15

MedicX Fund

Interim Report
to 31 March 2015

WHO WE ARE

MedicX Fund Limited ("MXF", the "Fund" or the "Company", or together with its subsidiaries, the "Group"), the specialist primary care infrastructure investor in modern, purpose-built primary healthcare properties in the United Kingdom, listed on the London Stock Exchange in November 2006. It has committed investment of £535.5 million and a portfolio of 141 properties.

The Investment Adviser to the Company is Octopus Healthcare Adviser Ltd, which is authorised and regulated by the Financial Conduct Authority and is part of the Octopus Healthcare group. Octopus Healthcare is a specialist investor, developer and manager of healthcare properties with 36 people operating across the UK.

CONTENTS

Go online
www.medicxfund.com

WHAT WE DO

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

The Fund's investment objective is to achieve rising rental income and capital growth from the ownership of a portfolio of mainly modern purpose built primary healthcare properties.

Name: **Highcroft Medical Centre** //
Location: Arnold, Nottingham

HIGHLIGHTS

Financial results

- Total shareholder return of 5.4% for the six month period, of which 1.8% is attributable to share price movements (2014: 8.8%, of which 5.2% is attributable to share price movements)[1]
- Quarterly dividend of 1.475p per share announced in April 2015[2]; total dividends of 5.9p per share expected for the year or 7.1% dividend yield (2014: total dividends of 5.8p per share; 6.9% dividend yield)[3,4]
- Dividend cover increased to 67% for the six month period (31 March 2014: 48%)[5]
- Adjusted earnings of £7.0 million, an increase of £2.3 million or 48.9% from the prior corresponding period, equivalent to 2.0p per share (31 March 2014: £4.7 million; 1.4p per share)[6]
- Adjusted net asset value of £250.6 million equivalent to 68.8p per share (30 September 2014: £233.1 million; 65.8p per share)[6]
- Discounted cash flow net asset value of £340.6 million equivalent to 93.5p per share (30 September 2014: £331.1 million; 93.4p per share)

Name: **Trevelyan House Surgery** //
Location: Tooting, London

Investments

- New committed investments between 1 October 2014 and 31 March 2015 of £17.2 million
- £535.5 million committed investment in 141 primary healthcare properties, an increase of 3.3% over the period (30 September 2014: £518.3 million, 137 properties)[3,7]
- Annualised rent roll now £33.9 million with 90% of rents reimbursed by the NHS, an increase of £1.1 million, or 3.4%, since 1 October 2014[3]
- Strong pipeline of approximately £100 million of further acquisition opportunities[3]

Funding

- Market capitalisation £301.5 million[3] including £6.8 million net proceeds raised from 8.3 million shares issued since 1 October 2014 at an average issue price of 82.9p per share
- New £50 million loan note completed since the period end with an agreed term of thirteen and a half years and an all-in fixed rate of 3.838%
- Total drawn debt facilities at 31 March 2015 of £291.5 million with an average all-in fixed rate of debt of 4.52% and an average unexpired term of 14.2 years, close to the average unexpired lease term of the investment properties of 15.6 years and compared with 4.35% and 13.3 years at 30 September 2014
- Net debt of £265.6 million equating to 49.7% adjusted gearing at 31 March 2015

David Staples, Chairman said

"We have continued to purchase best in class assets to expand our portfolio of high quality modern primary healthcare properties in keeping with the Fund's successful strategy. With a value now in excess of £525 million, our portfolio makes a notable contribution to the current and future delivery of primary care services in the UK. The focus of the Fund on modern, state of the art primary healthcare property, in areas of high demand with strong medical practices in occupancy, has resulted in a portfolio well positioned to deliver the targeted investment returns. Revaluation gains for the period were £12.8 million, which contributed to a 2.5% increase in the value of completed investment properties over the six month period.

We continued to maintain our progressive dividend policy with an increase in dividends expected for the year to 5.9 pence from 5.8 pence the previous year. The dividend yield is currently 7.1% based on the share price at 19 May 2015 of 82.75 pence.

The future of the NHS was an area of focus for the May 2015 general election, with all major parties committed to increasing funding and protecting free at the point of delivery, NHS front line services. As such, modern purpose-built primary healthcare properties are expected to continue to be the cornerstone of the NHS in facilitating the delivery of high quality healthcare for the foreseeable future. The Fund invests in properties that are flexible and which will meet the expected future needs of the NHS and in doing so, secures long term cash flows expected to continue well beyond the existing lease terms. The Fund has cultivated strong relationships with a number of best in class developers, to complement the in house development expertise of the Investment Adviser group, which has led to a number of excellent investments and a strong pipeline of opportunities.

During the period, interest rates remained low and in April 2015 the Fund secured through a private placement a second loan note facility of £50 million, locking into a fixed interest rate of 3.838% over a thirteen and a half year term and providing funds to facilitate future growth, at a low long term fixed cost, thereby underpinning progressive long term returns for shareholders. The loan note facility will complement the Fund's existing debt facilities, diversifying its lender base and enabling the Fund to take advantage of the pipeline of acquisition opportunities with the comfort of fixed interest rates."

1 Based on share price growth between 1 October 2014 and 31 March 2015 and dividends during the period
2 Ex-dividend date 14 May 2015, Record date 15 May 2015, Payment date 30 June 2015
3 As at 19 May 2015
4 Total dividends declared divided by share price at 19 May 2015 (2014: at 8 December 2014)
5 Dividend cover excludes revaluation gains, performance fee and fair value on reset of loans
6 As disclosed in note 7 to these financial statements
7 Includes completed properties, properties under construction and committed investment

CHAIRMAN'S STATEMENT

Overview //

The political oversight of the NHS was identified as a key manifesto issue for the general election, with all major parties in favour of increasing government spending and support for NHS services as a key deliverable that will remain in place for the foreseeable future. The previous coalition government focus had been on establishing clinical commissioning groups, being the organisations that are driving forward the provision of healthcare. The Conservative Party victory will enable new government policy to continue without significant delay or change. The clinical commissioning model has moved away from the traditional hospital led care approach, towards delivering care in the local community from large modern primary healthcare premises. With the continued political drive for GPs to provide services traditionally provided in hospitals, the quality, capacity and flexibility of GP surgeries and practices is of increasing future importance.

The Fund continues to meet the evolving demands of the NHS by investing in best in class primary healthcare medical centres that make available the best facilities for primary care providers. By ensuring the property investments not only meet the current but also the future needs of the NHS, the Fund aims to be able to provide long term stable returns to shareholders whilst providing infrastructure to benefit the UK population. The requirements for investment returns and clinical efficiency are aligned, with both delivered when properties facilitate a wide range of high quality services well beyond their original or current lease terms. As a result of this focus on quality and the targeted property acquisitions carried out over the past few years, the Fund has created a market leading, modern primary care portfolio. The quality of the Fund portfolio is reflected in the financial performance which has generated a total annual shareholder return, as measured by dividends paid and share price growth, over the past five years of 10.5% on average, with a return of 5.4% generated for the six month period under review.

Results overview

The Fund has had another solid period of performance with a series of good quality assets having been acquired to further enhance the portfolio. The Fund has maintained its price discipline and investment criteria in acquiring high quality assets expected to provide sustainable growth. Additional low cost fixed rate debt has been obtained by way of a second loan note, providing further funds for investment. Following its selective acquisition policy, the Fund is well positioned within the primary care investment property market. The demand for new purpose-built primary healthcare properties continues to be strong, and it is hoped post general election there will be an increase in approvals for new schemes. The Fund has selectively added to its portfolio, with four properties acquired during the period under review, three of which are forward funded developments.

At the period end, the Fund had committed investment of £535.5 million across 141 properties of which eight were under construction.

The Group's net asset value as at 31 March 2015, adjusted to exclude the impact of deferred tax not expected to crystallise and the impact of unwinding fair value adjustments on acquired debt, increased 7.5% to £250.6 million or 68.8 pence per share (30 September 2014: £233.1 million or 65.8p per share).

It is not appropriate to value the Fund's assets without also having regard to the value of all its liabilities and therefore the Fund reports the mark to market value of its debt. Gilt rates have decreased markedly and shown significant volatility since September 2014 resulting in an increase in the mark to market liability of the Fund's debt facilities from £1.5 million at 1 October 2014, to £26.6 million or 7.3 pence per share at 31 March 2015. The adjusted net asset value less the estimated liability of fixed rate debt is 61.5 pence per share. While over the short term, gilt rates have had the effect of increasing the mark to market liability of the Fund's debt this has provided the opportunity to secure new competitively priced long term borrowings and, with an average cost of debt of 4.52%, the Fund's debt remains very competitive. The Fund continues to aim to secure the best available long term debt to mitigate the risk of interest rate volatility and to lock into a secure low cost capital structure.

In line with other infrastructure funds and given our long-term predictable cash flows, we believe it is appropriate to calculate a net asset value based upon discounted cash flows. This basis, as set out in the Investment Adviser's report, gives a net asset value of £340.6 million or 93.5 pence per share, based upon a weighted average discount rate of 7.07% (30 September 2014: £331.1 million; 93.4 pence per share; and weighted average discount rate of 7.06%).

Rental income grew by £3.2 million or 24% versus the period to 31 March 2014. Costs are in line with expectations given the level of activity and the focus of the Fund on maintaining the portfolio in the best possible condition. Finance costs incurred in the period were lower than in the prior period, primarily due to one off finance costs incurred in the previous period.

Adjusted profit, excluding the impact of revaluations and performance fees has increased 48.9% to £7.0 million for the period to March 2015, from £4.7 million in the previous period.

Gross revaluation gain of the portfolio for the period was £13.6 million with £0.8 million of purchase and related costs written off (in line with sector norms) generating a net valuation gain of £12.8 million. The portfolio valuation gain was partially a reflection of falling yields for primary healthcare property, with demand continuing to be high and properties coming to market remaining scarce. The general market movement was enhanced by positive rent review performance and in recognition of the quality of the underlying portfolio.

Funding

Demand for the Fund's shares has remained high during the period. In order to meet future market demand, 32.8 million shares were issued and immediately repurchased into treasury following authorisation at the Annual General Meeting in February. The shares held in treasury have been and will continue to be utilised to satisfy further demand for shares in the Company, including any demand for shares under the scrip dividend scheme. These shares will however only be sold at a premium to adjusted NAV.

The Fund has continued to take advantage of competitive borrowing rates on offer, to put in place new debt facilities at low fixed cost to achieve a significant spread between its investment returns and its cost of debt. The Fund raised £50 million through a private placement of loan notes bought by a single institutional investor in April 2015. The loan notes have a duration of thirteen and a half years maturing in September 2028, with no amortisation and the principal repayable on maturity. The interest rate on the notes is fixed at an all-in rate of 3.838%. The loan notes provide funds in two stages with £25 million drawn on closing in April 2015 and the remainder to be drawn in September 2015. This facility complements MedicX Fund's other borrowings and helps to position it well to continue to provide shareholder returns over the long term.

The weighted average unexpired term of all drawn debt at 31 March 2015 was 14.2 years, closely matching the average remaining unexpired lease term of 15.6 years of the Fund's portfolio.

The adjusted gearing as at 31 March 2015 was 49.7%. Following the drawdown of the first £25 million tranche of the loan note facility and assuming the funds received were invested in properties immediately, adjusted gearing would be approximately 52%.

The Directors continue to target borrowings of approximately 50% on average over time and not exceeding 65% of the Company's total assets. The Directors have taken advantage of favourable rates to increase gearing to enhance long term returns.

The covenants on all debt facilities have been complied with in the period.

Dividends

The Fund maintained its progressive dividend policy, with total dividends of 2.9p per Ordinary Share paid in respect of the period ended 31 March 2015. Subject to unforeseen circumstances, the Directors expect that the Company will pay dividends totalling 5.9p for the financial year ending 30 September 2015.

During April 2015, the Directors approved a quarterly dividend of 1.475p per Ordinary Share in respect of the period 1 January 2015 to 31 March 2015. The dividend will be paid on 30 June 2015 to shareholders on the register as at close of business on 15 May 2015 (the "Record Date"). The corresponding ex-dividend date was 14 May 2015.

The Company offers qualifying shareholders the opportunity to take additional Ordinary Shares in the Company, credited as fully paid, in lieu of the cash dividend to be paid on 30 June 2015, by participating in the Scrip Dividend Scheme (the "Scheme") put in place by the Company on 5 May 2010.

The Fund pays a high proportion of its return in the form of a dividend, with its shares yielding 6.9% as at the date of this report. As a consequence of this, part of the dividend is paid from capital rather than earnings.

Dividend cover measured against adjusted earnings was 67% for the period to 31 March 2015 (31 March 2014: 48%). The substantial increase in dividend cover reflects the Fund's ability to successfully invest proceeds from previous equity fundraisings in high quality assets and to develop existing assets to obtain increasing returns. The dividend cover for the year ended September 2015 is expected to be lower than that seen for the half year as fresh funds from the recent loan note issue are deployed into income generating assets. Underlying dividend cover, adjusted to reflect completion of the properties under construction was 67% (assuming full rent on all properties and associated interest costs and other expenses) (2014: 65%). On the basis that further debt is raised on similar terms to the existing debt with gearing increased to 60%, and deployment of funds at similar yields, underlying dividend cover would increase to approximately 73%.

An average of 12.9% of the dividends paid in the period ended 31 March 2015 were in the form of scrip dividends. These dividends did not result in a cash outflow for the Company.

As the Fund continues to grow, deploy capital and complete properties under construction it is expected that dividend cover and underlying dividend cover will improve further and will align themselves. The Fund will continue to look to improve cover over time, with progress having been made over the six month period.

Annual General Meeting

At the Annual General Meeting held on 17 February 2015, all proposed resolutions were passed almost unanimously by shareholders.

Board of directors

The Board is committed to improving the opportunities for people from a diverse range of backgrounds to understand and prepare for membership of corporate boards. During the period under review we appointed an apprentice from Board Apprentice Limited, which is a not-for-profit organisation dedicated to increasing diversity on boards by widening the pool of board-ready candidates and looks at diversity as beyond gender and encompassing ethnicity, culture, age, disability, personality and skill set. For a period of one year, commencing on 1st March 2015, we have appointed Ellen Lederman as a Board apprentice, and in that capacity, Ellen attends all Board and Committee meetings for educational purposes and takes part in discussions when invited to do so by the Board. Ellen receives no remuneration from the Company.

Share price and outlook

In the period to 31 March 2015, the total shareholder return, as measured by dividends and share price growth, was 5.4%. Of this return, 3.5% was attributable to dividends with the remainder from growth in the share price. At 19 May 2015, the mid-market share price was 82.75 pence per share ex dividend, which represents an annualised 7.1% dividend yield based upon the 2.9 pence per share dividends declared for the period, and a premium of 20.3% to the adjusted net asset value of 68.8 pence per share. Additionally, this represents a premium of 34.6% to the adjusted net asset value plus the estimated mark to market liability of debt of 61.5 pence per share and a discount of 11.5% to the discounted cash flow net asset value of 93.5 pence per share.

The Directors continue to keep under review the possibility of conversion to a Real Estate Investment Trust ("REIT") but have no immediate plans to convert.

The Fund has had a successful period, consolidating on activity in prior periods, continuing to enhance earnings and to deliver solid returns to shareholders. The Fund's focus on the quality of the portfolio with ongoing demand for high quality healthcare property, such as those owned and maintained by the Fund, has meant the Company's shares continue to represent an attractive investment proposition. With a strong pipeline of investment opportunities to complement the existing portfolio the Fund remains well positioned for further sustainable growth.

David Staples
Chairman

21 May 2015

INVESTMENT ADVISER'S REPORT

Market

The 2014 IPD UK Healthcare Index published in March 2015 provided the opportunity to compare the Fund's performance for the year to December 2014 against the benchmark for all healthcare properties in the Healthcare Index. The Fund total return of 10.0% has exceeded the IPD primary care benchmark of 9.0% over the year, demonstrating the quality of the underlying properties in the Fund portfolio.

The primary care investment sector has seen continued yield compression during the period, due to investor demand and limited supply, further reinforcing the attractiveness of the asset class. Decreasing yields together with positive rent reviews and an appreciation of the quality of the Fund's portfolio has reflected positively on the property valuation gains achieved by the Fund.

Market rental growth has remained relatively low, due to a lack of new schemes which would set new rental evidence. However the continued increasing demand for improved GPs premises is expected to drive forward approvals for new schemes, which in turn will help drive rental growth.

The NHS has continued to evolve over the period and its future was a key political issue for the general election in May. It is reassuring that all main parties identified investment in the NHS as a high priority. With the election of a Conservative majority, it is expected that the existing plans to support general practice as the main resource that delivers the majority of patient contacts in state healthcare in the United Kingdom will continue without significant disruption.

With the aim of providing more care in the community and a move away from traditional hospital led care, it is increasingly important that GPs premises are flexible and able to meet the changing needs of an ever evolving and more in demand NHS. The Fund's assets are well positioned to provide this support as GPs and the commissioning groups seek to implement efficiency improvements. In addition, the Fund closely monitors the activities of its GP tenants in order to provide assistance to enhance the property portfolio to better meet their needs. This enables the Fund to protect the longevity of the properties and safeguard long term income and returns.

Portfolio update

The Fund currently has committed investment of £535.5 million, in 141 primary healthcare properties. The annualised rent roll of the property portfolio is now £33.9 million, providing good economies of scale to its operations.

The valuation of the portfolio undertaken by Jones Lang LaSalle Limited, independent valuers to the Group, stood at £545.3 million as at 31 March 2015 on the basis that all properties were complete, versus a carrying value of £527.4 million, reflecting a net initial yield of 5.57% (5.68% as at 30 September 2014). The results reflect a net valuation gain of £12.8 million for the period of which the gross revaluation gain of the portfolio was £13.6 million less £0.8 million of purchase and related costs.

At 19 May 2015, the property portfolio had an average age of 7.2 years, remaining average unexpired lease length of 15.4 years and an average property value of £3.9 million. Of the rents receivable, 90.0% are from government-funded doctors and the NHS, 8.4% from pharmacies and 1.6% from other tenants.

During the period the Fund was careful to target best in class assets in a competitive market with limited supply. The Fund acquired a total of four properties to complement the existing portfolio, representing a total commitment of £17.2 million. In addition successful completion was achieved for one property previously under construction at Buckley. That project was delivered within budget.

Construction continued on the existing projects at Peterborough, Stevenage, Devonport, Poringland, Briton Ferry, Streatham, Maidstone and Kingsbury, with the property at Poringland having since been completed within budget. The outstanding commitment on these properties at 31 March 2015 was £18.2 million, with all but one project expected to complete within the next 12 months.

The Fund has a pipeline of identified investment opportunities of approximately £100 million, of which £3 million relates to completed assets and £97 million relates to forward funding opportunities where the Fund is the preferred investment partner. All forward funding opportunities are sourced from best in class developers and tailored specifically to the needs of the GPs to provide the best possible end product.

As set out above, the initial valuation yield on investments was 5.57% compared with the Group's weighted average fixed rate debt of 4.52% and a benchmark 20-year gilt rate of 2.29% at 31 March 2015. This spread has enabled growth through committing new investment since 1 October 2014 of £17.2 million. As the pipeline opportunities are converted, the Fund is set to continue to grow and deliver value to its shareholders as it locks into the differential underpinned by long term returns on high quality assets and the low cost of long term funding in place.

Asset management

During the period to 31 March 2015, the Fund averaged a weighted uplift of 1.7% per annum on its rent reviews. Of these reviews, 1.4% per annum was achieved on open market reviews and 2.9% per annum was achieved on RPI based reviews. Reviews of £14.4 million of passing rent were under negotiation as at 31 March 2015.

The Fund continually reviews its portfolio for asset management opportunities and has identified a number of opportunities to enhance the portfolio and increase valuations. In conjunction with its tenants, the Fund has had initial approval on a number of property initiation documents submitted to NHS England in a bid to secure funding for property improvements. These projects together with the potential to convert expansion space in the portfolio into rented space are expected to further increase the rent roll without a significant increase in costs.

Of the £33.9 million annualised rent roll at 19 May 2015, 74% were subject to open market review, 21% were subject to RPI reviews and 5% were subject to fixed uplift reviews.

Discounted cash flow valuation of assets and debt

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

At 31 March 2015, the DCF valuation was £340.6 million or 93.5 pence per share compared with £331.1 million or 93.4 pence per share at 30 September 2014, the increase resulting primarily from the property acquisitions made in the period.

The discount rates used are 7% for completed and occupied properties and 8% for properties under construction. These represent 2.5% and 3.5% risk premiums to an assumed 4.5% long term gilt rate. The weighted average discount rate is 7.07% and this represented a 4.78% risk premium to the 20 year gilt rate at 30 September 2014 of 2.29%.

The discounted cash flows assume an average 2.5% per annum increase in individual property rents at their respective review dates. Residual values continue to be based upon capital growth at 1% per annum from the current valuation until the expiry of leases, (when the properties are notionally sold), and also assuming the current level of borrowing facilities.

For the discounted cash flow net asset value to equate to the share price as at 31 March 2015 of 85.0 pence per share, the discounted cash flow calculation would have to assume a 1.0% increase in rents per annum, or a weighted average discount rate of 8.0%.

Net asset value sensitivity

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 5.32%, the adjusted net asset value would increase by approximately 7.0 pence per share to 75.8 pence per share and the adjusted net asset value less the estimated mark to market liability of fixed rate debt would increase to 68.5 pence per share.

Pipeline and investment opportunity

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

Interest in voting rights of the Company

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

	March 2015	September 2014
Octopus Healthcare Adviser Ltd	**2,009,360**	1,940,822

The number of shares held by Octopus Healthcare Adviser Ltd as at the date of this report is 2,009,360, equivalent to 0.55% of the issued share capital of the Company.

During the period the Investment Adviser received dividends on its holding in the Company in addition to fees received for services. With the Scrip Dividend Scheme in place, the Investment Adviser received its dividends in the form of new Ordinary Shares. The cash equivalent of the dividends received by the Investment Adviser was £29,125, compared with £26,691 in the period ended 31 March 2014.

Mike Adams *Chief Executive Officer*
Mark Osmond *Chief Financial Officer*

Octopus Healthcare Adviser Ltd

PRINCIPAL RISKS AND UNCERTAINTIES

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

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

Further details of the Audit Committee's risk monitoring activities may be found in the Report of the directors on page 19, the Report of the audit committee on page 22, and Corporate governance statement on page 24 of MedicX Fund Limited's annual report and financial statements for the year ended 30 September 2014.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

The half-yearly financial report includes a fair review of the information required by:

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

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

By order of the Board:

David Staples
Director

21 May 2015

INDEPENDENT REVIEW REPORT

to MedicX Fund Limited

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 31 March 2015 which comprises the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows and the related explanatory notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

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

Directors' responsibilities

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

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the EU. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU.

Our responsibility

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

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31 March 2015 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FCA.

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

21 May 2015

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 March 2015

	Notes	**Six months ended 31 March 2015 £'000**	Six months ended 31 March 2014 £'000
Income			
Rent receivable		**16,652**	13,415
Other income		**382**	449
Total income		**17,034**	13,864
Realised and unrealised valuation movements			
Net valuation gain on investment properties	8	**12,767**	4,810
Loss on disposal of property		**–**	(13)
		12,767	4,797
Expenses			
Direct property expenses		**470**	309
Investment advisory fee	16	**1,845**	1,593
Investment advisory performance fee	16	**–**	846
Property management fee	16	**422**	409
Administrative fees	16	**42**	39
Audit fees		**57**	66
Professional fees		**221**	137
Directors' fees		**75**	72
Other expenses		**119**	183
Total expenses		**(3,251)**	(3,654)
Profit before interest and tax		**26,550**	15,007
Finance cost	4	**(6,720)**	(6,746)
Finance income		**26**	301
Profit before tax		**19,856**	8,562
Taxation	5	**(1,130)**	(436)
Profit attributable to equity holders of the parent		**18,726**	8,126
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Fair value gain on financial derivatives		**–**	20
Total comprehensive income attributable to equity holders of the parent		**18,726**	8,146
Earnings per Ordinary Share			
Basic and diluted	7	**5.2p**	2.4p

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2015

	Notes	31 March 2015 £'000	30 September 2014 £'000
Non-current assets			
Investment properties	8	**527,436**	502,906
Total non-current assets		**527,436**	502,906
Current assets			
Trade and other receivables		**6,883**	8,181
Cash and cash equivalents	13	**23,925**	31,125
		30,808	39,306
Total assets		**558,244**	542,212
Current liabilities			
Trade and other payables		**17,963**	23,892
Loans due within one year	9	**1,848**	32,822
		19,811	56,714
Non-current liabilities			
Long-term loans	9	**287,651**	253,485
Head lease liabilities	10	**1,419**	–
Rental deposits		**60**	60
Deferred tax liability	5	**2,168**	1,038
Provisions	6	**–**	215
Total non-current liabilities		**291,298**	254,798
Total liabilities		**311,109**	311,512
Net assets		**247,135**	230,700
Equity			
Share capital	11	**–**	–
Share premium	11	**232,796**	204,946
Treasury shares	11	**(24,964)**	(5,293)
Other reserves		**39,303**	31,047
Total attributable to equity holders of the parent		**247,135**	230,700
Net asset value per share			
Basic and diluted	7	**67.8p**	65.1p

The financial statements were approved and authorised for issue by the Board of Directors on 21 May 2015 and were signed on its behalf by:

David Staples
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 31 March 2015

	Notes	Share Premium £'000	Treasury Shares £'000	Other Reserve £'000	Total £'000
Balance at 30 September 2013		**141,283**	**(1,108)**	**30,815**	**170,990**
Proceeds on issue of shares		48,750	–	–	48,750
Share issue costs		(1,175)	–	–	(1,175)
Shares repurchased and held in treasury		15,000	(15,000)	–	–
Shares sold from treasury (net of costs)		185	2,001	–	2,186
Total comprehensive income for the period		–	–	8,146	8,146
Dividends paid	14	–	–	(9,785)	(9,785)
Balance at 31 March 2014		**204,043**	**(14,107)**	**29,176**	**219,112**
Balance at 30 September 2014		**204,946**	**(5,293)**	**31,047**	**230,700**
Shares issued and immediately repurchased and held in treasury	11	27,393	(27,393)	–	–
Shares sold from treasury (net of costs)		401	6,424	–	6,825
Scrip issue of shares from treasury (net of costs)		56	1,298	–	1,354
Total comprehensive income for the period		–	–	18,726	18,726
Dividends paid	14	–	–	(10,470)	(10,470)
Balance at 31 March 2015		**232,796**	**(24,964)**	**39,303**	**247,135**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the period ended 31 March 2015

	Notes	Six months ended 31 March 2015 £'000	Six months ended 31 March 2014 £'000
Operating activities			
Profit before taxation		**19,856**	8,562
Adjustments for:			
Net valuation gain on investment properties	8	**(12,767)**	(4,810)
Loss on disposal of investment properties		**–**	13
Financial income receivable		**(26)**	(301)
Finance costs payable and similar charges	4	**6,720**	6,746
		13,783	10,210
Decrease/(increase) in trade and other receivables		**1,286**	(143)
Decrease in trade and other payables		**(6,035)**	(1,305)
Interest paid		**(6,304)**	(6,454)
Interest received		**38**	479
Net cash inflow from operating activities		**2,768**	2,787
Investing activities			
Acquisitions net of cash acquired		**–**	(2,837)
Additions to investment properties and properties under construction		**(10,438)**	(25,662)
Proceeds from sale of investment properties		**–**	1,612
Net cash outflow from investing activities		**(10,438)**	(26,887)
Financing activities			
Net proceeds from issue of share capital		**6,825**	47,991
New loan facilities drawn	9	**35,000**	986
Net repayment of long-term borrowings	9	**(32,044)**	(581)
Loan issue costs	9	**(195)**	(156)
Repayment of acquired loans		**–**	(17,615)
Dividends paid	14	**(9,116)**	(8,015)
Net cash inflow from financing activities		**470**	22,610
Decrease in cash and cash equivalents		**(7,200)**	(1,490)
Opening cash and cash equivalents		**31,125**	27,063
Closing cash and cash equivalents	13	**23,925**	25,573

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 31 March 2015

1. General information

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

The Company 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 2014 on 9 December 2014. The report of the auditors on those financial statements was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 263 of The Companies (Guernsey) Law, 2008.

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

The condensed consolidated interim financial information for the six months ended 31 March 2015 has been reviewed, not audited, and was approved and authorised for issue by the Board of Directors on 21 May 2015.

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

2. Basis of preparation

The condensed consolidated interim financial information for the six months ended 31 March 2015 has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and with IAS 34 'Interim financial reporting' as adopted by the European Union. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 30 September 2014, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union.

Going concern

The Group has considerable financial resources together with long term leases across different geographic areas within the United Kingdom. The Directors have reviewed the Group's forecast commitments against the future funding availability, with particular reference to the utilisation and continued access to existing debt facilities and access to restricted cash balances, as well as the ongoing commitments to development projects and proposed acquisitions. The Directors have also reviewed the Group's compliance with covenants on lending facilities. The Group's financial forecasts show that the Group can remain within its lending facilities and meet its financial obligations as they fall due for the foreseeable future. The Directors believe a going concern basis to be appropriate given the availability of further debt at reasonable rates. Therefore these financial statements have been prepared on the going concern basis.

3. Accounting policies

The accounting policies and presentation of figures applied are consistent with those of the annual financial statements for the year ended 30 September 2014, as described in those annual financial statements, except as disclosed below:

Taxation

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

Use of estimates

In the process of applying the Group's accounting policies described within the financial statements for the year ended 30 September 2014, the Directors are required to make certain judgements and estimates to arrive at the carrying value for its assets and liabilities.

Significant areas requiring judgement in the preparation of these financial statements include the valuation of properties, the estimated expected uplift in rent reviews past their review dates, the recognition of deferred tax assets 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 2014, with the exception of the investment advisory performance fee accrual, which is known at the year end and as such does not require significant judgement as it does in these financial statements.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the six months ended 31 March 2015

4. Finance costs

	Six Months Ended 31 March 2015 £'000	Six Months Ended 31 March 2014 £'000
Interest payable on long-term loans	**7,324**	7,216
Amortisation of fair value of acquired loans	**(482)**	(67)
	6,842	7,149
Interest capitalised on properties under construction	**(122)**	(403)
	6,720	6,746

During the period interest costs on funding attributable to investment properties under construction were capitalised at an effective interest rate of 4.81% (31 March 2014: 4.45%). The funding was sourced from the Aviva £100m loan facility which has an effective interest rate of 5.008% and the Aviva £50m loan facility which has an effective interest rate of 4.37%. Where properties under construction were secured against a specific loan, the interest for that facility was capitalised.

5. Taxation

	Six Months Ended 31 March 2015 £'000	Six Months Ended 31 March 2014 £'000
Deferred tax		
Charge for the period	**1,130**	436
Total tax charge	**1,130**	436

The Board has estimated that for the period under review the Group does not have any profits chargeable to tax in jurisdictions in the UK or elsewhere outside of Guernsey.

The Company has obtained exempt company status in Guernsey under the terms of Income Tax (Exempt Bodies) (Guernsey) Ordinance 1989 so that it is exempt from Guernsey taxation on income arising outside Guernsey and on bank interest receivable. The Company is, therefore, only liable to a fixed fee of £1,200 per annum. The Directors intend to conduct the Group's affairs such that the Company continues to remain eligible for the exemption. Guernsey companies are subject to UK taxation on UK net rental income. During the period no tax arose in respect of the income of any of the Guernsey companies. The Company's UK subsidiaries are subject to United Kingdom corporation tax on their taxable profits.

A reconciliation of the tax charge to the notional tax charge applying the average standard rate of UK corporation tax of 21% (2014: 23%) is set out below:

	Six Months Ended 31 March 2015 £'000	Six Months Ended 31 March 2014 £'000
Profit on ordinary activities before tax	**19,856**	8,562
Profit on ordinary activities multiplied by the average standard rate of corporation tax in the UK of 21% (2014: 23%)	**4,170**	1,969
Net income/expenses not taxable/deductible for tax purposes	**(3,318)**	(1,077)
Losses/profits not subject to UK taxation	**479**	182
Effect of difference in deferred and corporation tax rates	**–**	65
Effect of income taxable at income tax rates	**–**	(82)
Current year losses utilised	**–**	(621)
Movement in unrecognised deferred tax	**(201)**	–
Total tax charge	**1,130**	436

5. Taxation (continued)

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

	Fair value gains £'000	Accelerated capital allowances £'000	Unrelieved management expenses £'000	Total £'000
At 30 September 2013	**50**	**1,718**	**(994)**	**774**
Provided/(released) in year	137	585	(458)	264
At 30 September 2014	**187**	**2,303**	**(1,452)**	**1,038**
Provided/(released) in period	479	21	630	1,130
At 31 March 2015	**666**	**2,324**	**(822)**	**2,168**

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

There are accumulated tax losses within MedicX Properties I Limited, MedicX Properties V Limited, MedicX Properties VI Limited and MedicX Properties VII Limited totalling £50.6 million (September 2014: £52.7 million). These losses are currently not recognised within the financial statements of the Group on the basis that there is uncertainty over whether these will be utilised in the future.

As a result of the deferred tax recognition exemption for asset acquisitions, deferred tax liabilities of £10,672,000 (September 2014: £9,923,000) in respect of fair value gains and £2,285,000 (September 2014: £2,285,000) in respect of accelerated capital allowances, and deferred tax assets of £708,000 (September 2014: £708,000) in respect of unrelieved management expenses, have not been recognised.

6. Provisions

	Provision £'000
At 30 September 2013	**215**
Provided/(released) in year	–
At 30 September 2014	**215**
Released in period	(215)
At 31 March 2015	**–**

A provision for potential liabilities relating to a historical compliance and employee related matter has been released in the period as the Directors have determined that the circumstances no longer meet the criteria required for recognition of a provision.

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 £18,726,000 (2014: £8,126,000) and on 356,808,274 (2014: 331,819,100) Ordinary Shares, being the weighted average aggregate of Ordinary Shares in issue calculated over the period, excluding amounts held in treasury at the period end. This gives rise to a basic and diluted earnings per Ordinary Share of 5.2 pence (2014: 2.4 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 £247,135,000 (2014: £230,700,000) and on 364,355,352 (2014: 354,389,088) Ordinary Shares being the aggregate of Ordinary Shares in issue at the period end, excluding amounts held in treasury at the period end. This gives rise to a basic and diluted net asset value per Ordinary Share of 67.8 pence per Ordinary Share (2014: 65.1 pence per Ordinary Share).

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the six months ended 31 March 2015

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

Adjusted earnings per share and net asset value per share

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

	Six Months Ended 31 March 2015 £'000	Six Months Ended 31 March 2014 £'000
Profit attributable to equity holders of the parent	**18,726**	8,126
Adjusted for:		
Tax charge	**1,130**	436
Revaluation gain	**(12,767)**	(4,810)
Performance fee	**–**	846
Fair value gain on acquired loans	**(66)**	(73)
Fixed term debt break costs	**–**	183
Adjusted earnings	**7,023**	4,708
Weighted average number of Ordinary Shares	**356,808,274**	331,819,100
Adjusted earnings per Ordinary Share – basic and diluted	**2.0p**	1.4p

	31 March 2015 £'000	30 September 2014 £'000
Net assets	**247,135**	230,700
Adjusted for:		
Deferred tax	**2,168**	1,038
Financial derivatives	**–**	26
Fair value adjustment made to reset loans	**1,293**	1,365
Adjusted net assets	**250,596**	233,129
Ordinary Shares in issue at the period end	**364,355,352**	354,389,088
Adjusted net asset value per Ordinary Share – basic and diluted	**68.8p**	65.8p

8. Investment properties

Investment properties are initially recognised at cost, being fair value of consideration given including transaction costs associated with the property. After initial recognition, investment properties are measured at fair value, which has been determined based on valuations performed by Jones Lang LaSalle Limited as at 31 March 2015. The valuation takes account of the rental yield and the fact that a purchaser's offer price to the Group would be less than that in order to cover the purchaser's costs (which are estimated at 5.8% (2014: 5.8%) of what would otherwise be the purchase price).

Investment properties under construction are initially recognised at cost, and are subsequently measured at fair value as at the period end. The fair value has been determined based on valuations performed by Jones Lang LaSalle Limited as at 31 March 2015. In accordance with industry standards, the valuation is net of the remaining costs to complete properties under construction and purchaser's costs.

The freehold and long leasehold interests in the property investments of the Group were valued at an aggregate of £545,271,000 as at 31 March 2015 by Jones Lang LaSalle Limited. This valuation assumes that all properties, including those under construction, are complete. The principal difference between the total valuation and the carrying value is the cost to complete those properties under construction as at 31 March 2015.

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

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

The valuation yield at 31 March 2015 was 5.57% (30 Sep 2014: 5.68%); fair value of investment properties is considered to be based on a number of significant assumptions. If the valuation yield were to shift by 0.25%, this would result in an impact on the valuation of the properties of approximately £33,396,000.

8. Investment properties (continued)

	Completed investment properties £'000	Properties under construction £'000	Total investment properties £'000
Fair value 30 September 2013	**399,502**	**27,147**	**426,649**
Additions	39,098	31,473	70,571
Disposals at valuation	(5,963)	–	(5,963)
Transfer to completed properties	48,045	(48,045)	–
Revaluation	11,570	79	11,649
Fair value 30 September 2014	**492,252**	**10,654**	**502,906**
Additions	2,294	8,050	10,344
Movement in finance lease	1,419	–	1,419
Transfer to completed properties	10,479	(10,479)	–
Revaluation	12,464	303	12,767
Total investment property	**518,908**	**8,528**	**527,436**

Some of the investment properties are security for the long-term loans as disclosed in note 9. Of the completed investment properties £127,635,000 (2014: £127,920,000) are leasehold properties.

During the period a portion of the Aviva £100m loan facility and the Aviva £50m loan disclosed in note 9 were utilised to fund development work on investment properties under construction. Interest costs of £122,000 (2014: £403,000) attributable to development work in progress were capitalised.

9. Long-term loans

	31 March 2015 £'000	30 September 2014 £'000
Total facilities drawn down – due after one year	**289,614**	255,583
Loan issue costs	**(13,606)**	(14,436)
Amortisation of loan issue costs	**2,651**	2,864
Fair value arising on acquisition of subsidiaries	**11,645**	11,645
Amortisation of fair value adjustment on acquisition	**(2,653)**	(2,171)
	287,651	253,485

The Group has five primary debt facilities drawn, being the Aviva £100m loan, the loan note facility, the Aviva £50m loan, the Aviva GPG loan and the Aviva PMPI loan, with a smaller loan facility for a single property. During the period the GE Capital loan, shown as falling due within one year at 30 September 2014, was repaid. In addition the Group has a revolving loan facility with The Royal Bank of Scotland PLC ("RBS"). The RBS facility is undrawn at 31 March 2015. Repayments of the loans listed above, including amounts due within one year, fall due as follows:

	31 March 2015 £'000	30 September 2014 £'000
Due within one year	**1,848**	32,822
Between one and two years	**1,910**	2,193
Between two and five years	**57,231**	7,880
Over five years	**228,510**	243,412
Due after one year	**287,651**	253,485
	289,499	286,307

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the six months ended 31 March 2015

9. Long-term loans (continued)

Mark to market of fixed rate debt

The Group does not mark to market its fixed interest debt in its financial statements, other than the recognition of a fair value adjustment on the acquisition of debt facilities. The unamortised fair value increase of the outstanding acquired Aviva PMPI loans was £8,992,000 as at 31 March 2015 (30 September 2014: £9,474,000).

A mark to market calculation gives an indication of the benefit or cost to the Group of the fixed rate debt given the prevailing cost of debt over the remaining life of the debt. An approximate mark to market calculation has been undertaken following advice from the Group's bankers, with reference to the fixed interest rate on the individual debt facilities, and the fixed interest rate, including margin, achievable on the last business day of the financial period for a loan with similar terms to match the existing facilities.

The debt benefit or 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 £26,642,000 as at 31 March 2015 (30 September 2014 liability: £1,501,000).

Cash flow movements

	Six Months Ended 31 March 2015 £'000	Six Months Ended 31 March 2014 £'000
Draw down of loan note facility	**35,000**	–
Draw down of GPG loan facility	**–**	986
New loan facilities drawn	**35,000**	986
Repayment of mortgage principal	**(31)**	(29)
Repayment of Aviva PMPI loan facility	**(420)**	(390)
Repayment of Aviva GPG loan facilities	**(393)**	(162)
Repayment of loans acquired	**–**	(17,615)
Repayment of GE Capital loan facilities	**(31,200)**	–
Net repayment of long-term borrowings	**(32,044)**	(18,196)
Aviva £50m facility arrangement fee	**–**	(35)
Aviva GPG loan facility costs	**(7)**	–
GE Capital loan facility draw down fees	**–**	(3)
Aviva £100m loan facility costs	**(19)**	(4)
RBS loan facility costs	**(2)**	(114)
Loan note facility	**(167)**	–
Loan issue costs	**(195)**	(156)

10. Head lease liabilities

	31 March 2015	
	Present value £'000	Minimum lease payments £'000
Due within one year	**98**	107
Between one and five years	**312**	429
Over five years	**1,009**	14,758
	1,419	15,294
Less future interest costs	**–**	(13,875)
	1,419	1,419

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.

11. Share capital

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

	Number of shares	Issue price per share
Total shares issued as at 30 September 2014	361,445,780	
Shares issued:		
18 February 2015	32,806,402	83.50 pence
Total shares issued as at 31 March 2015	394,252,182	
Shares held in treasury (see below)	(29,896,830)	
Total voting rights in issue as at 31 March 2015	364,355,352	

Treasury shares were utilised to satisfy general market demand for shares and in lieu of cash payment for those dividends payable which were elected as scrip.

The transactions and relevant price per share are noted below:

	Number of shares	Price per share
Total shares held in treasury as at 30 September 2014	7,056,692	
Shares issued and bought back into treasury:		
18 February 2015	32,806,402	
Shares sold for cash:		
10 December 2014	(3,000,000)	82.50 pence
27 January 2015	(1,000,000)	82.50 pence
29 January 2015	(1,000,000)	82.75 pence
5 February 2015	(1,338,175)	83.50 pence
24 February 2015	(1,000,000)	83.50 pence
24 March 2015	(1,000,000)	83.50 pence
	(8,338,175)	
Shares utilised in lieu of cash payment of dividends:		
31 December 2014	(718,517)	83.30 pence
31 March 2015	(909,572)	83.80 pence
	(1,628,089)	
Total shares held in treasury as at 31 March 2015	**29,896,830**	

The closing cost of shares held in treasury, if issued at 83.5 pence per share each, is £24,964,000 (2014: £5,292,519).

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

12. Other reserves

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

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

13. Cash and cash equivalents

	31 March 2015 £'000	30 September 2014 £'000
Cash and balances with banks	**23,925**	31,125

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 £5,787,093 (31 March 2014: £10,404,000). These amounts will be made available when sufficient property has been secured against the facility and all documentation has been completed. £4,677,889 was released from the restricted accounts on 14 April 2015 after the period end.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the six months ended 31 March 2015

14. Dividends

	Six months ended 31 March 2015 £'000	Six months ended 31 March 2015 Dividend per share	Six months ended 31 March 2014 £'000	Six months ended 31 March 2014 Dividend per share
Quarterly dividend declared and paid 31 December	**5,139**	**1.450p**	4,844	1.425p
Quarterly dividend declared and paid 31 March	**5,331**	**1.475p**	4,941	1.450p
Total dividends declared and paid during the period	**10,470**		**9,785**	
Quarterly dividend declared after period end	**5,374**	**1.475p**	5,070	1.450p
Cash flow impact of scrip dividends:				
Total dividend declared and paid during the period	**10,470**		9,785	
Total cash equivalent value of scrip shares issued	**(1,354)**		(1,770)	
Cash payments made for dividends declared and paid	**9,116**		**8,015**	

Dividends are scheduled for the end of March, June, September and December of each year, subject to Board approval. On 24 April 2015, the Board approved a dividend of 1.475 pence per share, bringing the total dividend declared in respect of the period to 31 March 2015 to 2.95 pence per share. The record date for the dividend was 15 May 2015 and the payment date is 30 June 2015. 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 27 April 2015 the Board announced an opportunity for qualifying Shareholders to receive the June 2015 dividend in new Ordinary Shares instead of cash.

15. Commitments

At 31 March 2015, the Group had commitments of £18.2 million (September 2014: £14.9 million) to complete properties under construction.

16. 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 2012 and 24 September 2013 (the "Investment Advisory Agreement" or "Agreement"). Fees payable under this agreement are:

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

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

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

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

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

The hurdle rate applied in the period ended 31 March 2015 was 10% per annum (2014: 10%). The high watermark used for the calculation of the performance fee for the year to 30 September 2014 was set with reference to the average share price during September 2013, being 78.99 pence per share. The current high watermark is set with reference to the average share price during September 2014, being 83.58 pence per share.

16. Material contracts (continued)

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

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

During the period, the agreements with Octopus Healthcare Adviser gave rise to £2,267,000 (2014: £3,094,000) of fees as follows:

	Six Months Ended 31 March 2015 £'000	Six Months Ended 31 March 2014 £'000
Expensed to the consolidated statement of comprehensive income:		
Investment advisory fee	**1,845**	1,593
Investment advisory performance fee	**–**	846
Property management fees	**422**	409
Capitalised as part of property acquisition costs:		
Corporate acquisition fees	**–**	246
Total Fees	**2,267**	3,094

Of these fees, £911,000 (2014: £722,000) remained unbilled or outstanding at the end of the period. This excludes the performance fee which is billed after the year end calculation is finalised. The amount above is an estimate for the half year and is included within accruals.

During the period property development costs of £552,000 (2014: £3,323,000) were paid to Octopus Healthcare Property Ltd, a member of the same group of companies as Octopus Healthcare Adviser Ltd. At the period end there was a total of £13,000 that remained unbilled or outstanding (2014: £876,000). In addition, licence fee income of £nil (2014: £261,000) was recognised on properties under construction being developed by Octopus Healthcare Property Ltd during the period. At 31 March 2015 licence fees totalling £nil (2014: £149,000) remained unbilled or outstanding.

Administrator

Each Group company has entered into a separate administration agreement with International Administration Group (Guernsey) Limited for the provision of administrative services. Under these agreements fees were incurred totalling £42,000 (March 2014: £39,000) for the provision of corporate secretarial services to all Group companies and other administrative services. Of these fees £nil (March 2014: £8,900) remained unbilled or outstanding at the period end.

17. Related party transactions

During the period fees of £13,000 (March 2014: £39,000) were paid to Aitchison Raffety Limited to negotiate rent reviews, and to act as agent for the disposal of properties, of which £nil (September 2013: £49,000) remained unbilled or outstanding at the period end. John Hearle is Group Chairman of Aitchison Raffety Limited.

Aitchison Raffety Limited has been appointed to manage the service charges for a number of properties held by the Group. No fees have been paid to date for this service, nor are any payable as at 31 March 2015. The estimated annual fee expected to be earned by Aitchison Raffety for providing this service is £59,000 (2014: £59,000).

18. Post period end events

On 30 April 2015 the Company received the first £25 million tranche of a new £50 million loan note facility. These loan notes have a duration of thirteen years and five months maturing on 30 September 2028, with no amortisation and the principal value repayable on maturity. The all in interest rate is fixed for the term at 3.838%.

COMPANY INFORMATION

Directors

David Staples (Chairman)
Steve Le Page (appointed on 13 November 2014)
John Hearle
Shelagh Mason
Christopher Bennett (resigned 10 December 2014)

Registered Office

Regency Court
Glategny Esplanade
St Peter Port
Guernsey
GY1 1WW

Investment Adviser

Octopus Healthcare Adviser Ltd
5 Godalming Business Centre
Woolsack Way
Godalming
Surrey
GU7 1XW

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

Auditor

KPMG LLP
15 Canada Square
London
E14 5GL

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

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

Registrar

Capita Registrars (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

The paper used in this report is an uncoated offset made using 100% ECF pulp.

Designed and produced by **MAGEE**
www.magee.co.uk

FSC
www.fsc.org
MIX
Paper from responsible sources
FSC® C004309

MedicX Fund

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

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