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MedicX Fund

Annual Report and Financial Statements
to 30 September 2010

MedicX Fund is a specialist investor in modern primary healthcare properties in the United Kingdom. The company's investment objective is to achieve a rising rental and capital growth back from the ownership of a portfolio of mainly modern, purpose built, primary healthcare properties.

MedicX Fund is listed on the London Stock Exchange, is included in the FTSE All Share Index and has a portfolio of 57 properties.

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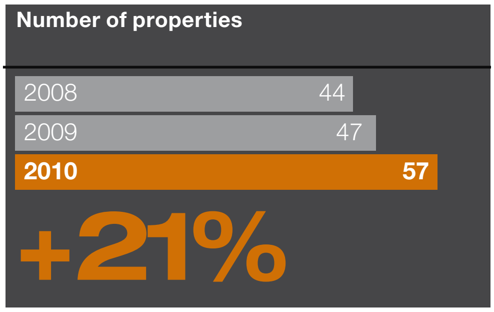
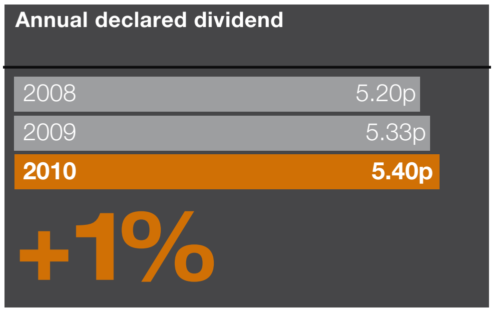
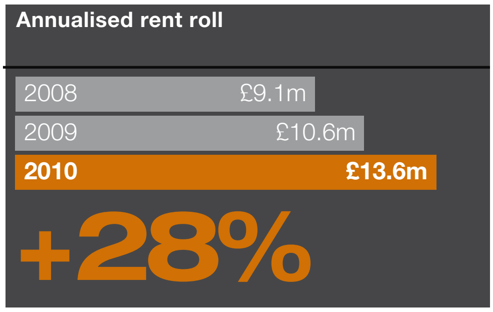
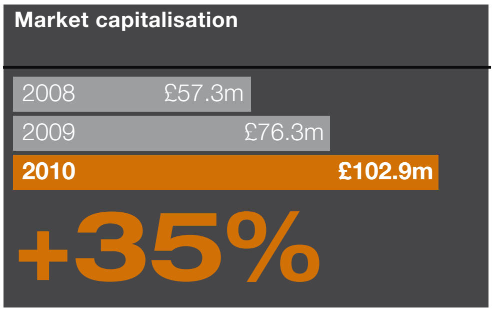
Highlights









Investment proposition

> Continued success in achieving strategy of investing in modern, purpose-built primary healthcare properties
> Established model giving access to long-term secure cash flow assets
> Guernsey-based investment company with market capitalisation of £103 million
> Not a developer or operator
> External investment adviser
> Objective of dividend and capital growth

Investments

> £226.6 million committed investment in 57 primary healthcare properties at a cash yield of 5.96% compared with a benchmark 20-year gilt rate of 4.29%[1,2,3]
> New committed investment since 1 October 2009 in nine properties of £41.9 million acquired at a cash yield of 6.22%[1,3]
> Three properties under construction completed; eight remain to be completed[1]
> Annualised rent roll now £13.6 million[1,2]
> £1.8 million rent reviews agreed in the year with the equivalent of an average 2.1% per annum increase, 1.8% from open market reviews, 2.6% from RPI reviews, and 2.5% from fixed uplifts
> Strong pipeline of approximately £95 million further acquisition opportunities[1]

Financial results

> Rental income for the year £10.8 million representing a 23% increase in the year
> 25% increase in EBITDA to £7.7 million excluding revaluation impact, deferred taxation and performance fees
> Adjusted earnings of £2.7 million excluding revaluation impact, deferred taxation and performance fees, an increase of £1.3 million or 93% from prior year, equivalent to 2.1 pence per share (30 September 2009: £1.4 million; 1.6 pence per share)[4]
> Quarterly dividend of 1.35 pence per share announced November 2010[5]; total dividends of 5.4 pence per share for the year or 7.5% dividend yield[1,6], increased from 5.33 pence for previous year; scrip dividends offered from June 2010
> 8.6% shareholder return for the year[7]
> Discounted cash flow net asset value of £129.3 million equivalent to 91.5 pence per share (30 September 2009: £93.5 million; 89.5 pence per share)
> Adjusted net asset value of £92.9 million equivalent to 65.7 pence per share (30 September 2009: £64.8 million; 62.0 pence per share)[4]
> Improved valuation net initial yield of 5.88% compared with 6.06% at 30 September 2009 generating a valuation gain for the year of £6.2 million
> Adjusted net asset value plus the estimated benefit of fixed rate debt of £100.9 million equivalent to 71.4 pence per share (30 September 2009: £75.8 million; 72.5 pence per share)[4]

Funding

> £26.5 million net proceeds raised from 37.6 million shares issued since 1 October 2009 at an average issue price of 72.0 pence per share
> Existing £100 million of interest only debt at fixed rate of 5.0% until 2036 or for a further 26 years. Benefit of debt as at 6 December 2010 is £14.3 million, or 10.0 pence per share
> Debt service interest cover ratio of 191% against covenant of 140%
> Loan to value ratio of 65.9% against 75% covenant
> Net debt £83.6 million (45.7% adjusted gearing[4]) at year end
> New £25.5 million debt facility agreed December 2009

1 As at 6 December 2010.
2 Includes completed properties, properties under construction and committed investment.
3 Net rents divided by total acquisition price and costs; cash yield on gross rents 6.14%.
4 Adjusted to exclude goodwill and the impact of deferred tax not expected to crystallise.
5 Ex dividend date 17 November 2010, record date 19 November 2010, payment date 31 December 2010.
6 Total dividends declared divided by share price at 6 December 2010.
7 Based on share price growth between 30 September 2009 and 30 September 2010 and dividends received during the year.

Portfolio

MedicX Fund

acquisitions

"The Group now has committed investment of £226.6 million across 57 properties of which six remain under construction and two are due to start construction in 2011"

Investment policy

The Company's Investment Policy is to acquire the freehold and long leasehold ownership of mainly modern, purpose built primary healthcare properties, some of which may have the potential for further enhancements. It is intended that those properties will be capable of accommodating GP practices and a range of complementary medical and other related primary healthcare and ancillary services.

Investment risks are spread by investing in a well spread portfolio of primary healthcare properties across the UK. In addition, the Company will adhere to the following principles in implementing its investment policy:

Portfolio asset allocation

> Rents received from any one tenant, or tenants within the same group in any one financial year shall not exceed 20% of the total rental income of the Company in that financial year;
> Rents receivable from NHS reimbursable sources in any one financial year shall represent at least 80% of the total rental income of the Company in that financial year;
> No one property (including all adjacent or contiguous properties) shall at the time of acquisition represent more than 15% of the gross assets of the Company; and
> At least 90% by value of the properties held shall be in the form of freehold or long leasehold (over 60 years remaining at the time of acquisition) properties or the equivalent.

Restrictions on borrowing

> The borrowings of the Company shall not exceed 75% of the adjusted total assets (excluding goodwill) of the Company.

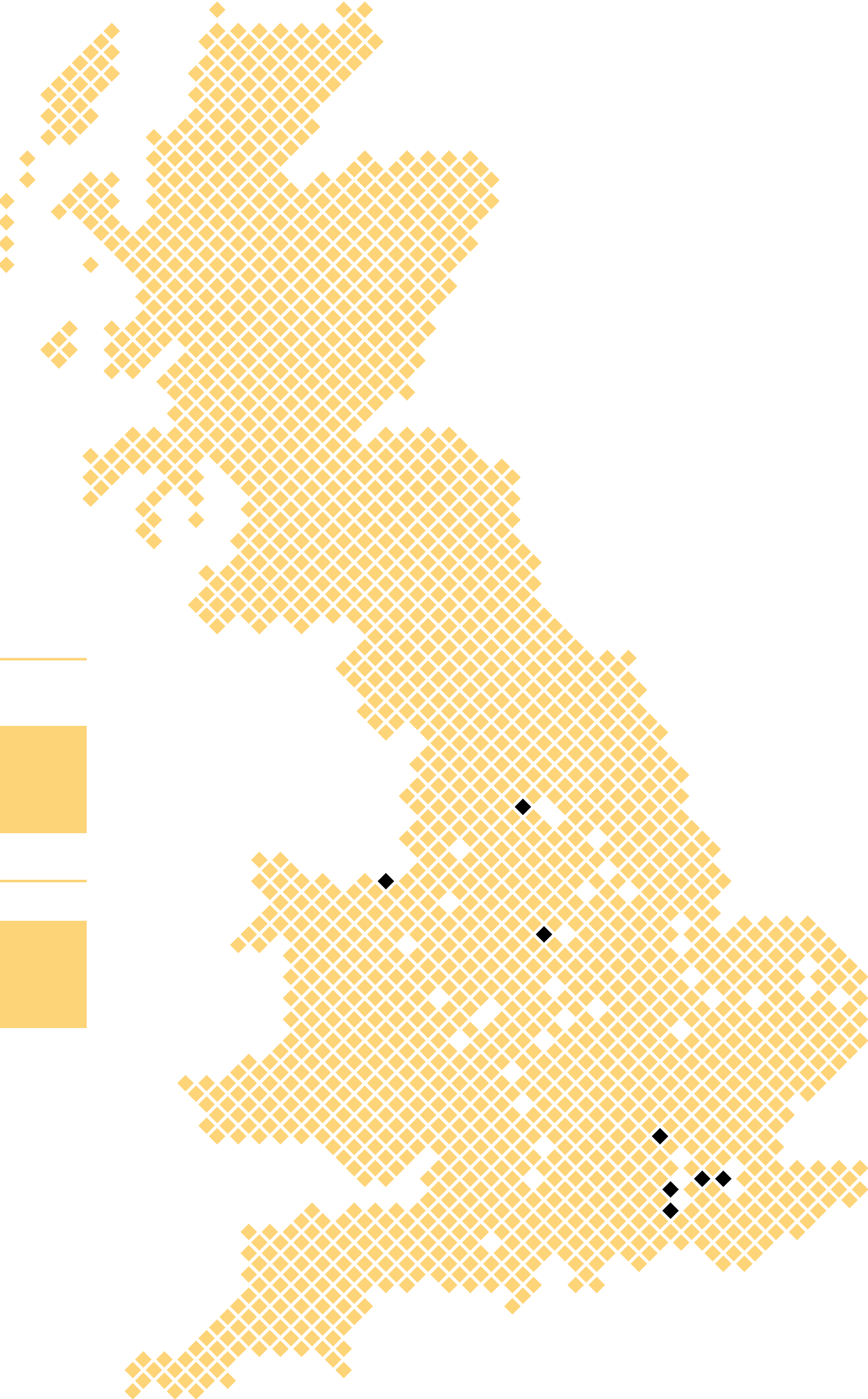
Any material removal, amendment or other modification of the Company's stated Investment Policy, and additional investment restrictions, will only take place with the approval of Shareholders.

7 new properties committed in the period

7

49 completed properties

49

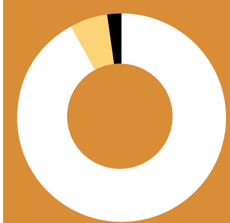


Completed projects

◆ Projects under construction/ terms agreed

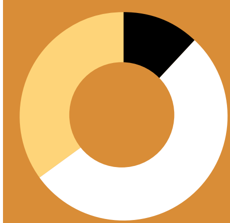
Portfolio review*

Security of income by tenant type



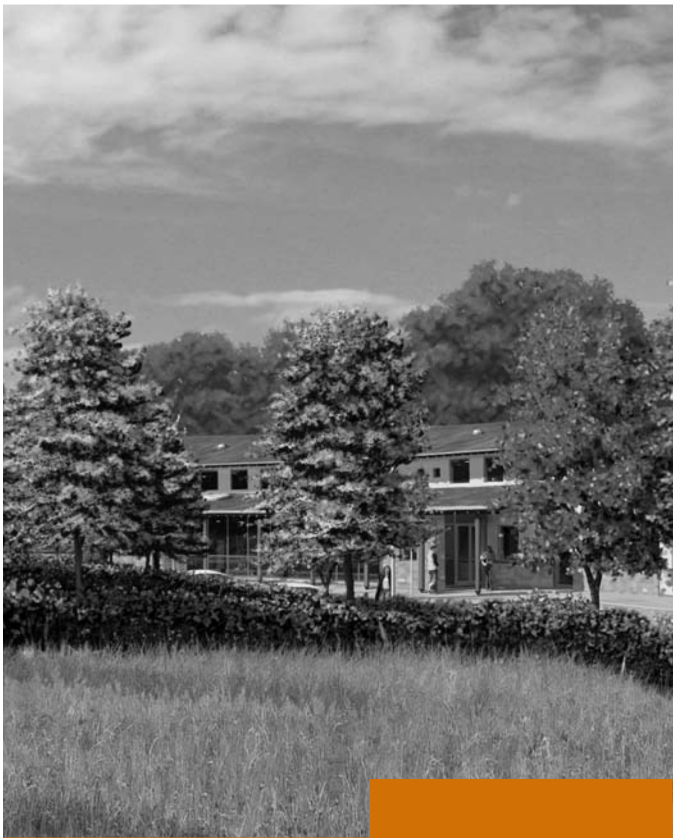
- Voids **0%**
- GP/PCT **91%**
- Pharmacy **7%**
- Other **2%**

Security of income by lease expiry



- Less than 15 years **12%**
- 15 years to 20 years **53%**
- More than 20 years **35%**

*As at 6 December 2010; includes completed value of properties under construction and terms agreed investments.



West Wirral Medical Centre

West Wirral

Thingwall, West Wirral

Completion **November 2011**

Acquisition price **£5.2m**

Hounslow Medical Centre

Hounslow

Hounslow, Middlesex

Completion **December 2011**

Acquisition price **£5.7m**

Raynes Park Medical Centre

Raynes Park

Raynes Park, London

Completion **March 2012**

Acquisition price **£9.4m**

Halifax Medical Centre

Halifax

Halifax, West Yorkshire

Completion **August 2011**

Acquisition price **£2.8m**

Chairman's Statement

Introduction
I am pleased to present the fourth annual report for MedicX Fund, on behalf of the Board.

Results overview
2010 was another good year for the Fund. Demand for new purpose-built primary healthcare properties remains strong and the Fund has increased its portfolio with seven new properties committed in the period under review. The Group now has committed investment of £226.6 million across 57 properties of which six remain under construction and two are due to start construction in 2011.

Valuation of portfolio

£199.8m

The cash yield on investments is currently 5.96%[2,3] compared with the Group's fixed rate debt of 5% and a benchmark 20-year gilt rate of 4.29% at 6 December 2010. The cash yield on the £41.9 million committed investment since 1 October 2009 is 6.22%. The cash yield on investments is expected to continue to rise with rent increases and further acquisitions.

In line with other infrastructure funds and given the long-term predictable cash flows it is appropriate to calculate a net asset value based upon discounted cash flows ("DCF"). This basis as set out in the Investment Adviser's report gives a net asset value of £129.3 million or 91.5 pence per share.

The valuation of the portfolio undertaken by King Sturge LLP, independent valuers to the Group, as at 30 September 2010 stood at £199.8 million on the basis that all properties were complete, reflecting a net initial yield of 5.88%. This reflects a consolidation of the property values in the second half further to the uplift reported in the first half from the 30 September 2009 valuation of 6.06% net initial yield.

The Group's net asset value adjusted to exclude goodwill and deferred taxation at 30 September 2010 was £92.9 million or 65.7 pence per share[4]. Long-term interest rates have decreased during the year and the benefit of the Fund's 30-year £100 million interest only debt facility at a fixed rate of 5.008% is estimated at £8.0 million (compared with £11.0 million at 30 September 2009) or 5.7 pence per share which has not been included in the adjusted net asset value. If it were to be included, the adjusted net asset value plus the estimated benefit of fixed rate debt would be equivalent to 71.4 pence per share[4]. The debt benefit as at 6 December 2010 was £14.3 million, or 10.0 pence per share due to the increase in long-term interest rates since the end of the year.

The Fund realised a profit of £2.7 million, excluding the impact of revaluations, deferred taxation and performance fees, which equates to 2.1 pence per share, an improvement of £1.3 million, on the previous financial year[4].

Rental income grew by £2.0 million or 23% during the year. Costs are in line with expectations and for the second year in succession we beat our target for annual overheads of £650,000. Costs will continue to be managed prudently and we are targeting to keep overheads within £675,000 for the forthcoming year.

EBITDA (earnings before interest, taxation and depreciation), excluding the impact of revaluations, deferred taxation and performance fees, has increased 25% to £7.7 million for the year to September 2010, from £6.1 million in the previous year.

Funding
In March 2010, MedicX Fund issued 34.3 million shares at 72.0 pence per share, by way of placing, open offer and offer. This placing generated net proceeds of £24.1 million. In addition during the year the Fund issued 2.25 million new Ordinary Shares for cash at an average price of 72.5 pence per share pursuant to the block listing application announced by the Company on 26 June 2008. These share issues have in total generated net proceeds of £1.6 million. A further 1.1 million shares were issued after the financial year end at a price of 72.75 pence, generating net proceeds of £0.8 million. The Company issued a further 254,867 new Ordinary Shares under the Scrip Dividend Scheme (the "Scheme"). All shares were issued at prices above the adjusted net asset value.

The MedicX Fund continues to follow its growth strategy and during the course of the year raised both equity and debt to pursue its investment objectives. In December 2009, the Fund entered into a £25.5 million facility with Deutsche Postbank for a five year term. The loan interest rate will be fixed as the loan is drawn down. Based upon the current five year swap rate the loan can be fixed at an all-in rate including margin of 4.2%[1]. The additional facility is earnings enhancing due to the attractive margin between the borrowing rate and the yield available on new property investments. At 30 September 2010, £500,000 had been drawn under this facility.

The loan will be drawn down at 65% loan to value on the properties secured, against a 70% loan to value covenant that will only be tested after years two and four. The loan amortises by 1% per annum. The interest to income covenant of the loan is 140% and is expected to be comfortably exceeded.

Dividends
In November 2010 the Directors approved a quarterly dividend of 1.35 pence per Ordinary Share in respect of the period 1 July 2010 to 30 September 2010. The dividend will be paid on 31 December 2010 to Ordinary Shareholders on the register as at close of business on 19 November 2010 (the "Record Date"). The corresponding ex dividend date was 17 November 2010. The dividends total 5.4 pence per Ordinary Share in respect of the financial year ended 30 September 2010, an increase from the dividends of 5.33 pence per Ordinary Share for the year to 30 September 2009.

The Company is offering qualifying shareholders the opportunity to take new Ordinary Shares in the Company, credited as fully paid, in lieu of the cash dividend to be paid on 31 December 2010, by participating in the Scheme put in place by the Company on 5 May 2010.

As previously announced, the option to participate will be available to shareholders until 8 December 2010. For further information on the Scheme, together with a copy of the Scheme Document (containing the terms and conditions of the Scheme) and relevant mandate forms, please refer to the Scrip Dividend portal on the Company's website (www.medicxfund.com/scrip).

Dividend cover for the year to 30 September 2010 was 41.0%, up from 22.0% last year, as calculated using adjusted earnings excluding the impact of revaluations, deferred taxation and performance fees and 134.0% as calculated using the adjusted earnings including revaluation impact but excluding deferred taxation and performance fees. In addition 6.5% of the September 2010 dividend was in the form of scrip dividends and so to that extent did not result in a cash outflow from the Company. Dividend cover is targeted to continue to grow over time and following further future capital raising. However the intention remains to grow dividends over time and to distribute via dividends a proportion of the increase in the value of properties.

Annual General Meeting
At the Annual General Meeting held on 10 February 2010, shareholders passed all the resolutions proposed. These included a reserving authority for the Directors to issue Ordinary Shares for cash up to an amount representing 10.0% of the issued Ordinary Share capital on 10 February 2010 on a non-pre-emptive basis provided that such Ordinary Shares shall be allotted for cash at a price which is not less than the Company's adjusted net asset value at the time of the issue. This power expires immediately prior to the date of the Annual General Meeting of the Company to be held on 24 February 2011. During the year 2,250,000 shares were issued pursuant to the block listing application announced by the Company on 26 June 2008, and a further 1,100,000 shares were issued after the year end, all at prices greater than adjusted net asset value. The Board will be seeking renewal of this authority at the forthcoming Annual General Meeting on 24 February 2011.

Share price and outlook
In the year to 30 September 2010, the total shareholder return, as measured by dividends received and share price growth, was 8.6%. Of the return, 7.5% was attributable to dividends received with the remainder from growth in the share price.

At 6 December 2010, the mid-market share price was 72.25 pence per share ex dividend, this represents a 7.5% dividend yield based upon the 5.4 pence per share dividends declared for the year, a premium of 10.0% to the adjusted net asset value of 65.7 pence per share, a premium of 1.2% to the adjusted net asset value plus the estimated mark to market benefit of debt of 71.4 pence per share and a discount of 21.0% to the discounted cash flow net asset value of 91.5 pence per share.

MedicX Fund enters its fifth year with a track record of delivering steady and increasing returns from its property portfolio. Throughout this period of uncertainty in the world's economy the MedicX Fund model has proved itself. Primary care infrastructure assets are attractive investments and the Fund's portfolio continues to be a good route for accessing secure long-term cash flows. MedicX Fund is well positioned to deliver progressive long-term returns to shareholders.

With access to further attractive opportunities available through the Investment Adviser we are considering raising new equity capital in the New Year.

David Staples
Chairman
7 December 2010

Investment Adviser's Report

MedicX Fund

investment adviser

"The Investment Adviser to the Fund is MedicX Adviser Ltd, which is authorised and regulated by the Financial Services Authority and is a subsidiary of the MedicX Group. The MedicX Group is a specialist investor, developer and manager of healthcare properties in the UK"

Market

The IPD UK Annual Healthcare Index total return (published annually) in 2009 was 5.4% year-on-year, faring better than the IPD UK All Property total return of 3.5% for the same period, with MedicX Fund achieving a comparable total return of 11.7% for the year ended 31 March 2010. The IPD UK Healthcare Index total return outperformed the IPD UK All Property total returns in 2007, 2008 and 2009.

The October 2010 IPD All Property and Retail Index net initial yields were 6.41% and 6.11% respectively, in both cases a reduction of 1.50% since the low point in property values in June 2009 and reductions of 1.05% and 1.08% respectively from October 2009. Prime Retail and Office properties have in many cases returned to pre-recession prices with net initial yields of c.4.5%–5.0%.

The primary care property sector has historically been less volatile and lagged behind other property classes with net initial yield for MedicX Fund at 5.88% in September 2010 compared with 6.06% in September 2009. The low point in valuations since the launch of MedicX Fund occurred in March 2009 with a net initial yield of 6.09%, compared with the peak of 5.01% in March 2007.

The Coalition Government announced soon after its formation in May 2010, confirmed in the October Spending Review, that it would increase health spending in real terms in each year of the Parliament and we await with interest developments as we move toward the Health Bill expected early next year. There is no doubt that the modern purpose-built and flexible primary care properties, such as those in the MedicX Fund portfolio, are consistent with the search for further efficiencies in NHS operations. Demand for new primary care premises continues with a majority of premises still not fit for purpose.

Portfolio update

The MedicX Fund now has committed investment of £226.6 million[1,2] at today's date in 57 primary healthcare properties at a cash yield of 5.96%[2,3]. The annualised rent roll of the portfolio properties is £13.6 million[1,2].

At 6 December 2010, the portfolio of properties had an average age of 3.6 years, remaining lease length of 18.6 years and an average value of £3.8 million. Of the rents payable, 91.0% are from Government-funded doctors and Primary Care Trusts/Local Health Boards, 7% from pharmacies and 2.0% from other parties. There are no voids in the portfolio.

In the year, successful completion was achieved of properties under construction at Ossett, Abergele and Ruabon, a total commitment of £13.9 million. All projects were delivered on time and within budget.

Construction started during the year on new properties at Halifax, Apsley, Hounslow, Bilborough and Bermondsey Spa. In addition the completed medical centre at Boston was acquired and the Fund has entered into a forward purchase agreement in respect of a medical centre in Clapham which is due to complete in August 2011. Construction is due to start on the Raynes Park and West Wirral projects in 2011. These nine new investments represent a total commitment of £41.9 million.

The total committed investment excludes the Middlewich and Scholar Green projects which were included as part of a framework agreement made in September 2009. At this stage the details of these projects have not been finalised, and as such they will be included in committed investment when the projects are ready to commence.

There were no property disposals during the year, although over time the intention is to sell a number of the smaller and older properties.

Asset management
During the year to 30 September 2010, 24 leases and rents of £1.8 million have been reviewed and the equivalent of a 2.1% per annum increase was achieved. Of these reviews, 1.8% per annum was achieved on open market reviews, 2.5% per annum was achieved on fixed uplift reviews and 2.6% on RPI based rental reviews. An increase in open market reviews has been seen in respect of the most recent review dates, with open market reviews broadly tracking RPI over time. Reviews of £4.4 million of passing rent are currently under negotiation.

Of the £13.6 million annualised rent roll at 6 December 2010, there is £10.5 million, 77.0%, subject to open market review, £2.3 million, 17.0%, subject to RPI reviews and £0.8 million, 6.0%, subject to fixed uplift reviews, of an average 2.5% per annum increase.

During the year the Fund completed value enhancements to a number of properties with a fit out of expansion space and an extension to the lease at one property, the addition of a pharmacy to another and the addition of a podiatry suite at a third.

Cash and debt
As at 30 September 2010, the Fund had net debt of £83.6 million, which is 45.7% of gross assets excluding cash and goodwill (30 September 2009: £93.7 million and 56.9%). In relation to the Aviva Loan, the debt service cover ratio was 191.0% versus a covenant of 140.0% and the loan to value ratio was 65.9% against a covenant of 75.0%.

The net assets on the statement of financial position do not reflect the fair value of the £100 million Aviva facility. Advice from the Company's lenders indicates that the fixed interest rate for a loan with similar terms taken out at 30 September 2010 would have had a margin of 1.8% over the gilt yield, equivalent in aggregate to 5.6%. On this basis, the mark-to-market benefit of the facility at September 2010 was £8.0 million, or 5.7 pence per share. Incorporating this benefit would take the Fund's net asset value to £100.9 million or 71.4 pence per share. The debt benefit as at 6 December 2010 was £14.3 million, or 10.0 pence per share due to the increase in long-term interest rates since the end of the year.

"MedicX Fund currently has access to a property pipeline, subject to contract, which is estimated to be worth approximately £95 million in value when fully developed"

Discounted cash flow valuation of assets and debt
On the Fund's behalf the Investment Adviser has carried out a 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.

The discount rates used are 7.0% for completed and occupied properties and 8.0% 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 7.16% and this represented a 3.15% risk premium to the 20–year gilt rate at 30 September 2010 of 4.01%.

The DCFs 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 1.0% 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.

At 30 September 2010, the DCF valuation was £129.3 million or 91.5 pence per share compared with £93.5 million or 89.5 pence per share at 30 September 2009.

Investment Adviser's Report
continued

Sensitivities
The Investment Adviser has carried out sensitivities to the DCF net asset value. For the DCF net asset value to equate to the share price as at 6 December 2010 of 72.25 pence per share, the DCF calculation would have to assume a 0.92% decrease in rents per annum, or a 1.94% capital reduction per annum, or a weighted average discount rate of 10.0%. These reductions in rents and capital values would need to take place every year until the expiry of individual property leases.

Taking the adjusted net asset value plus the estimated benefit of fixed rate debt of 71.4 pence per share and assumed purchaser costs of 8.2 pence per share, an implied net initial yield of 5.42% is required to get to the DCF net asset value of 91.5 pence.

Pipeline and investment opportunity
The Investment Adviser has continued to successfully source properties both through the MedicX Group's development arm, MedicX Property, and through its established relationships with investors developers and agents in the sector. MedicX Fund currently has access to a property pipeline, subject to contract, which is estimated to be worth approximately £95.0 million in value when fully developed.

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

Annualised rent roll of the portfolio

£13.6m

1 As at 6 December 2010.
2 Includes completed properties, properties under construction and committed investment.
3 Net rents divided by total acquisition price and costs; cash yield on gross rents 6.14%.
4 Adjusted to exclude goodwill and the impact of deferred tax not expected to crystallise.
5 Ex dividend date 17 November 2010, record date 19 November 2010, payment date 31 December 2010.
6 Total dividends declared divided by share price at 30 September 2010.
7 Based on share price growth between 30 September 2009 and 30 September 2010 and dividends received during the year.

Board of Directors

David Staples
Non-Executive Chairman

David Staples (aged 53) is a Chartered Accountant and a Chartered Tax Adviser. He also holds the Institute of Directors' Diploma in Company Direction. For 13 years until 2003, Mr Staples was a partner with PricewaterhouseCoopers ("PwC") and led the tax practice in the South East of England advising several well known family and owner-managed businesses. Since leaving PwC, Mr Staples has joined the boards of four other listed companies as a non-executive director and chairs their audit committees: Gottex Fund Management Holdings (listed on the Swiss Exchange, SIX), Premier Renewable Energy Fund (listed on LSE main market), Signet Global Fixed Income Strategies Limited (listed on the Irish Exchange) and Aberdeen Private Equity Fund Limited (listed on the LSE main market). His other appointments include certain private equity funds of Apax. Mr. Staples is resident in Guernsey where he is chairman of the Chartered Institute of Taxation.

Shelagh Mason
Non-Executive Director

Shelagh Mason (aged 51) is an English property solicitor with over 25 years' experience in commercial property. She is currently a partner in Spicer and Partners Guernsey LLP specialising in English commercial property. Her last position in the United Kingdom was as a senior partner of Edge & Ellison (now part of Hammonds). For two years until 2001 she was chief executive of Long Port Properties Limited, a property development company active throughout the United Kingdom and the Channel Islands. Mrs Mason is a member of the board of directors of Standard Life Investment Property Income Trust, a property fund listed on both the London Stock Exchange and the Channel Islands Stock Exchange. She is also a non-executive director of PFB Data Centre Fund, and also of G.Res:1 Limited, a residential property investment company. She is immediate past chairman of the Guernsey Branch of the Institute of Directors and a member of the Chamber of Commerce and the Guernsey International Legal Association.

Christopher Bennett
Non-Executive Director

Christopher Bennett (aged 45) is a member of the Royal Institution of Chartered Surveyors, and also has an MBA from Cranfield University and a BA in Law & Economics from Durham University. He is a Jersey resident and is managing Director of Dominion Real Estate, a real estate administration business which he co-founded in 2005. He was previously with Royal Bank of Scotland International in Jersey where he spent five years in real estate finance. Prior to working for Royal Bank of Scotland International he worked for Mutual Finance (a property finance advisory business) for 18 months, was a self-employed property consultant for six years and spent three years in the residential agency sector. He is a director of Alpha Pyrenees Trust Limited, a property investment company which is listed on the LSE Main Market.

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

John Hearle
Non-Executive Director

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

Report of the Directors

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

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

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

Results and dividend
The results for the year are shown on page 23. Quarterly dividends of 1.35 pence per Ordinary Share were paid in March, June and September 2010. The Directors have approved a further quarterly dividend of 1.35 per share to be paid 31 December 2010.

The Company introduced a scrip dividend scheme with effect from the quarterly dividend paid in June 2010, whereby shareholders that qualify for a dividend have the opportunity to receive the dividend as new Ordinary Shares instead of cash. The quarterly dividend to be paid 31 December 2010 will also be subject to this scheme. The amounts disclosed for dividend payments subject to the scrip dividend scheme (June and September 2010) are the cash equivalent values.

As at 30 September 2010, the Ordinary Share price was 73.75 pence.

Share issues
Ordinary Shares of no par value were issued for cash during the year and post year-end generating net proceeds of £26.5 million.
The issues are detailed below:

	Number of shares	Issue price per share
7 October 2009 (tap issue)	500,000	72.50 pence
10 March 2010 (placing, open offer and offer)	34,291,028	72.00 pence
4 June 2010 (tap issue)	500,000	72.50 pence
29 June 2010 (scrip shares)	82,497	73.95 pence
9 August 2010 (tap issue)	500,000	72.50 pence
2 September 2010 (tap issue)	750,000	72.50 pence
29 September 2010 (scrip shares)	172,370	71.65 pence
17 November 2010 (tap issue)	*1,100,000*	*72.75 pence*

Financial instruments
The Group utilises financial instruments in its operations. The financial instruments of the Group at both 30 September 2010 and 30 September 2009 comprised trade receivables and payables, other debtors, cash and cash equivalents, non-current borrowings and current borrowings. Other than its £100 million fixed interest debt facility, for which a mark to market calculation is detailed in note 13, it is the Directors' opinion that the carrying value of all financial instruments on the statement of financial position is equal to their fair value.

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

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

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

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

The Investment Adviser receives a base fee of 1.5% of the Fund's gross assets excluding cash. However there is no base fee payable on gross assets of between £150 million and £300 million (excluding cash). Above this threshold of £300 million, a reduced investment advisory base fee of 0.75% of gross assets (excluding cash) per annum is payable.

The Investment Adviser is also entitled to a performance fee equal to 15% of the amount by which the total shareholder return exceeds an 8% per annum compound hurdle rate calculated from the April 2009 fundraising issue price of 69.0 pence per share, subject to a high watermark. If in any year the total shareholder return falls short of 8% per annum then the deficit in total shareholder return has to be made up in subsequent years before any performance fee can be earned. The compounding of the 8% hurdle rate will be adjusted upwards to compound from the high watermark level at which the performance fee was last earned. The watermark applicable for the year ended 30 September 2010 was set with reference to the share price at 30 September 2009, of 73.0 pence per share. The current high watermark will be set with reference to the share price at 30 September 2010 of 73.75 pence per share.

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, subject at all times to the annual 1.5% of gross assets (excluding cash) fee limit.

In the financial year the Investment Adviser earned a performance fee of £0.1 million, (2009: £0.9 million), which is carried forward as part of a £0.9 million (2009: £0.8 million) provision pending future payment. At 30 September 2010, the Investment Adviser was entitled to a payment of £0.5 million in respect of the cumulative performance fee earned but not yet paid by reference to the operation of the expenses cap.

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

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

Directors

The members of the Board are listed on page 11.

All Directors are considered independent and are non-executive.

David Staples holds 31,122 shares in the Company. No other Director holds any interest in the shares of the Company. In the prior year David Staples held 20,000 shares in the Company, and no other Director held any interest in the shares of the Company.

No Director is under contract of service with the Company. Details of Directors' remuneration are described in the Directors' remuneration report on page 18 and are also disclosed in note 3 to the financial statements.

Substantial shareholdings

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

	Number of Ordinary Shares	Percentage of Ordinary Shares in issue
Rensburg Sheppards Investment Management Ltd	25,449,552	17.87%
CCLA Investment Management	13,931,000	9.78%
East Riding of Yorkshire Council Pension Account	11,000,000	7.72%
F&C Asset Management PLC	7,335,946	5.15%
Smith & Williamson Holdings Ltd	6,882,110	4.83%
Rathbone Brothers PLC	5,995,626	4.21%
The Royal Bank of Scotland PLC	5,148,390	3.62%

Auditors

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

Going concern

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

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

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

Corporate governance

As a closed-ended investment company registered in Guernsey, the Company is eligible for exemption, under the Listing Rules of the UK Listing Authority, from the requirements of the Combined Code on Corporate Governance published in June 2008 by the Financial Reporting Council (the "Code"), which establishes best practice for good governance. However, the Board has put in place a corporate governance framework following the Association of Investment Companies ("AIC") guidelines that are suitable for an investment company and facilitates voluntary compliance with the Code. The Board has noted the requirements of the new Combined Code on Corporate Governance published in May 2010 and the revised AIC guidelines, which will apply to the Company from 1 October 2010.

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

There is no formal third party process for evaluation of the performance of the Board. Each member of the Board is subject to removal without notice under the Articles. As each Director's letter of appointment allows for termination on three months' notice, in cases of poor performance the Chairman or shareholders could remove a Director without the Company incurring a substantial compensation liability. The Board did, however, conduct an evaluation of its performance during the year, following AIC guidelines.

The Company does not maintain Nomination or Remuneration Committees. A Nomination Committee is not considered necessary, as all the Non-Executive Directors are contributors to nomination discussions regarding the appointment of new members. Similarly, all Directors are party to remuneration reviews and are paid fees as determined by the letters of appointment. For further information, refer to the Directors' remuneration report on page 18.

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

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

The numbers of scheduled and ad hoc Board and Audit Committee meetings held during the year to 30 September 2010 along with the attendance of the Directors were:

	Board of Directors				Audit Committee			
	Scheduled		Ad hoc		Scheduled		Ad hoc	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
D Staples	7	7	6	4	3	3	2	2
C Bennett	7	7	6	5	3	3	2	2
S Mason	7	7	6	6	3	3	2	2
J Hearle[1]	7	6	6	–	3	3	2	–

1. J Hearle was not a member of the Audit Committee, but was in attendance.

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

The Committee meets at least three times a year and meets the auditors at least annually without the Investment Adviser. The Committee reviews the performance and continued suitability of the Fund's external auditors on an annual basis. They assess the external auditors' independence, qualification, extent of relevant experience, effectiveness of audit procedures as well as the robustness of their quality assurance procedures. In advance of each audit, the Committee obtains confirmation from the external auditors that they are independent and of the level of non-audit fees earned by them and their affiliates. Where non-audit fee levels are considered significant, the Committee considers the appropriateness of the independence safeguards put in place by the auditors. Note 4 details the total fees paid to PKF (UK) LLP in the financial year to 30 September 2010. The Committee considers PKF (UK) LLP to be independent of the Company and the Group, and that the provision of non-audit services does not threaten the objectivity and independence of the audit.

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

PKF (UK) LLP have also confirmed that they have obtained the appropriate audit registration with the Guernsey Financial Services Authority.

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

Internal control

The Committee has in place a formal procedure for identifying, evaluating and monitoring the risks most likely to impact the Group, with the key risks identified on page 19 of this report. The Committee uses a matrix to record internal and external risks that are graded High, Medium or Low and the control processes used to mitigate those risks, setting out the parties responsible for the processes. At each meeting, the matrix is reviewed and updated for changes to the risk profile or processes. The Committee is provided with status updates from any actions raised in previous meetings.

The Company's internal control procedures are regularly monitored by the Board and are further enhanced by the continued appointment of Roffe Swayne, an independent firm of accountants as internal auditors during the year. The scope of the internal audit reviews are determined by the Audit Committee to ensure full coverage of key risk areas. The internal auditors continued their programme of rolling reviews during the year to 30 September 2010 and reported their findings to the Committee. No material weaknesses have been identified as the result of the work carried out to date.

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

Health and safety

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

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

Corporate responsibility

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

To achieve this goal, the Group applies the following principles to its operations:

Business conduct
The Group's investment decisions are made on the basis of generating shareholder value and ensuring the long-term success of the business. The selection of suppliers will be made independently by the Group's Directors upon advice from the Investment Adviser, and in the best interests of the Group. The Group will ensure that appropriate controls are in place to guarantee independence from its supply chain.

All our suppliers will be treated fairly and responsibly.

The Group will not provide financial support to political parties or politicians.

The Group is resolutely opposed to bribery and corruption. The Group will not use any illegal or improper means to further its business interests, nor will it accept any forms of inducements intended to influence its investment decisions.

Governance
The Group will protect the interests of its shareholders and other stakeholders through compliance with relevant legal and regulatory environments, and through effective management of business risk and opportunity.

The Group will ensure that its Directors are truly independent, are competent and have the resources and support required to perform their duties optimally, and that the Board's decisions are made in the best interests of the Group. The performance of the Board will be regularly reviewed, and Directors will retire after periods deemed appropriate by the Board in accordance with best practice.

Supply chain
Suppliers are expected to conduct their activities to the same responsible standards as the Group, and in compliance with all relevant national and international laws.

The selection of suppliers will take into account their status as fit and proper organisations. This will include suppliers' management of corporate responsibility related issues, such as health and safety, and environmental matters.

The Group will monitor its suppliers with regard to their business conduct, including their management of corporate responsibility related risks and opportunities, and, when appropriate, may seek to work with suppliers to address issues perceived by the Group as potentially having an impact on the value of the Group's portfolio. It is in the interest of the Group to encourage good business conduct in its supply chain, so as to help protect and enhance the value of the Group's portfolio. On this basis, the Group will work with its suppliers to ensure that its portfolio functions effectively, meeting the needs of tenants, service users and local communities, and with minimal negative impact on the environment.

Transparency
The Group aims to be transparent, and to ensure that it communicates with its shareholders and other stakeholders in a manner that enhances their understanding of our business.

The Group will maintain accounting documentation that clearly identifies the true nature of all business transactions, assets and liabilities, in line with the relevant regulatory, accounting, and legal requirements. No record or entry will knowingly be false, distorted, incomplete, or suppressed.

All reporting will be materially accurate and complete and in compliance in all material respects with stated accounting policies and procedures. The Group will not knowingly misstate or misrepresent management information for any reason, and we expect the same to apply to our suppliers.

The Group may be required to make statements or provide reports to regulatory bodies, government agencies or other government departments, as well as to the media. We will ensure that such statements or reports are correct, timely, and not misleading, and that they are delivered through the appropriate channels.

The Group provides, through its website, www.medicxfund.com, its Annual Report, other statements, and appropriate information to enable shareholders and stakeholders to assess the performance of its business. The Group will comply with the applicable laws and regulations concerning the disclosure of information relating to the Group.

Communities

The Group aims to ensure that our projects, which are associated with the provision of health services, provide significant value-adding facilities in the communities where we invest. We aim to ensure that our projects are applied optimally for the use and benefit of our communities. We will encourage our suppliers to work with the communities local to our projects to ensure that this goal is achieved.

Provision of information to auditors

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

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

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

Shelagh Mason
Director
7 December 2010

Directors' Remuneration Report

The Board of Directors of MedicX Fund presents its Directors' remuneration report in respect of the year ended 30 September 2010.

Remuneration policy

The remuneration policy of the Company is set by the Board.

The remuneration policy of the Company is to pay its Non-Executive Directors fees that are appropriate for the role and the amount of time spent in discharging their duties, that are broadly in line with those of comparable investment companies and that are sufficient to attract and retain suitably qualified and experienced individuals. The Chairman of the Board and the Audit Committee Chairman are entitled to receive fees at a higher level than those of the other Directors, reflecting their additional duties and responsibilities. The Directors' fees are not subject to any performance criteria.

As all Directors of the Company are non-executive and there are no employees, the Company does not operate any share option or other long-term incentive schemes. In addition, the Company has not entered into any service contracts with its Directors, other than letters of appointment, and does not intend to in the future. Therefore, aside from a three month notice period, there are no termination provisions that would be operated in the event of the resignation of any Director. No pension or other retirement benefits schemes are operated by the Company for any of its Directors.

Company performance

The Directors believe that total shareholder return is the most appropriate measure of the Company's performance as it is the measurement which is most aligned to the interests of shareholders.

The total shareholder return for the year ended 30 September 2010 was 8.6%, compared to 11.4% for the year ended 30 September 2009.

Directors' remuneration

The annual remuneration of the Directors is stipulated in the relevant letter of appointment. The Articles of Incorporation restricts the individual remuneration of each Director to £75,000 per annum, excluding any amounts payable in accordance with the Articles for extra or special services over the usual Non-Executive Director's duties. Aside from the additional fees paid in relation to the March 2010 fundraising noted below, there were no other payments for extra or special services in the year ended 30 September 2010.

During the year, the Chairman received dividends on his holding in the Company as disclosed on page 13. On the introduction of the Scrip Dividend Scheme in June 2010, the Chairman elected to receive his dividend in the form of new Ordinary Shares. The total cash or cash equivalent value of the dividends he received during the year was £1,350.

Total fees paid by the Company in respect of each of the Directors' service were as follows:

	2010 £'000	2009 £'000
D Staples (Chairman)	**40**	40
S Mason	**25**	27
C Bennett (Audit Committee Chairman)	**27**	25
J Hearle	**25**	25
A Simpson	**–**	9
J M S Tavares	**–**	4
Total	**117**	130

In addition, a fee of £5,000 per Director (total of £20,000) was paid in relation to the March 2010 fundraising, reflecting the additional time and duties involved in that exercise. The cost of this has been expensed against the share premium arising from the issue of new shares at the time of the fundraising.

During the period, no salaries, bonuses, compensation or other payments for loss of office or other benefits were paid to any of the Directors or former Directors of the Company. In addition, no reward was received by any Director in a form other than cash. None of the Directors received any expense reimbursements which were either chargeable to UK income tax or in respect of qualifying services.

The approval of this report by the shareholders of the Company is to be sought by ordinary resolution at the annual general meeting to be held on 24 February 2011.

By order of the board

David Staples
Chairman
7 December 2010

Principal Risks and Uncertainties

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

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

Other key risk factors relating to the Company are listed below:

- A property market recession could materially adversely affect the value of properties.
- Property and property related assets are inherently difficult to value and valuations are subject to uncertainty. There can be no assurance that the estimates resulting from the valuation process will reflect actual realisable sale prices.
- Rental income and the market value for properties are generally affected by overall conditions in the local economy, demographic trends, inflation and changes in interest rates, which in turn may impact upon the demand for properties. Movements in interest rates may also affect the cost of financing.
- Investments in property are relatively illiquid and usually more difficult to realise than listed equities or bonds.
- Any change in the tax status or tax residence of the Company or in tax legislation or practice (in Guernsey or the UK) may have an adverse effect on the returns available on an investment in the Company. Similarly, any changes under Guernsey company law may have an adverse impact on the Company's ability to pay dividends.
- In the event that a PCT or other tenant found itself unable to meet its liabilities the Group may not receive rental income when due and/ or the total income received may be less than that due under the relevant contract. Budgetary restrictions might restrict or delay the number of opportunities available to the Company.
- The rental costs of premises used for the provision of primary healthcare are reimbursed to GPs (subject to the fulfilment of certain standard conditions) by the PCTs. There is no guarantee that this will always be the case, which could therefore increase the risk of default on the leases if there is a change to government policy. The Board is monitoring government proposals in relation to PCTs.
- Prospective investors should be aware that the Group uses and intends to use borrowings to raise capital, which may have an adverse impact on NAV or dividends.
- Although the Company does not currently foresee circumstances arising which would result in the Group breaching any financial covenants, should such circumstances arise where it would be unable to remedy such breach, the Group may be required to repay such borrowings requiring the Group to sell assets at less than their market value. Future deterioration in the property market could have an adverse effect on the value of properties.
- Property investments are relatively illiquid; disposals could take longer than may be commercially desirable.
- The Directors intend to secure further borrowing. Facilities may not be available at acceptable levels or terms.

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

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

Analysis of Property Portfolio – Largest Investments

Property	**Year ended 30 September 2010** Valuation £'000	**Percentage of total**	Year ended 30 September 2009 Valuation £'000	Percentage of total
Moorgate Primary Care Centre, Bury	**13,820**	**7.66%**	12,900	7.92%
Lytham Primary Care Centre, Lytham	**12,440**	**6.89%**	12,000	7.37%
Evesham Health Centre, Evesham	**7,860**	**4.36%**	7,720	4.74%
Alsager Medical Centre, Alsager	**7,620**	**4.22%**	7,590	4.66%
Kingsway Medical Centre, Ossett	**7,600**	**4.21%**		
Sawston Medical Centre, South Cambridgeshire	**7,210**	**4.00%**	7,050	4.33%
Darlaston Health Centre, West Midlands	**7,170**	**3.97%**	6,510	4.00%
Marisco Medical Centre, Mablethorpe	**6,300**	**3.49%**	6,210	3.81%
West Allington Medical Centre, Bridport	**6,100**	**3.38%**	5,930	3.64%
West View Health Village, Fleetwood	**5,910**	**3.28%**	5,800	3.56%
Trinity Surgery, Wisbech			5,050	3.10%
10 largest properties	**82,030**	**45.46%**	76,760	47.13%
Other properties	**98,417**	**54.54%**	86,143	52.87%
	180,447	**100.00%**	162,903	100.00%

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Directors' report and the Group financial statements for each accounting period which give a true and fair view of the state of the Group's affairs and of its profit or loss for the period then ended, are in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union and comply with The Companies (Guernsey) Law, 2008. They are also responsible for ensuring that the Annual Report includes information required by the Listing Rules of the Financial Services Authority in the United Kingdom. In preparing these Group financial statements the Directors are required to:

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the Group financial statements comply with The Companies (Guernsey) Law, 2008. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in Guernsey governing the preparation and dissemination of the Group financial statements and other information included in Annual Reports may differ from legislation in other jurisdictions.

The Directors confirm, to the best of their knowledge:

- that the Group financial statements, which have been prepared in accordance with IFRS as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group; and
- that the management report included within the Directors' report, the Chairman's statement, the Investment Adviser's report, the Directors' remuneration report and the principal risks and uncertainties include a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

The names and functions of all the Directors are stated on page 11.

Report of the Independent Auditors

to the members of MedicX Fund Limited

We have audited the group financial statements of MedicX Fund Limited for the year ended 30 September 2010 which comprise 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 notes. The group financial statements have been prepared under the accounting policies set out therein.

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

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the directors' report and the group financial statements in accordance with Guernsey law, International Financial Reporting Standards ("IFRSs") as adopted by the European Union and the Listing Rules of the Financial Services Authority in the United Kingdom are set out in the statement of directors' responsibilities.

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

We report to you our opinion as to whether the group financial statements give a true and fair view of the state of the group's affairs and of its profit or loss for the year then ended, are in accordance with IFRSs as adopted by the European Union and comply with The Companies (Guernsey) Law, 2008.

In addition we report to you if, in our opinion, the directors' report is not consistent with the group financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if the information specified by the Listing Rules regarding directors' transactions with the group is not disclosed. The information in the directors' report includes that specific information presented in the chairman's statement and investment adviser's report which is cross referenced from the business review section of the report of the directors.

We read other information contained in the annual report and consider whether it is consistent with the audited group financial statements. The other information comprises only the highlights, the chairman's statement, the investment adviser's report, the report of the directors, the directors' remuneration report, the principal risks and uncertainties and the analysis of property portfolio – largest investments. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the group financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

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

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

Opinion

In our opinion the group financial statements:
- give a true and fair view of the state of the group's affairs as at 30 September 2010 and of its gain for the year then ended;
- are in accordance with IFRSs as adopted by the European Union; and
- comply with The Companies (Guernsey) Law, 2008.

Rhodri Whitlock
for and on behalf of PKF (UK) LLP, Recognised auditors
Guildford, UK
7 December 2010

Consolidated Statement of Comprehensive Income

For the year ended 30 September 2010

	Notes	2010 £'000	2009 £'000
Income			
Rent receivable	2	**10,825**	8,804
Finance income	2	**43**	348
Other income		**250**	633
Total income		**11,118**	9,785
Valuation and impairment adjustments			
Net valuation gain/(loss) on investment properties	10	**6,180**	(1,499)
Impairment of properties under construction	10	**–**	(712)
Charge for impairment of goodwill	9	**(605)**	(169)
Total valuation and impairment adjustments		**5,575**	(2,380)
Expenses			
Direct property expenses		**190**	168
Investment advisory fee	20	**2,250**	2,226
Investment advisory performance fee	20	**89**	869
Property management fee	20	**331**	267
Administrative fees	20	**58**	94
Audit fees	4	**74**	68
Professional fees		**227**	175
Directors' fees	3	**117**	130
Other expenses		**172**	180
Finance costs	5	**5,024**	5,096
Total expenses		**(8,532)**	(9,273)
Gain/(loss) before tax		**8,161**	(1,868)
Taxation	6	**(186)**	403
Gain/(loss) attributable to equity holders of the parent		**7,975**	(1,465)
Total comprehensive income attributable to equity holders of the parent		**7,975**	(1,465)
Earnings per Ordinary Share			
Basic and diluted	8	**6.4p**	(1.6)p

1. All items in the above statement are derived from continuing operations.
2. Included in note 8 is an adjusted earnings per share calculation that adjusts for the impact of deferred tax and goodwill which, based on the expected manner of realisation of the carrying amount of investment properties, is unlikely to crystallise.

The accompanying notes on pages 27 to 41 form an integral part of the financial statements.

Consolidated Statement of Financial Position

As at 30 September 2010

	Notes	2010 £'000	2009 £'000
Non-current assets			
Goodwill	9	**6,924**	7,529
Investment properties	10	**180,447**	153,069
Properties under construction	10	**–**	9,834
Total non-current assets		**187,371**	170,432
Current assets			
Trade and other receivables	11	**2,475**	1,939
Cash and cash equivalents	16	**17,289**	7,172
Total current assets		**19,764**	9,111
Total assets		**207,135**	179,543
Current liabilities			
Trade and other payables	12	**6,150**	5,552
Non-current liabilities			
Long-term loans	13	**100,859**	100,857
Performance fee provision	7	**342**	766
Deferred tax liability	6	**6,579**	6,393
Total non-current liabilities		**107,780**	108,016
Total liabilities		**113,930**	113,568
Net assets		**93,205**	65,975
Equity			
Share capital	14	**–**	–
Share premium	14	**44,132**	18,284
Distributable reserves	15	**57,883**	64,476
Accumulated losses		**(8,810)**	(16,785)
Total attributable to equity holders of the parent		**93,205**	65,975
Net asset value per share			
Basic and diluted	8	**66.0p**	63.1p

The financial statements were approved and authorised for issue by the Board of Directors on 7 December 2010 and were signed on its behalf by

Shelagh Mason
Director

The accompanying notes on pages 27 to 41 form an integral part of the financial statements.

Consolidated Statement of Changes in Equity

For the year ended 30 September 2010

	Notes	Share premium £'000	Distributable reserve £'000	Accumulated losses £'000	Total £'000
Balance at 1 October 2008		1,585	70,623	(15,320)	56,888
Proceeds on issue of shares		17,213	–	–	17,213
Share issue costs		(514)	–	–	(514)
Total comprehensive income for the year		–	–	(1,465)	(1,465)
Dividends paid	17	–	(6,147)	–	(6,147)
Balance at 30 September 2009		18,284	64,476	(16,785)	65,975
Proceeds on issue of shares		26,502	–	–	26,502
Share issue costs		(654)	–	–	(654)
Total comprehensive income for the year		–	–	7,975	7,975
Dividends paid	17	–	(6,593)	–	(6,593)
Balance at 30 September 2010		**44,132**	**57,883**	**(8,810)**	**93,205**

The accompanying notes on pages 27 to 41 form an integral part of the financial statements.

Consolidated Statement of Cash Flows

For the year ended 30 September 2010

	Notes	2010 £'000	2009 £'000
Operating activities			
Gain/(loss) before taxation		**8,161**	(1,868)
Adjustments for:			
Net valuation (gain)/loss on investment properties		**(6,180)**	1,499
Impairment of properties under construction		**–**	712
Goodwill impairment		**605**	169
Financial income receivable		**(43)**	(348)
Finance costs payable and similar charges		**5,024**	5,096
		7,567	5,260
(Increase)/decrease in trade and other receivables		**(536)**	1,173
Increase/(decrease) in trade and other payables		**85**	(934)
Interest paid		**(5,106)**	(5,078)
Interest received		**43**	284
Net cash inflow from operating activities		**2,053**	705
Investing activities			
Additions to investment properties and properties under construction		**(11,364)**	(27,957)
Net cash outflow from investing activities		**(11,364)**	(27,957)
Financing activities			
Net proceeds from issue of share capital		**25,848**	16,699
Net proceeds of long-term borrowings		**(12)**	(189)
Dividends paid		**(6,408)**	(6,147)
Net cash inflow from financing activities		**19,428**	10,363
Increase/(decrease) in cash and cash equivalents		**10,117**	(16,889)
Opening cash and cash equivalents		**7,172**	24,061
Closing cash and cash equivalents	16	**17,289**	7,172

The accompanying notes on pages 27 to 41 form an integral part of the financial statements.

Notes to the Financial Statements

For the year ended 30 September 2010

1. Business and investment objective

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

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

2. Principal accounting policies

Basis of preparation and statement of compliance

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

Impact of revision to International Financial Reporting Standards

The accounting policies and presentation of figures applied are consistent with those of the annual financial statements for the year ended 30 September 2009, as described in those annual financial statements except where disclosed below.

The consolidated financial statements have been prepared under the following revised standards:
IAS 1: Presentation of Financial Statements; and
IAS 40: Investment Property.

IAS 1 has resulted in a change to the names of the primary financial statements, but has had no impact upon the reported consolidated comprehensive income or the financial position.

Under the revised IAS 40 "property that is being constructed or developed for future use as an investment property" (IAS 40, paragraph 8) is now classified as investment property in the Statement of Financial Position. The corresponding impairment losses are also included within the revaluation movement. Adopting this standard has had no effect upon the reported consolidated comprehensive income or the financial position.

The following standards have been issued by the IASB and IFRIC with effective dates falling after the date of these financial statements. The Board have chosen not adopt to early any of the revisions contained within these standards in the preparation of these financial statements:

International Accounting Standards (IAS/IFRS)		Effective date – periods beginning on or after
IFRS 9	Financial instruments: Recognition and measurement	1 January 2013
IAS 24	Related Party Disclosures	1 January 2011

Basis of consolidation

The Group financial statements consolidate the financial statements of MedicX Fund Limited and entities controlled by the Company (its subsidiary undertakings) made up to 30 September 2010. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to benefit from its activities. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Goodwill

Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill arising on acquisition has an indefinite useful life and is subject to annual review for any impairment.

Segmental reporting

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

2. Principal accounting policies (continued)

Revenue recognition
Rent receivable comprises rent for the year in relation to the Group's investment properties exclusive of value added tax. Rent is recognised on a straight-line basis over the period invoiced.

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

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

Expenses
All expenses are accounted for on an accruals basis.

Employees
The Group has no employees.

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

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

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

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

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

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

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

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

A net deferred tax asset is recognised only if it is probable that there will be suitable taxable profits from which the future reversal of the underlying temporary differences can be deducted.

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

Deferred tax assets and liabilities are not discounted.

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

2. Principal accounting policies (continued)

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

Investment properties under construction

Investment properties under construction are initially recognised at cost and are revalued at the period end as determined by professionally qualified external valuers. Gains or losses arising from the changes in fair value of investment properties under construction are included in the consolidated statement of comprehensive income in the period in which they arise. No depreciation is provided in respect of investment properties under construction in accordance with IAS 40, as the Group uses the fair value model.

Costs of financing development are capitalised and included in the cost of development. During the year a portion of the Aviva loan facility disclosed in note 13 was utilised to fund development work on investment properties under construction. Interest costs attributable to development work in progress of £65,000 (2009: £nil) were capitalised.

Derivative financial instruments and hedging activities

The Group has no derivative financial instruments.

Finance costs

Borrowing costs are taken to the consolidated statement of comprehensive income in the year to which they relate on an accruals basis except where they relate to properties under construction when borrowing costs are capitalised.

Use of estimates

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

3. Directors' fees

	2010 £'000	2009 £'000
During the year each of the Directors received the following fees:		
D Staples (Chairman)	**40**	40
S Mason	**25**	27
C Bennett (Audit Committee Chairman)	**27**	25
J Hearle	**25**	25
A Simpson	**–**	9
J M S Tavares	**–**	4
	117	130

The above fees were charged to the consolidated statement of comprehensive income. In addition, a fee of £5,000 per Director (total of £20,000) was paid in relation to the March 2010 fundraising, reflecting the additional time and duties involved in that exercise. The cost of this has been expensed against the share premium arising from the issue of new shares at the time of the fundraising.

4. Auditors' remuneration

The amount disclosed in the consolidated statement of comprehensive income relates to an accrual for audit fees for the year ending 30 September 2010, payable to PKF (UK) LLP.

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

	2010 £'000	2009 £'000
Audit fees for the current year	**74**	68
Total audit fees	**74**	68
Review of the interim report	**15**	15
Tax compliance	**47**	50
Other tax services	**49**	14
For acting as reporting accountants in respect of the share issue	**30**	30
Other professional services	**3**	–
Total audit and other fees	**218**	177

Notes to the Financial Statements

For the year ended 30 September 2010

5. Finance costs

	2010 £'000	2009 £'000
Interest payable on long-term loan	**5,088**	5,096
Interest capitalised on properties under construction	**(64)**	–
	5,024	5,096

During the year interest costs on funding attributable to investment properties under construction were capitalised. The funding was sourced from the Aviva loan facility which has an effective interest rate of 5.008%.

6. Taxation

	2010 £'000	2009 £'000
Current tax		
Corporate tax charge for the year	**–**	–
Corporate tax charge for prior periods	**–**	–
Deferred tax		
On fair value movement for the year	**(186)**	403
Total tax charged in the statement of comprehensive income	**(186)**	403

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

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

A reconciliation of the current tax charge/credit to the notional tax charge/credit applying the Schedule A income tax rate of 20% (2009: 20%) and at the standard rate of UK corporation tax of 28% (2009: 28%) where appropriate is set out below:

	2010 £'000	2009 £'000
Gain/(loss) on ordinary activities before tax	**8,161**	(1,868)
Gain/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (20% for UK income tax)	**2,089**	(576)
Additional taxable income – gains	**666**	–
Expenses not deductible for tax purposes	**1,147**	450
Profits not subject to UK taxation	**(5,791)**	(2,231)
Current year losses carried forward	**2,075**	1,954
Under provision in prior year	**–**	–
Total tax charged in the statement of comprehensive income	**186**	(403)

6. Taxation (continued)

Deferred tax liability/(asset) in respect of:

	Fair value gain on acquisition £'000	Fair value gains post acquisition £'000	Accelerated capital allowances £'000	Unrelieved management expenses £'000	Total £'000
At 1 October 2008	6,943	–	1,328	(1,475)	6,796
Released/provided in year	(169)	–	313	(547)	(403)
At 30 September 2009	6,774	–	1,641	(2,022)	6,393
Released/provided in year	(605)	166	199	426	186
At 30 September 2010	**6,169**	**166**	**1,840**	**(1,596)**	**6,579**

As required by IAS 12 "Income taxes", full provision has been made for the temporary timing differences arising on the fair value gain of investment properties held by UK resident companies that have passed through the Group's consolidated statement of comprehensive income. In the opinion of the Directors, this provision is only required to ensure compliance with IAS 12. It is the Directors' view that the deferred tax attributable to the fair value gain on the Group's investment property portfolio is unlikely to crystallise as, in common with practice in the sector, the Group would most likely sell the company that holds the property portfolio rather than sell an individual property. Had the provision not been previously made, the Group's earnings for the year would be £439,000 lower (2009: £169,000 lower).

7. Performance fee provision

	2010 £'000	2009 £'000
Brought forward	**766**	–
Provided in year	**89**	869
Payable at year end	**(513)**	(103)
At 30 September 2010	**342**	766

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

The amount payable at year end has been transferred to trade and other payables due to its short-term nature.

8. Earnings and net asset value per Ordinary Share

Basic and diluted earnings and net asset value per share

The basic and diluted earnings per Ordinary Share are based on the gain for the year attributable to Ordinary Shares of £7,975,000 (2009: loss of £1,465,000) and on 124,587,668 (2009: 90,368,612) Ordinary Shares being the weighted average aggregate of Ordinary Shares in issue calculated over the year. This gives rise to a basic and diluted earnings per Ordinary Share of 6.4 pence (2009: (1.6) 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 £93,205,000 (2009: £65,975,000) and on 141,317,110 (2009: 104,521,215) Ordinary Shares being the aggregate of Ordinary Shares in issue at the period end. This gives rise to a basic and diluted net asset value per Ordinary Share of 66.0 pence per Ordinary Share (2009: 63.1 pence per Ordinary Share).

Adjusted earnings per share and net asset value per share

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

	2010	2009
Adjusted earnings per Ordinary Share – basic and diluted	**7.0p**	(1.9)p
Adjusted net asset value per Ordinary Share - basic and diluted	**65.7p**	62.0p

The adjusted earnings per Ordinary Share is based on the gain for the year of £7,975,000 (2009: loss of £1,465,000) attributable to Ordinary Shares, adjusted for the impact of the deferred tax expense and goodwill impairment attributable to Ordinary Shares for the year of £186,000 (2009: credit £403,000) and £605,000 (2009: £169,000), respectively, giving an adjusted earnings profit of £8,766,000 (2009: loss of £1,699,000) and on 124,587,668 (2009: 90,368,612) Ordinary Shares being the weighted average number of Ordinary Shares in issue in the year.

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

The adjusted net asset value per Ordinary Share is based on the net asset position attributable to Ordinary Shares at the period end of £93,205,000 (2009: £65,975,000) as adjusted for deferred tax of £6,579,000 (2009: £6,393,000) and goodwill of £6,924,000 (2009: £7,529,000), giving an adjusted net assets figure of £92,860,000 (2009: £64,839,000) and on 141,317,110 (2009: 104,521,215) Ordinary Shares, being the aggregate of Ordinary Shares in issue at the period end.

In common with practice in the sector, the Group would most likely sell the UK company or companies that hold the properties rather than sell an individual property. Consequently, it is the Directors' view that the liability represented by the deferred tax provision is unlikely to crystallise. The goodwill arose on prior period acquisitions and was due to the recognition of deferred tax on fair value gains on acquisition.

9. Goodwill

	2010 £'000	2009 £'000
Brought forward	**7,529**	7,698
Impairment recognised in year	**(605)**	(169)
Carried forward	**6,924**	7,529

Goodwill arose in a prior period on the acquisitions of MedicX Properties II Ltd, MedicX Properties III Ltd, MedicX Properties IV Ltd and MedicX (Istead Rise) Ltd and was primarily due to the requirement of IAS 12 "Income taxes" to recognise deferred tax on the fair value gains at the date of acquisition. In keeping with common practice within the property investment sector, the consideration for the acquisitions did not reflect such a deferred tax liability as it is often regarded as unlikely to crystallise as it is usually possible to sell the company that holds the property portfolio rather than sell an individual property. The impact of providing for such deferred tax gave rise to an excess of the fair value of the consideration paid over the fair value of the net assets acquired as determined under International Accounting Standards. Consequently, goodwill is inextricably linked the fair value of the underlying property portfolio acquired as they form a single cash generating unit.

During the current year, nine properties that were acquired in the manner noted above were sold at their fair value to one of the Fund's Guernsey subsidiaries. Consequently, any latent UK capital gains tax associated with the properties will no longer arise and has resulted in the release of the deferred tax liability arising on acquisition. The Directors have reviewed the maximum cash that would be received should the transferred properties be sold and consider it would be no more than the fair value of those properties presently recorded in the financial statements. Consequently, when looking at the cash generating unit as a whole, goodwill is impaired to the extent of an amount equivalent to the deferred tax liability attributed to those properties on acquisition, less any impairments previously made for the properties transferred as set out in note 6.

In the prior year an impairment was recognised for the impact of property valuations on the deferred tax on fair value gains on the properties within these companies.

The Board have reviewed the carrying value of goodwill and consider it to be impaired to the extent of the movement in the deferred tax liability relating to fair value gains on acquisition, refer to note 6.

10. Investment properties

Investment properties are initially recognised at cost, being fair value of consideration given including transaction costs associated with the property. After initial recognition, investment properties are measured at fair value, which has been determined based on valuations performed by King Sturge LLP as at 30 September 2010. In accordance with industry standards, the valuation is net of purchaser costs which are approximately 5.75% of purchase price.

Investment properties under construction are initially recognised at cost, and are subsequently measured at fair value as at the year end. The fair value has been determined based on valuations performed by King Sturge LLP as at 30 September 2010. In accordance with industry standards, the valuation is the net of completed property value less the remaining costs to complete the property.

The freehold and long leasehold interests in the property investments of the Group were valued at an aggregate of £199,785,000 as at 30 September 2010 by King Sturge LLP, acting as the External Valuer. This valuation assumes that all properties, including those under construction, are complete. The difference between the total valuation and the carrying value is the cost to complete those properties under construction as at 30 September 2010.

10. Investment properties (continued)

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 (ie 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.

If the valuation yield were to shift by 0.25%, this would result in an impact on the valuation of the properties of approximately £8,500,000.

The valuer's opinion of market value was primarily derived using comparable recent market transactions on arms length terms.

	Completed investment properties £'000	Properties under construction £'000	Total investment properties £'000
Fair value/cost 30 September 2008	126,937	10,220	137,157
Additions	13,368	14,962	28,330
Adjustment to base cost	(373)	–	(373)
Disposals at valuation	–	–	–
Transfer to completed properties	14,636	(14,636)	–
Fair value revaluation	(1,499)	–	(1,499)
Impairment	–	(712)	(712)
Fair value/cost 30 September 2009	153,069	9,834	162,903
Additions	3,540	7,807	11,347
Adjustment to base cost	17	–	17
Disposals at valuation	–	–	–
Transfer to completed properties	12,907	(12,907)	–
Fair value revaluation	6,692	(512)	6,180
Fair value 30 September 2010	**176,225**	**4,222**	**180,447**

Some of the investment properties are security for the long-term loan as disclosed in note 13. Of the completed investment properties £39,810,000 (2009: £38,150,000) are long-leasehold properties.

During the year a portion of the Aviva loan facility disclosed in note 13 was utilised to fund development work on investment properties under construction. Interest costs attributable to development work in progress of £65,000 (2009: £nil) were capitalised.

11. Trade and other receivables

	2010 £'000	2009 £'000
Rent receivable	**1,879**	1,175
Social security and other taxes	**35**	–
Other debtors and prepayments	**561**	764
	2,475	1,939

12. Trade and other payables

	2010 £'000	2009 £'000
Mortgage	**49**	44
Trade creditors	**196**	228
Deferred rental income	**2,534**	2,217
Interest payable and similar charges	**1,053**	1,071
Accruals	**1,816**	1,242
Social security and other taxes	**–**	90
Other creditors	**502**	660
	6,150	5,552

The mortgage is secured on one investment property and has a remaining term of 10 years.

Notes to the Financial Statements

For the year ended 30 September 2010

13. Long-term loans

	2010 £'000	2009 £'000
Aviva loan facility:		
Amount drawn down	**100,000**	100,000
Loan issue costs	**(386)**	(396)
Amortisation of loan issue costs	**23**	9
	99,637	99,613
Deutsche Postbank loan facility:		
Amount drawn down	**500**	–
Loan issue costs	**(471)**	–
Amortisation of loan issue costs	**–**	–
	29	–
Mortgage due after more than one year	**1,193**	1,244
	100,859	100,857

Repayments of the loans listed above, including amounts due within one year shown in note 12, fall due as follows:

	2010 £'000	2009 £'000
Due within one year	**49**	44
Between one and two years	**52**	49
Between two and five years	**177**	166
Over five years	**100,630**	100,642
	100,908	100,901

All amounts are repayable by instalments.

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

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

The value of the loan on an amortised cost basis at 30 September 2010 was £99,637,000 (2009: £99,613,000).

The Group does not mark to market its £100 million fixed interest debt in its financial statements. A mark to market calculation gives an indication of the benefit or cost to the Group of the fixed rate debt given the prevailing cost of debt over the remaining life of the debt. An approximate mark to market calculation has been undertaken following advice from the Group's bankers, with reference to the fixed interest rate on the £100 million debt, and the fixed interest rate, including margin, achievable on the last business day of the financial year for a loan with similar terms. The debt benefit is calculated as the difference between the present values of the debt cash flows at the two rates over the remaining term of the loan, discounting the cash flows at the prevailing LIBOR rate. The approximate mark to market benefit to the Group is £8,041,000 as at 30 September 2010 (2009: £10,990,000).

13. Long-term loans (continued)

The Group's £100 million Aviva facility is subject to the following financial covenants:

(i) long-term rental income from the properties charged must cover 140% of projected finance costs;
(ii) the net loan amount must not exceed 75% of the market value of mortgaged property (first tested 30 April 2009).

The Group has been in compliance with the financial covenants throughout the year. At 30 September 2010, the debt service coverage ratio was 191% against a covenant of 140% and the loan to value was 65.9% against a covenant of 75%.

The Aviva loan is secured on some of the Group's investment properties. The value of properties provided as security for this facility is £151,615,000. As at 30 September 2010, the Group had cash of £0.1 million (2009: £1.7 million) on deposit secured against the loan.

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

On 29 December 2009 the Group agreed terms on a £25.5 million facility with Deutsche Postbank, of which £500,000 was drawn in April 2010. Interest is payable on the first drawdown at 2% plus LIBOR. The interest rate applicable to the loan is fixed at the time of each drawdown. Based on the current five-year swap rate the loan would be fixed at an all-in rate, including margin, of 4.2%. Costs have been accrued within the Statement of Financial Position and will be amortised as future drawdowns are made against the facility.

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

(i) rental income from a) the previous three months and b) the forecast subsequent 12 months must cover 140% of projected finance costs;
(ii) drawdowns must not exceed 65% of the market value of mortgaged property;
(iii) the net loan amount must not exceed 70% of the market value of mortgaged property (to be tested on the second and fourth anniversary of the initial drawdown);
(iv) loan to value on properties after a disposal must be 60% before surplus proceeds from the disposal can be released to the Group.

During the year the Group was not required to monitor these covenants as the facility was not drawn against investment properties, however, they will be monitored by the Group going forward as the facility is utilised.

14. Share capital

2010	**Number of shares**	**Share capital £'000**
Authorised		
Ordinary Shares of no par value	Unlimited	–
Issued and fully paid		
Ordinary Shares of no par value	141,317,110	–

2009	Number of shares	Share capital £'000
Authorised		
Ordinary Shares of no par value	Unlimited	–
Issued and fully paid		
Ordinary Shares of no par value	104,521,215	–

14. Share capital (continued)

On 10 March 2010, the Company issued 34,921,028 Ordinary Shares of no par value at 72.0 pence per share (8 April 2009: 21,750,000 Ordinary Shares of no par value at 69.0 pence per share) in a placing and offer for subscription. Ordinary Shares of no par value were issued for cash during the year as detailed below:

	Number of shares	Issue price per share
7 October 2009	500,000	72.50 pence
4 June 2010	500,000	72.50 pence
9 August 2010	500,000	72.50 pence
2 September 2010	750,000	72.50 pence

In addition, shares were issued in lieu of cash payments of dividends as a result of the scrip dividend scheme introduced at 5 May 2010. The shares issued are detailed below:

	Number of shares	Issue price per share
30 June 2010	82,497	73.95 pence
30 September 2010	172,370	71.65 pence

Share premium	**2010 £'000**	2009 £'000
At 1 October	**18,284**	1,585
Net proceeds arising on issue of Ordinary Shares for placing and offer	**24,062**	14,514
Net proceeds arising on issue of Ordinary Shares pursuant to block listing	**1,615**	2,185
Net proceeds arising on issue of Ordinary Shares in lieu of dividends	**171**	–
Share premium at 30 September	**44,132**	18,284

15. Distributable reserve

The movement in distributable reserves is set out in the Consolidated Statement of Changes in Equity on page 25.

The Companies (Guernsey) Law 2008, as amended ("2008 Law") made new provisions as to how the consideration received or due for an issue of shares is accounted for and how these sums may be distributed to members.

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

16. Cash and cash equivalents

	2010 £'000	2009 £'000
Cash in hand and balances with banks	**17,289**	7,172

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

17. Dividends

	2010 £'000	2010 Dividend per share	2009 £'000	2009 Dividend per share
Half-yearly dividend declared and paid during the year	**–**	**–**	2,070	2.6p
Half-yearly dividend declared and paid during the year	**–**	**–**	2,702	2.665p
Quarterly dividend declared and paid during the year	**1,399**	**1.3325p**	1,375	1.3325p
Quarterly dividend declared and paid during the year	**1,418**	**1.35p**	–	–
Quarterly dividend declared and paid during the year	**1,881**	**1.35p**	–	–
Quarterly dividend declared and paid during the year	**1,895**	**1.35p**	–	–
Total dividends declared and paid during the year	**6,593**		6,147	
Quarterly dividend declared after year end	**1,908**	**1.35p**	1,399	1.3325p
Cash flow impact of scrip dividends:				
Cash equivalent value of scrip shares issued on quarterly dividend	**61**		–	
Cash equivalent value of scrip shares issued on quarterly dividend	**124**		–	
Total cash equivalent value of scrip shares issued	**185**		–	
Cash payments made for dividends declared and paid	**6,408**		6,147	

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

On 11 November 2010, the Board approved a dividend of 1.35 pence per share, bringing the total dividend declared in respect of the year to 30 September 2010 to 5.4 pence per share. The record date for the dividend was 19 November 2010 and the payment date is 31 December 2010. 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 23 November 2010 the Board announced an opportunity for qualifying shareholders to receive the December 2010 dividend in new Ordinary Shares instead of cash.

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

18. Financial instruments risk management

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

The financial instruments of the Group at both 30 September 2010 and 30 September 2009 comprised trade receivables and payables, other debtors, cash and cash equivalents, non-current borrowings and current borrowings. It is the Directors' opinion that, with the exception of the mark to market benefit set out in note 13, the carrying value of all financial instruments in the statement of financial position is equal to their fair value.

Credit risk

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

Concentrations of credit risk with respect to customers are limited due to the Group's revenue being largely receivable from government derived sources. As at the year end 91% of rental income was derived from NHS tenants who are spread across several Primary Care Trusts which further reduces credit risk from this area. The default risk is considered low due to the nature of Primary Care Trusts funding for GP practices.

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

	2010 £'000	2009 £'000
Financial assets		
Trade receivables	**1,879**	1,175
Other current assets	**515**	708
Cash and cash equivalents	**17,289**	7,172

18. Financial instruments risk management (continued)

It is the Group's policy to assess debtors for recoverability on an individual basis and to make provision where it is considered necessary. Of the Group's trade receivables balance £1,240,000 (2009: £751,000) is neither impaired nor past due. £600,000 (2009: £425,000) is past due and of this £43,000 (2009: £287,000) is more than 120 days past due. The Board takes active steps to recover all amounts and does not consider any debts to be impaired.

All financial assets are categorised as loans and receivables.

Market risk

Market risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market prices. The Group is exposed to interest rate risk. The Group operates solely within Guernsey and the United Kingdom and all of the Group's assets, liabilities and cash flows are in pounds sterling which is the reporting currency. Therefore the Directors do not consider the Group to be exposed to foreign currency risk at present.

Interest rate risk

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

The Group's Aviva borrowing facilities of £99,637,000 (2009: £99,613,000) were negotiated at a fixed rate of interest of 5.008%. These facilities represent 99% of the borrowing facilities at the year end. The Directors consider interest rate risk to be immaterial and do not consider it appropriate to perform sensitivity analysis on these items.

Liquidity risk

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

Contractual maturity analysis for financial liabilities including interest payments at 30 September:

	Due or due less than 1 month £'000	Due between 1 to 3 months £'000	Due between 3 months to 1 year £'000	Due between 1 to 5 years £'000	Due after 5 years £'000	Total £'000
Trade and other payables	228	–	–	–	–	228
Accruals	253	989	–	–	–	1,242
Non-current borrowings						
Principal	–	–	–	215	100,642	100,857
Interest payments	1,252	–	3,756	20,319	111,851	137,178
Current portion of non-current borrowings						
Principal	11	–	35	–	–	46
Interest payments	20	–	59	–	–	79
Balances at 30 September 2009	1,764	989	3,850	20,534	212,493	239,630
Trade and other payables	196	–	–	–	–	196
Accruals	1,287	529	–	–	–	1,816
Non-current borrowings						
Principal	–	–	–	229	100,630	100,859
Interest payments	1,255	–	3,766	20,360	106,781	132,162
Current portion of non-current borrowings						
Principal	12	–	37	–	–	49
Interest payments	19	–	58	–	–	77
Balances at 30 September 2010	**2,769**	**529**	**3,861**	**20,589**	**207,411**	**235,159**

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

19. Commitments

At 30 September 2010, the Group had commitments of £19.7 million (2009: £3.8 million) to complete properties under construction and no commitments for further forward funding agreements (2009: £11.6 million).

20. Material contracts and related party transactions

Investment Adviser

MedicX Adviser Ltd is appointed to provide investment advice under the terms of an agreement dated 17 October 2006 and amended on 2 May 2007, 10 January 2008 and 20 March 2009 (the "Investment Advisory Agreement" or "Agreement"). Fees payable under this agreement prior to the 8 April 2009 equity raising were (i) 1.5% per annum on gross assets excluding cash by way of property advisory fee; (ii) a property management fee of 3% of gross rental income; (iii) a corporate transaction fee of 1% of the gross asset value of any property owning subsidiary company acquired; and (iv) a performance fee of 15% of the amount by which the return to shareholders in terms of share price growth plus cumulative dividends paid exceeds the initial offer price compounded annually by 10% in each accounting year.

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

The Investment Adviser is entitled to a performance fee equal to 15% of the amount by which the total shareholder return exceeds an 8% per annum compound hurdle rate calculated from the 69 pence issue price at 8 April 2009, subject to a high watermark. If in any year the total shareholder return falls short of 8% per annum then the deficit in total shareholder return has to be made up in subsequent years before any performance fee can be earned. Unlike the previous performance fee structure, the compounding of the 8% hurdle rate will be adjusted upwards to compound from the high watermark level at which the performance fee was last earned. The high watermark used for the calculation of the performance fee for the year to 30 September 2010 was set with reference to the share price at 30 September 2009, of 73 pence per share. The current high watermark is set with reference to the share price at 30 September 2010, of 73.75 pence per share.

The investment advisory base fee and performance fee earned in aggregate in any one financial year cannot exceed 1.5% of gross assets (excluding cash), such limit being equivalent to the investment advisory base fee that was in existence prior to the change. 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 performance fee that has been earned by the Investment Adviser of £89,000 in respect of the financial year ended 30 September 2010 is the lower of:

(i) the performance fee as set out in the Investment Advisory Agreement, calculated on the basis of the weighted average of the number of Ordinary Shares in issue during the period (which would, for the avoidance of doubt, include the New Ordinary Shares); and

(ii) the aggregate of:

  (a) the performance fee attributed to the New Ordinary Shares on the basis of their issue price of 72 pence for the period from Admission to 30 September 2010; and

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

The provision of £342,000 as at 30 September 2010 (2009: £766,000) included in the Statement of Financial Position relates to the amount due under the Investment Advisory Agreement. A further £513,000 (2009: £103,000) was paid after the year end in relation to the amount carried forward from the year ended 30 September 2009, and is included in trade and other payables on the Statement of Financial Position.

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

20. Material contracts and related party transactions (continued)

During the year, the agreements with MedicX Adviser gave rise to £2,670,000 (2009: £3,362,000) of fees as follows:

	2010 £'000	2009 £'000
Expensed to the consolidated statement of comprehensive income:		
Investment advisory fee	**2,250**	2,226
Investment advisory performance fee	**89**	869
Property management fees	**331**	267
Total fees	**2,670**	3,362

Of these fees, £565,000 (2009: £3,000) remained unbilled or outstanding at the end of the year. This excludes performance fees which were billed after the year end and are included within accruals and provisions due after one year.

Other transactions

Administration agreements

Effective from 1 July 2009, each Group company entered into a separate administration agreement with International Administration (Guernsey) Limited for the provision of administrative services for fees totalling £60,000 (2009: £58,000) for the provision of corporate secretarial services to all Group companies and other administrative services. On 2 December 2009 an agreement was entered into between International Administration (Guernsey) and MedicX Properties VI Limited for administration services to the value of £3,000.

During the year, the agreements with International Administration (Guernsey) Limited gave rise to the following fees, of which £25,000 (2009: £10,000) remained unbilled or outstanding at the year end:

	2010 £'000	2009 £'000
Administrative fees	**58**	94

During the year fees of £34,000 (2009: £47,000) were paid to Aitchison Raffety Limited. John Hearle is Group Chairman of Aitchison Raffety Limited.

During the year property development costs of £3,290,000 (2009: £10,873,000) were paid to MedicX Property Ltd, a member of the same group of companies as MedicX Adviser Ltd. At the year end there were no outstanding amounts due to them (2009: £3,000).

21. Subsidiary companies

The following were the subsidiary companies in the Group at 30 September 2010:

Name	Country of incorporation	Principal activity	Ownership percentage	Nominal value of shares in issue	Type of share held
MedicX Properties I Limited	Guernsey	Property Investment	100%	2	Ordinary
MedicX Properties II Ltd	England & Wales	Property Investment	100%	2	Ordinary
MedicX Properties III Ltd	England & Wales	Property Investment	100%	1,000	Ordinary
MedicX Properties IV Ltd	England & Wales	Property Investment	100%	25,000	Ordinary
MedicX Properties V Limited	Guernsey	Property Investment	100%	2	Ordinary
MedicX Properties VI Limited	Guernsey	Property Investment	100%	nil	Ordinary
MedicX (Verwood) Ltd*	England & Wales	Property Investment	100%	1,000	Ordinary
MedicX (Istead Rise) Ltd*	England & Wales	Property Investment	100%	1,000	Ordinary

*Held indirectly

22. Operating leases

At 30 September 2010 the Group had entered into leases in respect of investment properties for the following rental income, excluding any future rent reviews:

	2010 £'000	2009 £'000
Amounts receivable under leases		
Within one year	**11,115**	9,972
Between one and five years	**49,898**	45,717
After more than five years	**139,336**	133,471
Total	**200,349**	189,160

The length of a typical lease is between 18 and 25 years, with provision for rent reviews every three to five years. Rent reviews are typically agreed with reference to open market value or the retail price index.

23. Capital management

The Group's objectives when managing capital are:

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

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

The Group monitors capital on the basis of the adjusted gearing ratio. This is calculated as net debt divided by adjusted capital. Net debt is calculated as total debt, per the statement of financial position, less cash and cash equivalents. Adjusted capital comprises all equity components less cash and cash equivalents and goodwill. The Group is not subject to any externally imposed capital requirements.

The adjusted gearing ratios at 30 September 2010 and 30 September 2009 were as follows:

	2010 £'000	2009 £'000
Total debt	**100,908**	100,901
Less: cash and cash equivalents	**(17,289)**	(7,172)
Net debt	**83,619**	93,729
Total assets	**207,135**	179,543
Less: cash and cash equivalents	**(17,289)**	(7,172)
Less: goodwill	**(6,924)**	(7,529)
Adjusted capital	**182,922**	164,842
Adjusted gearing ratio	**0.46:1**	0.57:1

24. Post year end events

On 17 November 2010 a further tap issue of 1,100,000 shares was made at 72.75 pence per share generating net proceeds of £792,000.

Since 30 September the Group has entered into forward funding agreements in respect of two new properties at an aggregate amount of £14.8 million.

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