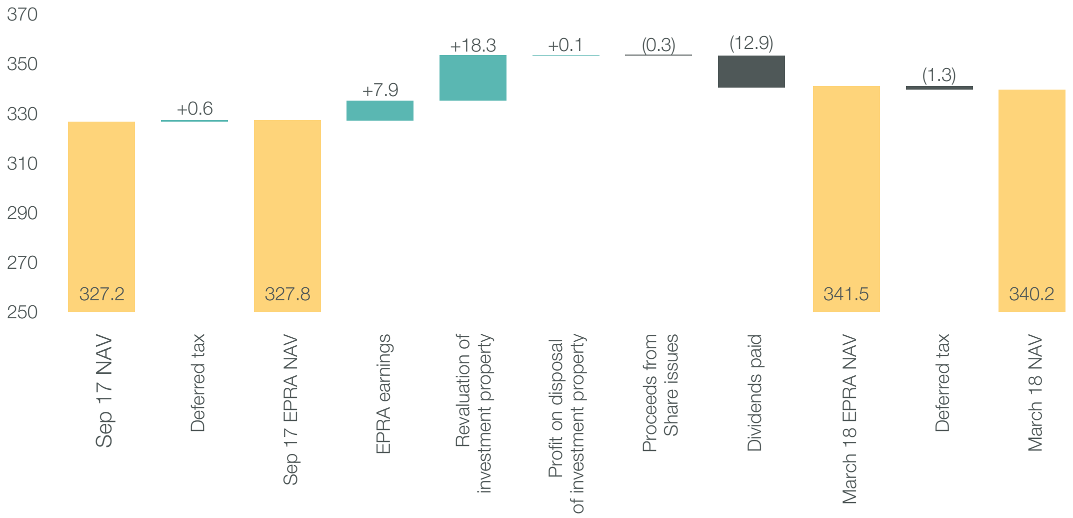
Unadjusted performance measures

	2018	2017	
Rent receivable (£m)[1]	**19.6**	18.6	+5.4%
Profit before tax (£m)[1]	**26.4**	13.6	+94.1%
Earnings per Ordinary Share (pence)[1,4]	**6.0**	3.1	+93.5%
Property valuation (£m)[2,7]	**719.7**	680.4	+5.8%
Weighted average debt term (years)[2]	**12.1**	12.7	-0.6
Net Asset Value per Ordinary Share (pence)[2,4]	**79.3**	76.3	+3.9%
Share price total return[1,6]	**(10.5)%**	3.7%	-14.2[8]

Adjusted performance measures

	2018	2017	
EPRA earnings per Ordinary Share (pence)[1,7]	**1.85**	1.75	+5.7%
EPRA Net Asset Value per Ordinary Share (pence)[2,7]	**79.6**	76.5	+4.1%
Total return on EPRA Net Asset Value[2,5]	**8.0%**	5.7%	+2.3[8]
Dividend cover[1,3]	**61.5%**	59.0%	+1.5[8]
Underlying dividend cover[1,3]	**69%**	70%	-1.0[8]

NAV and EPRA NAV movement for 6 months ended 31 March 2018 (£'m)



EPRA NAV Reconciliation

	31 March 2018 £'000	30 September 2017 £'000	Movement £'000	Movement %
Investment properties	**720,759**	681,390	39,369	5.8%
Cash	**19,090**	32,145	(13,055)	(40.6%)
Other receivables	**7,677**	7,176	501	7.0%
Borrowings	**(380,064)**	(372,796)	(7,268)	2.0%
Other liabilities	**(25,986)**	(20,138)	(5,848)	29.0%
EPRA NAV	**341,476**	327,777	13,699	4.2%
Deferred tax liability	**(1,287)**	(575)	(712)	123.8%
Unadjusted NAV	**340,189**	327,202	12,987	4.0%

1 Comparative is the six month period ended 31 March 2017
2 Comparative as at 30 September 2017
3 Dividend cover is based on EPRA earnings compared to dividends paid over the six month period. Underlying dividend cover includes impact of properties under construction treated as completed from existing resources and generating expected rental income
4 As shown in note 7 to the financial statements
5 Movement on EPRA NAV per share between 30 September 2017 and 31 March 2018 and dividends paid during the period, divided by opening EPRA NAV per share
6 Based on share price movement between 30 September 2017 and 31 March 2018 and dividends paid and reinvested during the period
7 As shown in note 8 to the financial statements
8 Percentage point change
9 EPRA is the European Public Real Estate Association
10 The future dividend and return information on this page is a target and is not, nor is it intended to serve as a forecast. Returns depend on a range of factors which may vary in the future and there can be no guarantee that any dividend will be paid at all.

Chairman's statement

FOLLOWING MY APPOINTMENT AS CHAIRMAN IN FEBRUARY, I AM PLEASED TO PRESENT MY FIRST INTERIM RESULTS FOR THE COMPANY, ON BEHALF OF THE BOARD.

"In the first half of the financial year, your Company has continued to execute its strategy of buying high quality and sustainable properties. We selectively focus on larger and strategically important premises which will deliver primary care services beyond the existing leases. The Board continues to believe this focus and disciplined acquisition approach will deliver sustainable growth."

Highlights

As explained in the Investment Adviser's report, addressing the need for modern purpose-built primary healthcare premises remains a priority for the UK and Irish health systems. Underpinned by a high quality, sustainable portfolio generating secure, long term income and long term fixed rate funding, MedicX continues to offer a compelling investment proposition as it supports primary healthcare transformation in both the UK and the Republic of Ireland.

During the last six months, the Group improved the quality of its portfolio by continuing to deploy investment in larger dominant modern purpose-built assets, whilst completing the sale of five smaller non-core assets at above their book values. Overall, the portfolio grew by 5.8% to £719.7 million and EPRA earnings grew 5.7% to 1.85 pence per share. This was achieved at a time when the number of new primary healthcare schemes being commissioned remained relatively low and rent review uplifts continued to lag behind inflation.

Our focus on portfolio quality, together with healthcare transformation driven from modern purpose-built healthcare properties places MedicX in a strong position for further sustainable growth. The need for new health infrastructure is as compelling as ever. We have an ageing population which is growing. This manifests itself in complex multiple long term conditions, meaning that GPs and other health providers need to work together at scale, and deliver services seven days a week. The positive features of the maturing asset class have led to strong investor competition which in turn continues to drive down investment yields.

Following the Sir Robert Naylor report, MedicX and its Investment Adviser have continued to engage with key stakeholders and influencers within the NHS and Government to promote the potential benefits of the third party development ("3PD") procurement model.

The Company entered the UK REIT regime on 1 October 2017, which had the effect of exempting qualifying property income and capital gains from corporation tax. The Company's shareholders will benefit from the protection against future tax charges as the Group matures and generates increasing levels of profit.

The Company has a strong pipeline of approximately £110 million of investment opportunities of which £60m is currently in solicitors' hands. Subject to market conditions, the Company intends to issue up to 42,883,333 new Ordinary Shares at a premium to EPRA NAV after taking into account issuance cost, in order to partially fund an exclusive opportunity (to complete by 8 June 2018), the acquisition of a high quality portfolio of 12 primary care centres for £64 million. A number of other opportunities were reviewed in the period, and we have remained disciplined in our approach, turning some away which did not fit our investment criteria.

At the Annual General Meeting ("AGM") held on 8 February 2018, all proposed ordinary and special resolutions were passed almost unanimously by those shareholders who voted, including a resolution to authorise the non-pre-emptive issue of up to 42,883,333 Ordinary Shares at a price equal to or greater than the prevailing EPRA NAV per share.

At the AGM, David Staples, the Company's former Chairman, who had served since October 2008, chose not to stand for re-election. On the same day I was pleased to replace David as Chairman of the Board of Directors. The Board, would like to thank David for sharing the benefit of his knowledge and experience in taking the Company forward over his nine years as Chairman.

Results

The financial highlights reflect another positive period for MedicX, with increased rent receivable, improved profitability and portfolio growth. These were driven by rent reviews, acquisitions in the period and upward revaluations.

During the period, good progress has been made in the Republic of Ireland. MedicX's first scheme in Mullingar is now fully let and has been operating for over a year. The Health Service Executive is in active discussions to extend the building to add additional services. Additional neighbouring land has been acquired for this purpose and planning consent obtained for an extension. Work on site is expected to commence in the autumn. During February, two schemes in the Dublin area (Crumlin and Kilnamanagh Tymon) reached practical completion. Rent has started, tenants are taking occupation and services are commencing. The fourth Irish scheme in Rialto remains under construction and is expected to reach practical completion in early 2019. In addition to the four forward funded primary care centres in Ireland, MedicX also completed a purchase and leaseback in Kilkenny.

Through our relationships with our framework developers the pipeline in the UK is strong as commissioners and providers' interests become more aligned.

In line with published guidance, the Company increased its dividend during the period, with total dividends declared of 3.01p per Ordinary Share in respect of the six month period ended 31 March 2018, an increase of 0.8% compared with 2.9875p per Ordinary Share in the prior period to 31 March 2017. The Directors continue to expect that the Company will declare dividends totalling 6.04 pence per share for the financial year ending 30 September 2018, payable in equal quarterly distributions at the end of each following quarter.

Dividend cover measured against EPRA earnings increased marginally to 61.5% for the six month period to 31 March 2018 (31 March 2017: 59.0%). The increase resulted from the contribution to passing rent from two properties located in the Republic of Ireland reaching practical completion during the period, together with rent generated from the purchase of the primary care centre in Kilkenny, Ireland.

Gearing has remained within set parameters and was unchanged at 49.5% at 31 March 2018 (30 September 2017: 49.5%).

Strategy, dividend policy and outlook

The last six months have marked the start of a period of transformation for your Company as it entered the UK REIT regime on 1 October 2017, thereby protecting future returns against tax leakage. The Company also made some Board changes including my appointment as Chairman.

Our asset class continued to face a prolonged period where rental uplifts remained on average, lower than inflation and sector property yields continued to tighten as competition for assets remained fierce.

Over this period, MedicX's share price premium to Net Asset Value reduced in line with the investment company and REIT sectors generally, as commentators highlighted political uncertainty and an increasing likelihood of higher interest rates in the near future.

The results for the six month period again reinforced MedicX's successful investment policy and disciplined approached to acquisition selection of high quality, modern, purpose-built premises aligned with NHS priorities and demographic needs. Our portfolio is high quality as demonstrated by the following measures:

- average property age of just 9.1 years;
- market leading average asset size of £4.7 million;
- weighted average unexpired lease term of 14.0 years;
- occupancy of over 99%; and
- 89% of rent government backed income.

These are strong attributes which compare favourably with our long term debt profile, with an average term of 12.1 years at an average cost of 4.27% per annum.

Since MedicX was formed in 2006, primary healthcare has become a firmly established asset class for institutional capital, demonstrating consistently attractive returns, with a benchmark ten year track record of 9.4% per annum total return[1]. Over that same period, UK yields have tightened and are now around 4.25 - 4.75%[2], considerably lower than those of approximately 6.0% available when MedicX was formed. Looking ahead, we expect competition for assets to remain strong with yields remaining at these new levels. There are signs of rents beginning to increase on new schemes as a consequence of both rising land costs and higher build costs.

Chairman's statement continued

The macro environment is not unique to MedicX and the increased market focus on dividend cover for those companies with real illiquid assets was the backdrop for our recent strategic review by the Board. At this review we considered a wide range of matters to ensure the Company's long term sustainable growth, including risk and the corresponding expected levels of return, capital structure, investment policy, dividend policy and the Company's appeal to a wider range of investors which should be reflected in an improved share rating, enabling the Company to grow sustainably.

Since MedicX was formed 12 years ago, we have maintained and grown a long term visible income stream for our shareholders, and as part of that strategy we have been an active acquirer of high quality assets. Over that period, we have paid dividends totalling over £156 million (62.89 pence per share) to our shareholders. Our Investment Adviser believes that yields are likely to remain stable for high quality, modern, purpose-built primary healthcare properties meeting our investment criteria and, consequently, this necessitated a review of the Company's dividend distribution policy. Since formation, the Company has leveraged at near 50% and paid a high dividend, materially above market sub-sector yields and rental returns, which has delivered significant shareholder returns, while our direct peers are currently paying substantially covered dividends.

Were MedicX to maintain its current dividend policy, it would reduce our ability to evolve and take advantage of acquisition opportunities and also strengthen our capital structure. Following a consultation with a number of our major shareholders, the Board has taken the decision to rebase the dividend going forward and to lower the risk associated with the need for a relatively high leverage to support the existing dividend policy. It will also transition to a fully covered dividend for the 2019 financial year onwards. The new policy will better align the Company's dividend distributions with its current level of cash flows. The Company sees opportunities to grow its portfolio substantially and deliver the benefits of economies of scale; it would not be resetting the dividend if this were not the case and it is appreciative of the level of support received from shareholders consulted.

During this transition period to a fully covered dividend, your Board intends to maintain its previous announced guidance that it will declare and pay dividends totalling 6.04 pence per share for the 2018 financial year. Therefore, subject to unforeseen circumstances, dividends of 1.51 pence per Ordinary Share are expected to be paid in respect of the quarters ending 31 March, 30 June and 30 September 2018, payable quarterly up to 31 December 2018. Following this transition period, the Board expect to pay a rising quarterly dividend from a covered position. As an illustration, if the Company had declared and paid a fully covered dividend on the basis of the results for the six months ended 31 March 2018, less headroom of 5%, the dividend declared on an annualised basis would have been 3.5 pence per share[3]. Based on the share price at 31 March 2018, this would have given a covered dividend with a dividend yield of 4.45%.

The shift to a policy of a fully covered dividend will not change the total return achieved by shareholders, but instead will re-balance how shareholders receive that return between income and capital growth.

In light of the Company's strong pipeline of opportunities and society's increasing need for modern, purpose-built, integrated healthcare premises, the Board continues to consider that primary healthcare remains a compelling proposition with your Company being well placed to deliver long term value to shareholders.

Helen Mahy CBE
Chairman

21 May 2018

1 As published by MSCI as at 31 December 2017
2 As published by Laing Buisson according to CBRE
3 The future dividend and return information on this page is a target and is not, nor is it intended to serve as a forecast. Returns depend on a range of factors which may vary in the future and there can be no guarantee that any dividend will be paid at all.

Portfolio highlights

Cromer - Practical Completion

Crumlin - Practical completion

Pudsey - Asset management

Mullingar - First Anniversary

Kilnamanagh Tymon - Practical completion

Investment Adviser's report

BUILDING A BRIGHTER FUTURE FOR PRIMARY HEALTHCARE INVESTMENT

"GPs are continuing to move towards more collaborative working through federations, super practices or the emerging Integrated Care Systems and new health infrastructure is needed to deliver the Government's plan of delivering more services in primary care reducing pressure on hospitals."

How we are structured

Octopus Healthcare Adviser Ltd, which is part of the Octopus Healthcare group, is the Investment Adviser to the Company. Octopus Healthcare manages, invests in and develops properties as well as creating partnerships to deliver innovative healthcare buildings to improve the health, wealth and wellbeing of the UK and the Republic of Ireland. It currently manages over £1.4 billion of healthcare investments across a number of platforms, with a focus on five core areas: GP surgeries, care homes, special education schools, retirement housing and private hospitals.

Octopus Healthcare is part of the Octopus group, a fast-growing UK fund management business with leading positions in several specialist sectors including healthcare property, energy, property finance and smaller company investing. Octopus manages £7.7 billion of funds for more than 50,000 retail and institutional investors as well as supplying energy to more than 180,000 customers.

Octopus AIF Management Limited is the Fund Manager under the Alternative Investment Fund Managers Directive.

The market

The need for new modern purpose-built primary healthcare infrastructure remains a high priority for the NHS in delivering its Five Year Forward View. This need is driven by growing ageing populations in the UK and the Republic of Ireland with multiple long term medical conditions. Providing care for a larger older population puts increasing pressure on GPs and other health providers, which coupled with society's increasing demand for access to services twelve hours a day, seven days per week, means organisations providing care must respond by collaborating, working efficiently and at greater scale.

The Sir Robert Naylor report on the NHS estate published in March 2017, reinforced the importance of primary healthcare and its premises as part of the delivery of the NHS Five Year Forward View policy. The report also highlighted that private sector funding and expertise has a strong part to play in the transformation of the primary healthcare estate. Third party development ("3PD"), which is the model through which the Fund invests, is recognised as providing a good value for money procurement method available for commissioners in creating and delivering modern, new or refurbished premises which support the visions of the NHS and the Sustainability Transformation Plans ("STPs"). The Fund is well positioned to support primary healthcare transformation through its enhancement and investment in modern purpose-built premises.

The Government announced in its 2017 Autumn Budget, new additional funding of £6.3 billion for frontline NHS services and upgrades to buildings and facilities in England, which we welcome.

Despite wider market uncertainty following the result of the EU referendum, the UK market has remained highly competitive with continued downward pressure on yields with relatively high values as the assets are recognised for the security of their government backed income and crucial role in providing sustainable healthcare infrastructure.

MedicX's focus on its asset selection and portfolio quality together with health and social care transformation driven from modern purpose-built healthcare property, places the Company in a strong position for further sustainable growth.

Good progress has also been made by the Health Service Executive ("HSE") in the Republic of Ireland as it establishes new modern purpose-built integrated infrastructure. MedicX has already invested in five assets and owns part of a sixth site and it continues to build strong relationships with framework developers, GPs and the HSE.

In the UK, MedicX continues to build relationships with its strategic development partners, engaging with provider groups and working with its tenants to deliver new schemes and premises improvements and investing in "best in class" properties that meet the requirements of the STPs' underlying clinical and estates strategies, which will generate long term returns for shareholders.

Portfolio update

Over the six months ending 31 March 2018, the Group has continued to remain disciplined in committing new investment of £11.6 million, deploying £26.5 million of capital investment and growing the portfolio value by 5.8% to £719.7 million (30 September 2017: £680.4 million). Also, during the period asset sales were made in line with the strategy of focusing on high quality dominant and sustainable assets. In March 2018, MSCI published their primary care benchmark report. MedicX recorded a consistent total property return of 8.1%, 9.0% and 8.9% over 1, 3 and 5 years which is slightly behind the primary healthcare benchmark of 11.1%, 10.2% and 9.4% over the same time periods. The rental return was very much in line with the benchmark at 5.9% per annum, however, the capital return was below the benchmark for 2017, however strong capital gains have been achieved in the first half of 2018.

At 31 March 2018, the property portfolio had an average age of 9.1 years, average unexpired lease length of 14.0 years and an average property value of £4.7 million (30 September 2017: 8.7 years; 14.1 years; and £4.4 million). At 31 March 2018 the rent profile was almost unchanged with 82.7% from UK government-funded doctors and the NHS, 6.8% from the HSE and Irish GPs, 8.8% from pharmacies and 1.7% from other tenants.

Valuation

The valuation of the portfolio undertaken by Jones Lang LaSalle Limited and Cushman & Wakefield, independent valuers to the Group, totalled £722.7 million at 31 March 2018 on the basis that all properties were complete. This valuation reflects a UK net initial yield of 4.99% (5.08% as at 30 September 2017) and a yield reduction in the Republic of Ireland with a true equivalent yield of just above 6.6% (6.8% as at 30 September 2017). The carrying value of £719.7 million reflects the cost to complete the assets currently under development and includes five sites valued at a cost of £6.0 million which is a strong proxy for their fair value.

The net initial valuation yield on UK investments was 4.99% and the true equivalent yield on Irish investments was 6.6% compared with the Group's weighted average fixed rate debt of 4.27% and a benchmark 20-year gilt rate of 1.76% at 31 March 2018. Assuming the revolving credit facility was utilised and the new Bank of Ireland facility is drawn down, the Group's average cost of debt would fall to 4.17% which, once funds have been deployed will further enhance returns.

Rental Income

The annualised rent roll of the portfolio increased to £40.7 million, from £40.0 million at 30 September 2017. Excluding the rents of £0.4 million generated from the five non-core assets sold in the period this represents a 2.8% like for like increase providing improved economies of scale and lower ongoing cost ratios.

Acquisitions and Disposals

At 1 October 2017, the Group owned 156 properties of which five were under construction. During the six month period, five properties which no longer fitted our investment criteria were sold above book value, one modern asset was acquired in Kilkenny and one commitment to forward fund a new scheme near Glynneath in the Vale of Neath was entered into. During the period, two of the properties previously under construction in Dublin, Kilnamanagh Tymon and Crumlin, successfully reached practical completion resulting in 153 properties, four of which were under construction at 31 March 2018. During April 2018, the property in Cromer reached practical completion and the Group committed to forward funding a new surgery in Peterborough.

During the six months ending 31 March 2018 the Group also acquired four sites at a cost of £5.5 million in anticipation of entering into new forward funding commitments. In these situations MedicX does not take development risk and is protected by put options to sell the sites in the event that any scheme does not proceed. One of the four sites was the land at Peterborough which is now under development.

On 16 November the Group completed the sale of five properties located in Wolverhampton, Southampton, Gravesend, Leicester and Grimsby. These smaller assets were expected to have a lower likelihood of providing primary healthcare services over the long term. The total gross sale price was £5.6 million representing a gain of approximately £250,000 over the 30 September 2017 valuation, which after costs resulted in a profit on sale of £143,000.

On 20 November, the Group contracted to acquire, by way of forward funding at a cost of £4.6 million, a new primary healthcare medical centre near Glynneath in the Vale of Neath, South Wales. The property is due to be completed in early 2019 and will be let to the Health Board, the Vale of Neath Practice and a local pharmacy on leases with a term of 20 years from practical completion.

On 22 December, the Group completed its fifth acquisition in Ireland at Ayrfield Medical Park in Kilkenny by way of a purchase and leaseback to the doctors who developed the centre in 2011. In addition to the GPs, the 2,700 m^2 building is let to the HSE, a

Investment Adviser's report continued

pharmacy operator, a dental practitioner, a cafe and several other complementary healthcare providers. The GPs and Health Service Executive leases have over 18 years remaining and the pharmacy and dental operators have long leasehold interests. The total acquisition cost of the property was approximately €7.8 million.

Since 30 September 2017, two properties at Crumlin and Kilnamanagh Tymon reached practical completion which resulted in the Fund now owning four completed rent generating properties in the Republic of Ireland. Construction continued on the existing projects at Rialto, Brynmawr and Cromer, with Cromer completing in April 2018. Projects commenced at Vale of Neath and at Peterborough in April 2018. The outstanding commitment on the four properties under construction at 31 March 2018 was £10.4 million, with all properties expected to complete within the next 12 months.

The Fund has a pipeline of identified investment opportunities of more than £174 million in the UK and Republic of Ireland. Of these opportunities, £60 million of assets are undergoing legal due diligence. Subject to market conditions, the Company intends to issue up to 42.88 million new Ordinary Shares at a premium to EPRA NAV (after taking into account issuance costs) in order to partially fund an exclusive opportunity to complete by 8 June 2018, the corporate acquisition of a high quality portfolio of 12 primary care centres for £64 million. The acquisition complements our existing portfolio and would further enhance our key metrics. The majority of the opportunities in solicitors' hands are forward funding deals. They have been sourced from our framework arrangements with best in class developers and tailored specifically to the needs of the GPs and other care service providers and we are very confident they will be used for the delivery of primary care beyond the initial lease.

Rent review performance

During the six month period to 31 March 2018, the Fund averaged an overall blended rental uplift of 4.36% on settled reviews, equating to 1.48% per annum. This compares favourably to the average blended rent review results seen for the year ended 30 September 2017 of 1.02% per annum but remains below inflation.

A total of 40 rent reviews were concluded during the period, with a combined rental value of £4.3 million. Of these reviews, 0.73% per annum was achieved on open market reviews, 2.15% per annum was achieved on RPI based reviews and 2.75% per annum on fixed uplift reviews (30 September 2017: 0.52% per annum was achieved on open market reviews, 1.70% per annum was achieved on RPI based reviews and 2.38% per annum on fixed uplift reviews).

Outstanding rent reviews of £24.2 million of passing rent were under negotiation as at 31 March 2018.

Asset management

The Investment Adviser, on behalf of the Fund frequently reviews its portfolio for asset management opportunities and has identified a number of opportunities to enhance the portfolio mainly through extensions, refurbishments and lease re-gearing. The Investment Adviser is in detailed discussions on 14 asset management projects of which three schemes are well progressed and subject to final NHS approval. It is expected these three will be on-site within the next year.

Financing

The weighted average unexpired term of all drawn debt at 31 March 2018 was 12.1 years, closely matching the average remaining unexpired lease term of 14.0 years of the Fund's portfolio. The debt strategy remains to try to pick the optimal time to put in place the best available debt facilities with the most favourable terms whilst ensuring adherence to the Company's gearing target.

The adjusted gearing as at 31 March 2018 was 49.5% which is in line with target and the same as the adjusted gearing reported as at 30 September 2017. The Directors intend to reduce gearing over the long term but will continue over the immediate term to target borrowing of approximately 50% of the Company's total assets.

During the period significant progress was made on negotiations with the Group's lenders to restructure the debt facilities with the objectives of lowering the cost of capital and increasing efficiency and finance flexibility going forward.

The Group has agreed terms with a new lender to commit with Royal Bank of Scotland to the revolving credit facility which would be doubled in size and extended on the basis of the existing pricing of 2% over LIBOR when drawn. Due diligence has been completed and the amended facility is being documented with a view to completion in the coming weeks.

The Group has received proposals from Aviva to restructure its loans and it is expected that credit approval and documentation will commence shortly. The Group has also received proposals from Bank of Ireland to restructure its loans and partly fund the next phase of the pipeline. It is expected that the new Irish facilities will be put in place once the next two or three development opportunities are committed.

The covenants on all debt facilities were complied with, within the period and since the period end. The Company's market capitalisation was £337.2 million at a closing price on 31 March 2018 of 78.6 pence per share.

Overheads and progress on ongoing charges

The Group's Ongoing Charges Ratio ("OCR") (including direct property costs relative to average EPRA Net Asset Value) for the 6 months to 31 March 2018 made further progress falling from 1.28% to 1.16%. The Group expects further improvement in this measure as it continues to scale its operations.

Discounted cash flow valuation of assets

On the Fund's behalf, the Investment Adviser carries out a discounted cash flow ("DCF") valuation of the Group assets and associated debt at each period end. The basis of preparation is similar to that calculated by infrastructure funds. The values of each investment are derived from the present value of the property's expected future cash flows, after allowing for debt and taxation, using reasonable assumptions and forecasts based on the predominant lease at each property. The total of the present values of each property and associated debt cash flows so calculated is then aggregated with the surplus cash position of the Group.

At 31 March 2018, the DCF valuation was 100.9 pence per share compared with 98.5 pence per share at 30 September 2017, the increase resulting primarily from the tax benefit received on entry to the UK REIT regime, and to a lesser extent, the property acquisitions in the period.

In order to provide a consistent approach the assumptions applied in previous periods to the discount rates used of 7% for completed and occupied properties and 8% for properties under construction remain consistent. These represent 2.5% and 3.5% risk premiums to an assumed 4.5% long term gilt rate. The weighted average discount rate is 7.03% and this represented a 5.27% risk premium to the 20 year gilt rate at 31 March 2018 of 1.76 %.

On entry to the UK REIT regime, the Investment Adviser reassessed the tax assumptions and no longer provides for any UK capital gains or income tax on UK property rents and notional sales at the end of each lease. Capital gains tax is still assumed on the sale of Irish properties at a rate of 33% at the end of those assets' respective leases. At the same time as reassessing the tax assumptions, the Investment Adviser has reassessed the assumption that on average rent will increase at a rate of 2.5% per annum over the long term. The Investment Adviser has now adopted a new long term blended rental growth assumption of 2% per annum which is close to the actual rate of growth seen over the last 10 year period.

The level of gearing and cost of debt are maintained at current levels. 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).

For the discounted cash flow net asset value to equate to the share price as at 31 March 2018 of 78.6 pence per share, the discounted cash flow calculation would have to assume either, a weighted average discount rate of 9.76% or rent decreases of 1.85% per annum or capital reductions of 1.91% per annum.

Net asset value and sensitivity

With the exception of the Company's share price, which fell during a period when interest rates rose, the Fund's progress and performance has been positive with unadjusted Net Asset Value ("NAV") at 31 March 2018, having increased 3.9% to 79.3 pence per share (30 September 2017: 76.3 pence per share). EPRA Net Asset Value ("EPRA NAV") also increased and at 31 March 2018 was 79.6 pence per share which was a 4.1% improvement over 76.5 pence per share at 30 September 2017. This increase was achieved after paying a dividend of 3.01 pence per share in the period (31 March 2017: 2.9875 pence per share).

Overall the total return on EPRA NAV was 8.0% for the period (2017: 5.7%), being made up of 3.01 pence dividend return and 3.1 pence NAV return relative to the brought forward EPRA NAV of 76.5 pence per share.

A review of sensitivities has been carried out in relation to the valuation of properties. If valuation yields firmed by 0.25% to a net initial yield of 4.74%, the EPRA NAV would increase by approximately 8.8 pence per share to 88.4 pence per share and conversely, if valuation yields widened by 0.25% to a net initial yield of 5.24%, the EPRA NAV would decrease by approximately 8.0 pence per share to 71.6 pence per share.

Pipeline and investment opportunity

The spread between the yields at which the Fund can acquire properties and the cost of long term debt and government gilts remains significantly wider in the Republic of Ireland. The Investment Adviser has continued to successfully source properties through its established relationships with investors, developers and agents in the sector.

Interest in voting rights of the Company

The investment advisor has a beneficial interest in 2,376,506 Ordinary Shares in the company at 31 March 2018 (30 September 2017: 2,297,336), equivalent to 0.55% of the issued capital.

During the period the Investment Adviser received dividends on its holding in the Company in addition to fees received for services. The Investment Adviser received its dividends in the form of new Ordinary Shares under the Scrip Dividend Scheme in place. The cash equivalent of the dividends received by the Investment Adviser was £66,234 compared with £64,754 in the period ended 31 March 2017.

Mike Adams
Executive Chairman
Octopus Healthcare Adviser Ltd

21 May 2018

Principal risks and uncertainties

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

Strategic risks

Description	Mitigation	Movement*
Government policy: • Changes to the NHS funding model for the primary healthcare sector could lead to a reduction in development opportunities available to the Company. • The NHS currently reimburses GP's rental costs for premises used for providing primary healthcare. In the event of a change to this mechanism, the Company may not receive rental income when due and/or the total income received may be lower than due under the current leases. • A change in political policies as a result of the referendum vote for the UK to exit the EU is likely to continue to cause uncertainty in the domestic economic environment and create volatility in prices, interest rates, investment yields and inflation. • A change in government following a snap general election as a result of withdrawal of support for the current leadership could lead to significant delays in commissioning primary healthcare and a change in funding policies and priorities.	• The Investment Adviser provides an update on any expected changes in NHS provision at each Board meeting for consideration by the Board. The current government has stated that one of its policy objectives is to increase the provision of primary healthcare services in the community so a reduction in funding or support in this sector is considered unlikely given the long term structural policies in place. • The GPs have contracts with the NHS to cover the length and beyond of their lease (on average 14.0 years on properties held by the Group) and so a change to this reimbursement policy would be expected to have little impact in the immediate future. • The Board monitors the political and economic environment with input from its advisers. There is no exposure to primary care outside the UK and Republic of Ireland. • It has been published that the Labour Party are cautious about the benefits provided by some private sector infrastructure investment. The Investment Adviser attends meetings and industry events where the benefits and value for money of private sector third party development procurement commissioning are presented.	↔

Operational risks

Description	Mitigation	Movement*
Property yields: • A significant reduction in property yields could result in them falling below the Company's cost of capital, or not being available with an acceptable rate of return and low yields artificially reduce the pressure for rising rents at new schemes. • A property recession could materially adversely affect the value of properties which could put financial covenants under pressure.	• For existing properties contractual cash flows are fixed over the long-term so have little impact on EPRA returns. • The Board regularly review the Group's budget and five year forecast and completes a risk assessment and a long-term viability assessment which incorporates the Group Weighted Average Cost of Capital ("WACC"), dividend policy and sets the minimum property yield boundaries for future acquisitions.	↑
Cyber security: • There are a number of risks related to cyber security which include the risk of having the internal systems of the Investment Adviser infiltrated, information corrupted or information stolen.	• The security of the systems are internally monitored and regularly reviewed. Training is provided to employees of the Investment Adviser on cyber security matters to increase awareness and vigilance. Incident management is used to establish an incident response and disaster recovery response. • The review of suppliers to the Company includes an assessment of the quality of their cyber security systems and processes.	↔

* since 30 September 2017

Financial risks

Description	Mitigation	Movement*
Financing and debt management: • A significant reduction in the availability of financing could affect the Company's ability to source new funding for both refinancing purposes and to use for future acquisitions. • A significant rise in interest rates could make returns from alternative investments more attractive which could put downward pressure on the Company's share price making equity finance relatively more expensive.	• The Company mainly holds long-term facilities which greatly reduce the refinancing risk. The Company maintains relationships with a number of potential financing sources ensuring a range of financing options. • The Investment Adviser monitors and manages the debt facilities and reports on a regular basis to the Board. • The Company has maintained its acquisition discipline and dividend policy for the current period whilst agreeing terms to put in place two new debt facilities which will reduce the cost of capital and make the capital structure more efficient. The Company also has 14.8 million Ordinary Shares under its block listing which can be sold quickly and cost effectively to meet demand at a price near to the prevailing market share price.	⟷
Covenants: • A significant reduction in property valuations or income could result in a breach of loan covenants.	• Covenants are measured and monitored on a monthly basis by the Investment Adviser, with results reported to the Board for consideration. • The impact of potential property de-valuations on the covenants are considered by the Investment Adviser and discussed by the Board at quarterly Board meetings. A number of facilities contain cure provisions and the investment Adviser maintains an ongoing dialogue with the Group's lenders.	⟷
REIT status: • Ongoing REIT status (and exemption from corporation tax on the Group's qualifying property income and gains) requires compliance with a number of REIT conditions including the balance of business tests and requirement to distribute at least 90% of property income each year and maintenance of the Group's balance of business.	• The Company maintains a tax forecast and receives regular reports from its tax advisers and the Investment Adviser. This includes keeping the REIT conditions under review. At the current time there is significant headroom under the various REIT conditions.	⟷

Further details of the Audit Committee's risk monitoring activities may be found in the Report of the Directors, the Corporate Governance Statement and the Report of the Audit Committee on pages 40 to 51 of the Company's Annual Report and Financial Statements for the year ended 30 September 2017.

Responsibility statement of the directors
in respect of the half-yearly financial report

We confirm that to the best of our knowledge:
- the condensed set of financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU;
- the interim management report includes a fair review of the information required by:

  a) DTR 4.2.7R of the Disclosure Guidance and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and

  b) DTR 4.2.8R of the Disclosure Guidance and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

The list of Directors and their information is available in either the Company's 30 September 2017 year-end financial statements or on the Company's website, www.medicxfund.com

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

By order of the Board:

Helen Mahy CBE
Chairman

21 May 2018

Rialto
(in development)

Rialto
(CGI impression)

Independent review report
to MedicX Fund Limited

Conclusion
We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 31 March 2018 which comprises the Condensed consolidated statement of comprehensive income, the Condensed consolidated statement of financial position, the Condensed consolidated statement of changes in equity, the Condensed consolidated statement of cash flows and the related explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31 March 2018 is not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU and the Disclosure Guidance and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA").

Scope of review
We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. We read the other information contained in the half-yearly financial report and consider whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Directors' responsibilities
The half-yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FCA.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with International Financial Reporting Standards as adopted by the EU. The directors are responsible for preparing the condensed set of financial statements included in the half-yearly financial report in accordance with IAS 34 as adopted by the EU.

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

The purpose of our review work and to whom we owe our responsibilities
This report is made solely to the Company in accordance with the terms of our engagement to assist the Company in meeting the requirements of the DTR of the UK FCA. Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company for our review work, for this report, or for the conclusions we have reached.

Richard Kelly
for and on behalf of KPMG LLP
Chartered Accountants

15 Canada Square
London
E14 5GL

21 May 2018

Condensed consolidated statement of comprehensive income
For the six months ended 31 March 2018

	Notes	Six months ended 31 March 2018 (unaudited) £'000	Six Months ended 31 March 2017 (unaudited) £'000
Income			
Rent receivable		**19,591**	18,591
Service charge income		**123**	–
Other income		**233**	98
Total income		**19,947**	18,689
Direct property expenses		**(836)**	(838)
Service charge expenses		**(123)**	–
Net rental income		**18,988**	17,851
Share of net profit of equity accounted joint venture	16	**30**	–
		30	–
Realised and unrealised valuation movements			
Net valuation gain on investment properties	8	**18,290**	6,583
Profit/(loss) on disposal of investment properties	8	**143**	(25)
		18,433	6,558
Expenses			
Investment advisory fee	15	**1,938**	1,941
Property management fee	15	**470**	452
Administrative fees	15	**74**	57
Audit fees		**88**	79
Professional fees and other expenses		**304**	354
Directors' fees		**93**	72
Total expenses		**(2,967)**	(2,955)
Profit before interest and tax		**34,484**	21,454
Finance costs	4	**(8,145)**	(7,905)
Finance income	5	**17**	46
Net finance costs		**(8,128)**	(7,859)
Profit before tax		**26,356**	13,595
Taxation	6	**(712)**	(1,072)
Profit attributable to equity holders of the parent		**25,644**	12,523
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss:			
Foreign currency translation differences – foreign operations		**(35)**	57
Total comprehensive income attributable to equity holders of the parent		**25,609**	12,580
Earnings per Ordinary Share			
Basic and diluted	7	**6.0p**	3.1p

Condensed consolidated statement of financial position
As at 31 March 2018

	Notes	31 March 2018 (unaudited) £'000	30 September 2017 (audited) £'000
Non-current assets			
Investment properties	8	**719,706**	680,355
Investments in equity accounted joint venture		**1,053**	1,035
Total non-current assets		**720,759**	681,390
Current assets			
Trade and other receivables		**7,677**	7,176
Cash and cash equivalents	13	**19,090**	32,145
Total current assets		**26,767**	39,321
Total assets		**747,526**	720,711
Current liabilities			
Trade and other payables		**24,558**	18,682
Loans due within one year	9	**2,462**	2,213
Total current liabilities		**27,020**	20,895
Non-current liabilities			
Loans due after one year	9	**377,602**	370,583
Head lease liabilities	10	**1,428**	1,456
Deferred tax liability	6	**1,287**	575
Total non-current liabilities		**380,317**	372,614
Total liabilities		**407,337**	393,509
Net assets		**340,189**	327,202
Equity			
Share capital	11	**–**	–
Share premium	11	**269,406**	269,419
Treasury shares	11	**(5,864)**	(6,148)
Foreign currency translation reserve	12	**(77)**	(42)
Other reserve	12	**76,724**	63,973
Total attributable to equity holders of the parent		**340,189**	327,202
Net asset value per share			
Basic and diluted	7	**79.3p**	76.3p

The condensed consolidated interim financial statements were approved and authorised for issue by the Board of Directors on 21 May 2018 and were signed on its behalf by

Helen Mahy CBE
Chairman

21 May 2018

Condensed consolidated statement of changes in equity
For the six months ended 31 March 2018

	Notes	Share premium (unaudited) £'000	Treasury shares (unaudited) £'000	Foreign currency translation reserve (unaudited) £'000	Other reserve (unaudited) £'000	Total equity (unaudited) £'000
Balance at 1 October 2016		**234,846**	**(6,835)**	**53**	**50,097**	**278,161**
Shares issued from block listing		20,387	–	–	–	20,387
Scrip issue of shares from treasury (net of costs)		31	472	–	–	503
Share issue costs		(221)	–	–	–	(221)
Dividends paid	14	–	–	–	(11,929)	(11,929)
Transactions with owners		20,197	472	–	(11,929)	8,740
Profit attributable to equity holders of the parent		–	–	–	12,523	12,523
Other comprehensive income:						
Foreign currency translation differences		–	–	57	–	57
Total comprehensive income for the period		–	–	57	12,523	12,580
Balance at 31 March 2017		**255,043**	**(6,363)**	**110**	**50,691**	**299,481**
Shares issued from block listing		14,545	–	–	–	14,545
Scrip issue of shares from treasury (net of costs)		16	215	–	–	231
Share issue costs		(185)	–	–	–	(185)
Dividends paid		–	–		(12,819)	(12,819)
Transactions with owners		14,376	215	–	(12,819)	1,772
Profit attributable to equity holders of the parent		–	–	–	26,101	26,101
Other comprehensive income:						
Foreign currency translation differences		–	–	(152)	–	(152)
Total comprehensive income for the period		–	–	(152)	26,101	25,949
Balance at 30 September 2017		**269,419**	**(6,148)**	**(42)**	**63,973**	**327,202**
Scrip issue of shares from treasury (net of costs)		1	284	–	–	285
Share issue costs		(14)	–	–	–	(14)
Dividends paid	14	–	–		(12,893)	(12,893)
Transactions with owners		(13)	284	–	(12,893)	(12,622)
Profit attributable to equity holders of the parent		–	–	–	25,644	25,644
Other comprehensive income:						
Foreign currency translation differences		–	–	(35)	–	(35)
Total comprehensive income for the period		–	–	(35)	25,644	25,609
Balance at 31 March 2018		**269,406**	**(5,864)**	**(77)**	**76,724**	**340,189**

Condensed consolidated statement of cash flows
For the six months ended 31 March 2018

	Notes	Six months ended 2018 (unaudited) £'000	Six months ended 2017 (unaudited) £'000
Operating activities			
Profit before taxation		**26,356**	13,595
Adjustments for:			
Net valuation gain on investment properties	8	**(18,290)**	(6,583)
(Profit)/loss on disposal of investment properties	8	**(143)**	25
Share of net profit of equity accounted joint venture	16	**(30)**	–
Finance income	5	**(17)**	(46)
Finance costs	4	**8,145**	7,905
		16,021	14,896
(Increase)/decrease in trade and other receivables		**(505)**	1,108
Increase in trade and other payables		**5,842**	2,979
Interest paid		**(7,947)**	(7,627)
Interest received		**20**	47
Net cash inflow from operating activities		**13,431**	11,403
Investing activities			
Acquisition of investment properties		**(7,506)**	–
Proceeds from sale of investment properties	8	**5,575**	812
Payments for investment properties and properties under construction		**(19,477)**	(42,558)
Dividends received from joint venture		**12**	–
Net cash outflow from investing activities		**(21,396)**	(41,746)
Financing activities			
Net proceeds from issue of share capital		**(14)**	20,166
New loan facilities drawn	9	**8,231**	11,000
Repayment of borrowings	9	**(1,033)**	(981)
Loan issue costs	9	**(92)**	(36)
Dividends paid	14	**(12,158)**	(11,426)
Net cash (outflow)/inflow from financing activities		**(5,066)**	18,723
Decrease in cash and cash equivalents		**(13,031)**	(11,620)
Effects of currency translation on cash and cash equivalents		**(24)**	(1)
Opening cash and cash equivalents		**32,145**	20,968
Closing cash and cash equivalents	13	**19,090**	9,347

Notes to the condensed consolidated financial statements
For the six months ended 31 March 2018

1. General information

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

The Company has a premium listing on the London Stock Exchange.

The condensed consolidated interim financial information does not constitute the statutory financial statements of the Group within the meaning of section 245 of The Companies (Guernsey) Law, 2008. The Board of Directors approved the statutory financial statements for the year ended 30 September 2017 on 11 December 2017. The report of the auditor on those financial statements was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 263 of The Companies (Guernsey) Law, 2008.

The condensed consolidated interim financial statements for the six months ended 31 March 2018 have been presented in pounds sterling, which is the functional and presentational currency of the Group, and rounded to the nearest thousand pounds. The condensed consolidated interim financial information has been reviewed, not audited, and was approved and authorised for issue by the Board of Directors on 21 May 2018.

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

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

2. Basis of preparation

The condensed consolidated interim financial information for the six months ended 31 March 2018 has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and with IAS 34 'Interim financial reporting' as adopted by the European Union. The condensed consolidated interim financial information should be read in conjunction with the financial statements for the year ended 30 September 2017, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union.

Going concern

The Directors have performed an assessment of the pertinent information to satisfy themselves that the Group has the ability to settle its liabilities as they fall due, for the foreseeable future, and that it therefore remains appropriate to adopt the going concern basis of accounting.

The assessment considered the political and economic environment, the current position of the Group and its commitments and acquisition pipeline as well as its available sources of current and future funding.

At 31 March 2018 the Group had net assets of £340.2 million, cash of £19.1 million and net current liabilities of £0.2 million. The Group also had £20.0 million of committed funding immediately available from its revolving credit facility and €10.6 million of committed development finance to draw to fund the completion of the Group's projects in the Republic of Ireland.

At the date of this report, the Company has agreed heads of terms with two lenders and documentation is in progress to secure an enlargement of the revolving credit facility and to put in place a new long term loan facility. Negotiations continue with the Group's lenders in the Republic of Ireland who have expressed an appetite to partner with the Group in funding further near term opportunities. More detail is provided in the Investment Adviser report together with information describing the strength of the asset pipeline and the Board's decision to seek to raise new equity capital in the immediate future. Progression with the pipeline is dependent on the successful execution of new funding but because of the various available sources and committed facilities, the Directors consider it likely that they will be able to raise any funds required should they continue to invest in any of the pipeline opportunities identified to date.

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

The Group's financial forecasts show that it can remain within its lending facilities, meet its financial obligations and support its dividend policy as they fall due for at least the next twelve months. The Directors also believe that the Group is well placed to manage its business risks successfully in the current economic environment. Accordingly, they continue to adopt the going concern basis of accounting in preparing these condensed consolidated interim financial statements.

3. Accounting policies

The accounting policies and presentation of figures are consistent with those of the annual financial statements for the year ended 30 September 2017, as described in those annual financial statements, except as disclosed below:

Taxation

Taxes on profits in interim periods are estimated using the tax rate that would be applicable to expected total annual profits. The Irish income tax rate of 20% and capital gains tax rate of 33% has remained consistent over the period.

Use of estimates

In the process of applying the Group's accounting policies described within the financial statements for the year ended 30 September 2017, the Directors are required to make certain judgements and estimates to arrive at the carrying value for its assets and liabilities.

Use of judgements

Significant areas requiring judgement in the preparation of these financial statements include the valuation of properties, the estimated expected uplift in rent reviews past their review dates, and the investment advisory performance fee accrual. The significant areas requiring judgement are consistent with those reported within the financial statements for the year ended 30 September 2017, with the exception of (a) the investment advisory performance fee accrual, which is known at the year end and as such does not require significant judgement as it does in these interim financial statements; and (b) as of 31 March 2018 the Directors have made an assessment and determined that 35% of total Group funds injected into the subsidiary which owns properties in the Republic of Ireland are neither planned nor likely to be repaid and as such should be regarded as a non-monetary net investment in foreign operations which in the same way as equity is not subject to foreign exchange retranslation.

4. Finance costs

	Six months ended 31 March 2018 £'000	Six months ended 31 March 2017 £'000
Interest payable on long-term loans	**8,328**	7,676
Amortisation of loan issue cost	**609**	557
Amortisation of fair value on acquired loans	**(449)**	(453)
	8,488	7,780
Interest capitalised on properties under construction	**(368)**	(183)
Foreign exchange loss	**25**	308
	8,145	7,905

During the period interest costs on funding attributable to investment properties under construction were capitalised at an effective interest rate of 4.27% (31 March 2017: 4.38%). The funding was generally sourced from all of the loan facilities outlined within note 9, however, where properties under construction were secured against a specific loan, the interest for that facility was capitalised at the prevailing rate applicable to that loan.

The foreign exchange loss is derived from the retranslation of monetary assets and liabilities denominated in Sterling (which is a foreign currency for the Group's Irish property owning subsidiary, MedicX Properties Ireland Limited, which has a functional currency of the Euro). The Company has provided Sterling loans to MedicX Properties Ireland Limited which are eliminated on consolidation.

Notes to the condensed consolidated financial statements continued

5. Finance income

	Six months ended 31 March 2018 £'000	Six months ended 31 March 2017 £'000
Bank interest receivable	**17**	46

6. Taxation

	Six months ended 31 March 2018 £'000	Six months ended 31 March 2017 £'000
Deferred tax		
Charge for the year	**712**	1,072
Total tax charge	**712**	1,072

A reconciliation of the actual tax charge to the notional tax charge applying the average standard rate of UK corporation tax of 19.0% (2017: 20.0%) is set out below:

	Six months ended 31 March 2018 £'000	Six months ended 31 March 2017 £'000
Profit before tax	**26,356**	13,595
Profit before tax multiplied by the average standard rate of corporation tax in the UK of 19.0% (2017: 20.0%)	**5,008**	2,719
Exempt property business profits	**(1,313)**	–
Expenses/(income) not deductible/taxable for tax purposes	**–**	(358)
Profits not subject to UK taxation	**(3,010)**	(1,216)
Adjustments in respect of prior periods	**–**	9
Other movements	**8**	–
Difference between deferred and current tax rates	**309**	–
Movement in unrecognised deferred tax	**(290)**	(82)
Total tax charge	**712**	1,072

Deferred Taxation

	Fair value gains £'000	Accelerated capital allowances £'000	Unrelieved management expenses £'000	Total £'000
At 1 October 2016	**948**	**6,616**	**(1,677)**	**5,887**
Released on entry into the REIT regime	(948)	(6,616)	1,677	(5,887)
Provided/(released) in the year	613	153	(191)	575
At 30 September 2017	**613**	**153**	**(191)**	**575**
Provided/(released) in the period	555	176	(19)	712
At 31 March 2018	**1,168**	**329**	**(210)**	**1,287**

At 31 March 2018 the Group has recognised deferred tax liabilities on the revaluation of its properties located in the Republic of Ireland at a rate of 33% (30 September 2017: 33%) and deferred tax assets on losses carried forward at 20% (30 September 2017: 20%).

7. Earnings and net asset value per Ordinary Share

Basic and diluted earnings and net asset value per share

The basic and diluted earnings per Ordinary Share are based on the profit for the period attributable to Ordinary Shares of £25,644,000 (2017: £12,523,000) and on 428,741,288 (2017: 400,184,956) Ordinary Shares, being the weighted average aggregate of Ordinary Shares in issue calculated over the six month period, excluding amounts held in treasury. This gives rise to a basic and diluted earnings per Ordinary Share of 6.0 pence (2017: 3.1 pence) per Ordinary Share.

The basic and diluted net asset value per Ordinary Share are based on the net asset position at the period end attributable to Ordinary Shares of £340,189,000 (2017: £327,202,000) and on 428,980,576 (2017: 428,640,144) Ordinary Shares being the aggregate of Ordinary Shares in issue at the period end, excluding amounts held in treasury. This gives rise to a basic and diluted net asset value per Ordinary Share of 79.3 pence per Ordinary Share (30 September 2017: 76.3) pence per Ordinary Share.

EPRA earnings per share and net asset value per share

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

	Six months ended 31 March 2018 £'000	Six months ended 31 March 2017 £'000
Profit attributable to equity holders of the parent	**25,644**	12,523
Adjusted for:		
Deferred tax charge	**712**	1,072
Revaluation gain	**(18,290)**	(6,583)
Profit on disposal of investment properties	**(143)**	–
EPRA earnings	**7,923**	7,012
EPRA EPS	**1.85p**	1.75p
Weighted average number of Ordinary Shares	**428,741,288**	400,184,956

	31 March 2018 £'000	30 September 2017 £'000
Net assets	**340,189**	327,202
Adjusted for:		
Deferred tax liability	**1,287**	575
EPRA net assets	**341,476**	327,777
EPRA net asset value per Ordinary Share – basic and diluted	**79.6p**	76.5p

	31 March 2018 £'000	30 September 2017 £'000
Net assets	**340,190**	327,202
Adjusted for:		
Fair value of debt	**(42,416)**	(42,574)
EPRA NNNAV	**297,774**	284,628
EPRA NNNAV per Ordinary Share – basic and diluted	**69.4p**	66.4p
Ordinary Shares in issue at the period/year end	**428,980,576**	428,640,144

Notes to the condensed consolidated financial statements continued

8. Investment properties

	Completed investment properties £'000	Properties under construction £'000	Total investment properties £'000
Fair value 1 October 2016	**597,410**	**14,854**	**612,264**
Additions	30,182	20,883	51,065
Disposals at valuation	(2,068)	–	(2,068)
Transfer to completed properties	18,013	(18,013)	–
Revaluation	17,590	1,064	18,654
Foreign exchange movements	–	440	440
Fair value 30 September 2017	**661,127**	**19,228**	**680,355**
Additions	6,575	19,891	26,466
Disposals at valuation	(5,321)	–	(5,321)
Transfer to completed properties	22,485	(22,485)	–
Revaluation	17,519	771	18,290
Foreign exchange movements	(37)	(47)	(84)
Fair value 31 March 2018	**702,348**	**17,358**	**719,706**

	Total investment properties £'000
Fair value per JLL UK valuation report	**656,651**
Fair value per JLL Ireland	**33,275**
Sites purchased for forward funding schemes	2,735
Ground rents recognised as finance leases	1,456
Rent incentives	(497)
Cost to complete properties under construction	(13,265)
Fair value 30 September 2017	**680,355**
Fair value per JLL UK valuation report	**673,143**
Fair value per C&W Ireland	**49,542**
Sites purchased for forward funding schemes	6,386
Ground rents recognised as finance leases	1,428
Rent incentives	(543)
Cost to complete properties under construction	(10,250)
Fair value 31 March 2018	**719,706**

Investment properties are initially recognised at cost and then subsequently measured at fair value, which has been determined based on the market valuations performed by Jones Lang LaSalle Limited ("JLL") for the properties held within the United Kingdom as at 31 March 2018. The valuation assumes that a purchaser's offer price to the Group would be net of standardised purchaser's costs (which are estimated at 6.58% (30 September 2017: 6.53%) of what would otherwise be the purchase price).

Investment properties completed and under construction located in the Republic of Ireland have been valued by Cushman & Wakefield ("C&W"). The properties have been valued in line with the approach taken within the UK outlined below. Irish stamp duty on commercial properties increased from 2% to 6% in October 2017 which increased the notional purchasers cost used as at 31 March 2018. (Notional purchasers cost of 8.46% (30 September 2017 4.46%) were assumed).

The sites purchased for forward funding schemes were valued by JLL or C&W as part of the acquisition due diligence. At 31 March 2018 a total of 5 sites (30 September 2017: 2) are recorded at cost which is regarded as their fair value because these are held with the benefit of a put option should the scheme not proceed.

The freehold and long leasehold interests in the property investments of the Group were valued at an aggregate of £722,685,000 as at 31 March 2018 (30 September 2017: £689,926,000) by JLL and C&W. This valuation assumes that all properties, including those under construction, are complete and includes the value of assets under construction translated at an exchange rate of £0.88 per €1 for those assets located in the Republic of Ireland.

The valuers' opinions of market value were derived using valuation techniques and comparable recent market transactions on arm's length terms. JLL has valued these properties for reporting purposes since 31 March 2008 and C&W have valued the properties for reporting purposes since 1 June 2017.

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

On 16 November 2017 the Group completed the sale of five primary healthcare properties located in Wolverhampton, Southampton, Gravesend, Leicester and Grimsby. The total gross sale price was £5.6 million. The sale price was close to the net book value and after deducting sales costs, a profit on disposal of £143,000 was recognised.

The average net initial yield for assets located within the UK at 31 March 2018 was 4.99% (30 September 2017: 5.08%).

The fair value of investment properties is considered to be based on a number of significant assumptions. If the valuation yield were to shift by 0.25% on each property, this would result in an impact on the valuation of the properties of approximately £37.0 million (30 September 2017: £36.0 million). If rent reviews of 2% were achieved on the full portfolio with no yield movement the valuation of properties would increase by approximately £14 million.

During the period the loan facilities, as disclosed in note 9, were utilised to fund development work on investment properties under construction. Interest costs of £368,000 (31 March 2017: £183,000) attributable to development work in progress were capitalised during the period.

Notes to the condensed consolidated financial statements continued

9. Loans

	31 March 2018 £'000	30 September 2017 £'000
Total facilities drawn down	**382,956**	375,757
Loan issue costs	**(15,636)**	(15,544)
Amortisation of loan issue costs	**6,527**	5,917
Fair value arising on acquisition of subsidiaries	**11,645**	11,645
Amortisation of fair value adjustment on acquisition	**(5,428)**	(4,979)
	380,064	372,796
Less: Loans due within one year	**(2,462)**	(2,213)
Loans due after one year	**377,602**	370,583

The current portion of long term loans relates to the amount due in the next twelve months on the Aviva PMPI, Aviva GPG and Aviva Fakenham loan facilities; the terms of these loans are described below.

The Group has eight primary debt facilities drawn. In addition, the Group has a revolving loan facility with RBS which consists of a £20 million commitment and £10 million extension subject to approval. The RBS facility was undrawn at 31 March 2018. Repayments of the loans listed above fall due as follows:

Analysis of the loans due after one year:

	31 March 2018 £'000	30 September 2017 £'000
Between one and two years	**2,573**	2,517
Between two and five years	**9,941**	8,802
Over five years	**365,088**	359,264
	377,602	370,583

Covenants

All the financial covenants on the loan facilities were complied with during the period and subsequently.

Mark to market of fixed rate debt

The Group does not mark to market its fixed interest debt in its financial statements, other than the recognition of a fair value adjustment on the acquisition of any debt facilities. The unamortised fair value adjustment on acquired loans was £6,217,000 as at 31 March 2018 (30 September 2017: £6,666,000).

A mark to market calculation gives an indication of the benefit or liability to the Group of the fixed rate debt given the estimated prevailing cost of debt over the remaining life of the debt. An approximate mark to market calculation has been undertaken following advice from the Group's lenders, with reference to the fixed interest rate on the individual debt facilities, and the fixed interest rate, including margin, achievable on the last business day of the financial year for a loan with similar terms to match the existing facilities. The debt benefit or liability is calculated as the difference between the present values of the debt cash flows at the two rates over the remaining term of the loan, discounting the cash flows at the prevailing LIBOR rate. The approximate mark to market liability of the total fixed rate debt to the Group was £42,416,000 as at 31 March 2018 (30 September 2017: £42,574,000).

Cash flow movements

During the period, the principal cash flow movements on the Group's loan facilities were as follows:

	Six months ended 31 March 2018 £'000	Six months ended 31 March 2017 £'000
Draw down of Bank of Ireland facility	**8,231**	–
Drawn down on Revolving Credit Facility	**–**	11,000
New loan facilities drawn	**8,231**	11,000
Repayment of mortgage principal	**(38)**	(86)
Repayment of Aviva PMPI loan facility	**(692)**	(655)
Repayment of Aviva GPG loan facility	**(251)**	(240)
Repayment of Aviva Fakenham loan facility	**(52)**	–
Repayment of long-term borrowings	**(1,033)**	(981)
Aviva £100m loan facility costs	**–**	(12)
Aviva Fakenham loan facility costs	**30**	–
RBS loan facility costs	**–**	(2)
Standard Life facility costs	**(55)**	(8)
Bank of Ireland facility costs	**(67)**	(14)
Loan issue costs	**(92)**	(36)

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

10. Head lease liabilities

	31 March 2018		30 September 2017	
	Present value £'000	**Minimum lease payments £'000**	Present value £'000	Minimum lease payments £'000
Due within one year	**89**	**98**	93	102
Between one and five years	**288**	**395**	297	407
Over five years	**1,051**	**7,881**	1,066	7,745
	1,428	**8,374**	1,456	8,254
Less future interest costs	**–**	**(6,946)**	–	(6,798)
	1,428	**1,428**	1,456	1,456

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

Notes to the condensed consolidated financial statements continued

11. Share capital

No Ordinary Shares of no par value were issued during the period except to satisfy demand for the scrip dividend alternative.

	Number of shares
Total shares issued as at 30 September 2017 and 31 March 2018	**436,002,399**
Shares held in treasury (see below)	(7,021,823)
Total voting rights in issue as at 31 March 2018	**428,980,576**

At 31 March 2018 the Company had 14,771,668 (30 September 2017: 14,771,668) Ordinary Shares of no par value remaining under its block listing facility.

Treasury shares were utilised to satisfy demand for shares in lieu of cash for dividends elected under the Company's scrip dividend scheme. The transactions and relevant price per share are shown below:

	Number of shares	Price per share
Total shares held in treasury as at 30 September 2017	**7,362,255**	**83.50 pence**
Shares utilised in lieu of cash payment of dividends:		
29 December 2017	(193,187)	84.70 pence
29 March 2018	(147,245)	85.56 pence
	(340,432)	
Total shares held in treasury as at 31 March 2018	**7,021,823**	

The closing value of shares held in treasury issued at 83.50 pence per share each is £5,864,000 (2017: £6,148,000).

Any cash consideration received in excess of the price the treasury shares were purchased at has been included in share premium. Any share issue costs incurred are charged to the share premium.

12. Other reserves

The movement in other reserve is set out in the Condensed consolidated statement of changes in equity.

In accordance with the Companies (Guernsey) Law 2008, as amended ("2008 Law") the other reserve is freely distributable with no restrictions. In addition, distributions from the share premium account do not require the sanction of the court. The Directors may authorise a distribution at any time from share premium or accumulated gains provided that they are satisfied on reasonable grounds that the Company will immediately after the distribution satisfy the solvency test prescribed in the 2008 Law and that it satisfies any other requirements in the Company's Articles of Incorporation.

The Company's other reserve is used to accumulate annual profits or losses for each year, less dividends declared and paid. The foreign currency translation reserve comprises foreign exchange differences created on consolidation of foreign operations.

13. Cash and cash equivalents

	31 March 2018 £'000	30 September 2017 £'000
Cash and balances with banks	**19,090**	32,145

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

Included in the above amounts are balances that are held in restricted accounts which are not immediately available for use by the Group of £7,000,000 (30 September 2017: £5,245,000). These amounts are ring-fenced for investment in the completion of the properties under construction which they finance or are held in lieu of property collateral.

14. Dividends

	Six months ended 31 March 2018		Six months ended 31 March 2017	
	£'000	Dividend per share	£'000	Dividend per share
Quarterly dividend declared and paid				
29/31 December	**6,429**	**1.50p**	5,858	1.4875p
Quarterly dividend declared and paid				
29/31 March	**6,464**	**1.51p**	6,071	1.50p
Total dividends declared and paid during the year	**12,893**		11,929	
Quarterly dividend declared after period end	**6,478**	**1.51p**	6,180	1.50p
Cash flow impact of scrip dividends paid on:				
29/31 December 2017/2016	**163**		359	
29/31 March 2018/2017	**122**		144	
Total cash equivalent value of scrip shares issued	**285**		503	
Cash payments made for dividends declared and paid	**12,608**		11,426	

The dividend paid on 29 March 2018 was declared as 50% Property Income Distribution ("PID") and 50% regular dividend. Elections to receive the PID gross were received in respect of 121.5 million shares. Withholding tax at 20% was therefore deducted with respect to 298.5 million shares. The withholding tax amounted to £450,783 and was paid to HMRC shortly after 31 March 2018.

Dividends are scheduled for the end of March, June, September and December of each year, subject to Board approval and shareholder approval at the AGM of the dividend policy. On 1 May 2018, the Board approved a dividend of 1.51 pence per share, bringing the total dividend declared in respect of the period to 31 March 2018 to 3.02 pence per share. The record date for the dividend was 18 May 2018 and the payment date is 29 June 2018. The amount disclosed above is the cash equivalent of the declared dividend. The option to issue scrip dividends in lieu of cash dividends, with effect from the quarterly dividend paid in June 2010, was approved by a resolution of shareholders at the Company's Annual General Meeting on 10 February 2010. On 1 May 2018 the Board announced an opportunity for qualifying shareholders to receive the June 2018 dividend in new Ordinary Shares fully paid up instead of cash.

Notes to the condensed consolidated financial statements continued

15. Material contracts

Investment Adviser

Octopus Healthcare Adviser Ltd is appointed to provide investment advice under the terms of an agreement dated 17 October 2006 as subsequently amended 20 March 2009, 17 February 2013, 24 September 2013, 20 November 2015 and 29 September 2017 (the "Investment Advisory Agreement" or "Agreement"). Fees payable under this agreement are:

(i) a tiered investment advisory fee set at 0.50% per annum on healthcare property assets up to £750 million, 0.40% per annum payable on assets between £750 million and £1 billion, and 0.30% per annum payable on assets over £1 billion subject to a total minimum annual fee of £3.878 million or, if lower, the fee that would have been payable under the old fee structure until the consolidated property asset value reaches £782 million after which no minimum fee shall apply;
(ii) a property management fee of 3% of gross rental income up to £25 million, and 1.5% of gross rental income over £25 million;
(iii) a corporate transaction fee of 1% of the gross asset value of any property owning subsidiary company acquired; and
(iv) a performance fee based upon total shareholder return.

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

The hurdle rate applied in the period ended 31 March 2018 was 10% per annum (2017: 10%). The high watermark used for the calculation of the performance fee for the period to 31 March 2018 was the price which would have given a compounded 10% total shareholder return over the high watermark at 30 September 2017 (92.25 pence per share) with dividends reinvested. The current high watermark is set with reference to the theoretical share price during September 2017, which now forms a base for measuring shareholder return over the current year for the purpose of assessing whether a performance fee will be payable.

The investment advisory base fee and performance fee earned in aggregate in any one financial year cannot be paid in excess of 1.5% of gross assets (excluding cash), such limit being equivalent to the investment advisory base fee that was in existence prior to the change. The excess, if any, of the aggregate of the investment advisory base fee and performance fee earned in any one financial year over 1.5% of gross assets (excluding cash) is not payable but is carried forward to future years or termination of the Investment Advisory Agreement, subject at all times to the annual 1.5% of gross assets (excluding cash) fee limit. On 29 September 2017 the Investment Advisory Agreement was amended following the Company's entry into the UK REIT regime. The fee structure and notice period remained unchanged providing for a rolling contract subject to the Company's ability to serve two years' notice.

The Investment Adviser provides accounting administration services for no additional fee. In addition Octopus AIF Management Limited acts as the Company's Alternative Investment Fund Manager for no additional fee.

During the period, the agreements with Octopus Healthcare Adviser Ltd gave rise to £2,408,000 (2017: £2,393,000) of fees as follows:

	Six months ended 31 March 2018 £'000	Six months ended 31 March 2017 £'000
Expensed to the consolidated statement of comprehensive income:		
Investment advisory fee	**1,938**	1,941
Investment advisory performance fee	**–**	–
Property management fees	**470**	452
Capitalised as part of property acquisition costs:		
Corporate acquisition fees	**–**	–
Total Fees	**2,408**	2,393

Of these fees, £969,500 (March 2017: £962,000) remained unbilled or outstanding at the end of the period.

Administrator

Each Group company has entered into a separate administration agreement with International Administration Group (Guernsey) Limited for the provision of administrative services which were renewed with effect from 1 January 2018. Under these agreements fees were incurred totalling £79,000 (31 March 2017: £69,000) for the provision of corporate secretarial services to all Group companies and other administrative services.

Of these fees £30,190 (31 March 2017: £22,000) remained unbilled or outstanding at the period end.

16. Investments in joint venture

The Group has joint control over GP Property Limited which has issued two ordinary £1 voting shares to each of the parties who have joint control.

GP Property Limited is a Guernsey company which is a joint venture with General Practice Investment Corporation Limited and its principal activity is investment in and enhancement of primary healthcare properties. Joint control is exercised through the joint venture's board of directors which includes 3 members appointed by the holders of each class of ordinary share. As at 31 March 2018 the Group holds all the preference shares of the joint venture which gives the Group rights to 99.99% of the joint venture's net assets.

Investments in equity accounted joint venture are as follows	£'000
1 October 2016	**–**
Equity accounted share of net profits	**13**
Dividends received	**(3)**
Preference share capital	**1,025**
As at 30 September 2017	**1,035**
Equity accounted share of net profits	**30**
Dividends received	**(12)**
As at 31 March 2018	**1,053**

All of the dividends received in the current year were paid in cash.

Notes to the condensed consolidated financial statements continued

16. Investments in joint venture continued

Financial information related to the joint venture is set out below.

	31 March 2018 £'000	30 September 2017 £'000
Non-current assets	–	–
Current assets (100%)	987	967
Current liabilities (100%)	(19)	(17)
Net assets reported	**968**	950
Proportion of the Group's rights (99.99%)	**968**	950
Revenue (100%)	34	24
Expenses (100%)	(4)	(11)
Net profit (100%)	**30**	13

17. Commitments

At 31 March 2018, the Group had commitments of £10.4 million (30 September 2017: £21.3 million) to complete properties under construction.

18. Related party transactions

During the 30 September 2017 year the Group entered into a joint venture agreement with General Practice Investment Corporation Limited through a company called GP Property Limited. The agreement states the Group will have joint control over the joint venture Company. During the period, dividends of £12,000 (March 2017: £nil) were received and capitalised.

During the period, the Group continued its procurement of assets from General Practice Investment Corporation under existing arm's length agreements.

19. Subsequent events

On 12 April 2018, the property at Cromer reached practical completion with rent commencing shortly thereafter.

On 19 April 2018, the Group contracted to acquire, by way of forward funding, a new primary healthcare medical centre in Peterborough. The property is due to be completed in April 2019. The completed development will be let to the GPs of the Nightingale Medical Practice. All leases will be for a term of 20 years from practical completion. The completed property will consist of c.900 m^2 with 3 yearly reviews to market rent. The total acquisition price including costs is expected to be £3.2 million.

As described in the Investment Adviser's report the Fund's pipeline stood at approximately £174 million at 31 March 2018. Subject to market conditions, the Company intends to issue up to 42.88 million new Ordinary Shares at a premium to EPRA NAV (after taking into account issuance costs) in order to partially fund an exclusive opportunity to complete by 8 June 2018, the corporate acquisition of a portfolio of 12 primary care centres with a notional price of £64 million. A further £60 million of opportunities are undergoing legal due diligence. The remaining £50 million of opportunities remain under negotiation.

Company information

Directors

Helen Mahy CBE (appointed Chairman: 8 February 2018)
Steve Le Page
John Hearle
Laure Duhot
David Staples (Chairman) (resigned: 8 February 2018)

Registered office

Regency Court
Glategny Esplanade
St Peter Port
Guernsey
GY1 1WW

Investment adviser

Octopus Healthcare Adviser Ltd
6th Floor
33 Holborn
London
EC1N 2HT

Administrator and secretary

International Administration Group (Guernsey) Limited
PO Box 282
Regency Court
Glategny Esplanade
St Peter Port
Guernsey
GY1 3RH

Financial adviser and stockbroker

Canaccord Genuity Limited
88 Wood Street
London
EC2V 7QR

Liberum Capital limited
25 Ropemaker Street
London
EC2Y 9LY

Financial public relations

Buchanan
107 Cheapside
London
EC2V 6DN

Auditor

KPMG LLP
15 Canada Square
London
E14 5GL

AIF Manager

Octopus AIF Management Ltd
6th Floor
33 Holborn
London
EC1N 2HT

Internal auditor

Roffe Swayne
Ashcombe Court
Woolsack Way
Godalming
Surrey
GU7 1LQ

Tax advisers

BDO LLP
55 Baker Street
London
W1U 7EU

Deloitte LLP
Athene Place
66 Shoe Lane
London
EC4A 3BQ

Solicitors

Pinsent Masons
30 Crown Place
Earl Street
London
EC2A 4ES

Irish property lawyers

Eversheds Sutherland
One Earlsfort Centre
Earlsfort Terrace
Dublin 2

Guernsey advocates

Carey Olsen
Carey House
Les Banques
St Peter Port
Guernsey
GY1 4BZ

Property valuer

Jones Lang LaSalle Limited
Queen Square House
Queen Square
Bath
BA1 2LL

Republic of Ireland Property valuer

Cushman & Wakefield
164 Shelbourne Road
Ballsbridge
Dublin 4

Registrar

Link Market Services (Guernsey) Limited
Mont Crevelt House
Bulwer Avenue
St Sampson
Guernsey
GY2 4LH

Banker

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

Depositary

IAG Depositary Services Limited
Regency Court
Glategny Esplanade
St Peter Port
Guernsey
GY1 1WW

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emperor.works +44 (0)121 262 3830

MedicX Fund

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

Registered in Guernsey. Company No. 45397