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MedicX Fund

Interim Report
to 31 March 2011

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 58 properties.

Contents

Interim Highlights

Annual expected dividend

2009	5.33p
2010	5.40p
2011	**5.50p**

+2%

Annualised rent roll

2009	£10.6m
2010	£13.6m
2011	**£14.6m**

+7%

Market capitalisation

2009	£76.3m
2010	£102.9m
2011	**£146.5m**

+42%

1 As at 24 May 2011.
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 6.21%.
4 Adjusted to exclude goodwill and the impact of deferred tax not expected to crystallise.
5 Ex dividend date 18 May 2011, Record date 20 May 2011, Payment date 30 June 2011.
6 Total expected dividends divided by share price at 24 May 2011.
7 Adjusted earnings excluding revaluation and deferred tax divided by total dividends declared during the six months to 31 March 2011.
8 Based on share price growth between 30 September 2010 and 24 May 2011 and total dividends received or receivable by shareholders during the period to 24 May 2011.

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 £147 million
> Not a developer or operator
> External investment adviser
> Objective of dividend and capital growth

Investments

> £235.5 million committed investment in 58 primary healthcare properties at a cash yield of 6.04% compared with a benchmark 20-year gilt rate of 4.35%[1,2,3]
> New committed investment since 1 October 2010 in four properties of £24.3 million acquired at a cash yield of 6.21%[1,3]
> £32.7 million of investment approved for eight further acquisitions, and a strong pipeline of approximately £59 million additional acquisition opportunities[1]
> Annualised rent roll now £14.3 million[1,2]
> £1.6 million rent reviews agreed since 1 October 2010 with the equivalent of an average 2.6% per annum increase, 1.9% from open market reviews, 4.2% from RPI reviews, and 2.5% from fixed uplifts[1]

Financial results

> Rental income for the period of £5.9 million representing a 7% increase over the same period last year
> 10% increase in EBITDA to £4.4 million excluding revaluation impact, deferred taxation and performance fees
> Adjusted earnings of £2.0 million excluding revaluation impact, deferred taxation and performance fees, an increase of £0.5 million or 33% from prior year, equivalent to 1.3 pence per share (31 March 2010: £1.5 million; 1.4 pence per share)[4]
> Quarterly dividend of 1.375 pence per share announced 4 May 2011[5]; total dividends of 5.5 pence per share for the year expected or 7.1% dividend yield[1,6], increased from 5.4 pence for previous year
> Improved dividend cover of 51% compared to 41% for year ended 30 September 2010, and 22% for year ended 30 September 2009[7]
> Discounted cash flow net asset value of £164.8 million equivalent to 86.6 pence per share (30 September 2010: £129.3 million; 91.5 pence per share)
> Adjusted net asset value plus the estimated benefit of fixed rate debt of £141.1 million equivalent to 74.1 pence per share (30 September 2010: £100.9 million; 71.4 pence per share)[4]
> Adjusted net asset value of £126.6 million equivalent to 66.5 pence per share (30 September 2010: £92.9 million; 65.7 pence per share)[4]
> Valuation gain for the period of £1.3 million and net initial yield of 5.86% as at 31 March 2011 (5.88% as at 30 September 2010)
> 16.4% annualised shareholder return for the period to 24 May 2011[8]

Funding

> £34.4 million net proceeds raised from 49.0 million shares issued since 1 October 2010 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, a further 26 years. Benefit of debt as at 24 May 2011 is £12.1 million, or 6.4 pence per share
> Debt service interest cover ratio of 192% against covenant of 140%
> Loan to value ratio of 65.8% against 75% covenant
> Net debt £68.1 million (33.9% adjusted gearing[4]) at period end
> Additional £25.0 million undrawn debt facility immediately available

Overview

MedicX Fund

Acquisitions

The Group now has committed investment over £235 million in 58 healthcare properties

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;

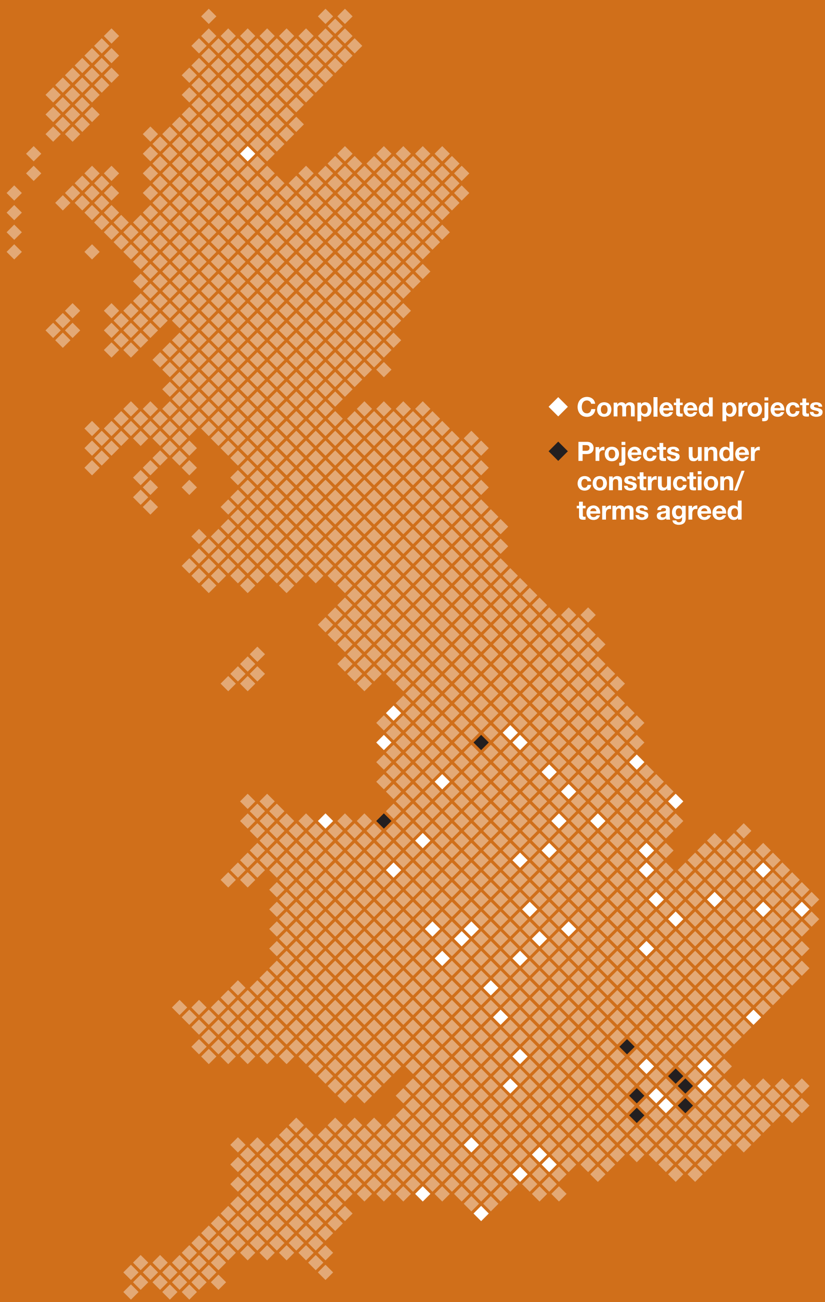
> No one property (including all adjacent or contiguous properties) shall at the time of acquisition represent more than 15% of the gross assets of the Company; and

> 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.



4
new properties committed in the period

50
completed properties

Portfolio review*

Security of income by tenant type

Security of income by lease expiry

* As at 31 March 2011; includes completed value of properties under construction and terms agreed investments.

Chairman's Statement

Introduction

I am pleased to present the fifth interim report for MedicX Fund, on behalf of the Board.

Results overview

The start of 2011 has consolidated on the good results of 2010. Demand for new purpose-built primary healthcare properties remains strong and the Fund has increased its portfolio with four properties acquired, one of which is finished with the other three under or due to commence construction. During the period one of the properties that was under construction was finished. The Group now has committed investment of £235.5 million across 58 properties of which eight are currently under construction. In addition the Group has approved a further eight developments which, once contracted, will add a further £32.7 million to the committed investment.

The cash yield on investments is currently 6.04%[2,3] compared with the Group's fixed rate debt of 5% and a benchmark 20-year gilt rate of 4.35% at 24 May 2011. The cash yield on the £24.3 million committed investment since 1 October 2010 is 6.21%. The cash yield on investments is expected to continue to rise with rent increases and further acquisitions.

In line with other infrastructure funds and given the long-term predictable cash flows it is appropriate to calculate a net asset value based upon discounted cash flows. This basis as set out in the Investment Adviser's report gives a net asset value of £164.8 million or 86.6 pence per share.

The valuation of the portfolio undertaken by King Sturge LLP, independent valuers to the Group, as at 31 March 2011 stood at £224.8 million on the basis that all properties were complete, reflecting a net initial yield of 5.86%, which is consistent with the 30 September 2010 valuation of 5.88% net initial yield. The valuation gain during the six months was £1.3 million, being a gain of £1.7 million from capital appreciation of the investment portfolio, offset by a charge of £0.4 million relating to transaction costs on acquisitions.

The Group's net asset value adjusted to exclude goodwill and deferred taxation at 31 March 2011 was £126.6 million or 66.5 pence per share[4]. Long-term interest rates have increased since the start of the period 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 £14.4 million (compared with £8.0 million at 30 September 2010) or 7.6 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 74.1 pence per share[4].

The debt benefit as at 24 May 2011 was £12.1 million, or 6.4 pence per share due to the decrease in long-term interest rates since the end of the period.

The Fund realised a profit of £2.0 million during the first six months, excluding the impact of revaluations, impairments, deferred taxation and performance fees, which equates to 1.3 pence per share, an improvement of £0.5 million on the equivalent period in the previous financial year[4].

Rental income grew by £0.4 million or 7% during the period. Costs are in line with expectations and we are on line to achieve our target for annual overheads (£675,000 for the current year) for the third year in succession.

EBITDA (earnings before interest, taxation and depreciation), excluding the impact of revaluations, impairments, deferred taxation and performance fees, has increased 10% to £4.4 million for the six months to March 2011, from £4.0 million in the first half of the previous year.

Funding

In March 2011, MedicX Fund issued 47.7 million shares at 72 pence per share, by way of placing, open offer and offer, generating net proceeds of £33.4 million. In addition during the period the Fund issued 1.1 million new Ordinary Shares for cash at a price of 72.75 pence per share pursuant to the block listing application announced by the Company on 26 June 2008. This share issue generated net proceeds of £0.8 million. The Company issued a further 245,991 new Ordinary Shares under the scrip dividend scheme at an average price of 72.81 pence per share. All shares were issued at prices above the adjusted net asset value, and very close to the share price at the time. It is very pleasing to continue to have raised funds on a basis that has been non-diluting to existing shareholders.

The addition of new equity reduced the adjusted gearing as at 31 March 2011 to 33.9% from 45.7% as at 30 September 2010, and there is capacity for further debt facilities. In addition to the £100 million facility with Aviva the Company also has a £25.5 million facility with Deutsche Postbank, of which £0.5 million was drawn as at 31 March 2011. The facility has a five-year term, and 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 4.29%[1].

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

On 4 May 2011 the Directors approved a quarterly dividend of 1.375 pence per Ordinary Share in respect of the period 1 January 2011 to 31 March 2011. The dividend will be paid on 30 June 2011 to Ordinary Shareholders on the register as at close of business on 20 May 2011 (the "Record Date"). The corresponding ex-dividend date was 18 May 2011. The Company expects to pay, subject to unforeseen circumstances, dividends totalling 5.5 pence per Ordinary Share in respect of the financial year ending 30 September 2011, an increase from the dividends of 5.4 pence per Ordinary Share for the year to 30 September 2010.

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 30 June 2011, by participating in the Scrip Dividend Scheme (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 9 June 2011. 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 (http://www.medicxfund.com/scrip).

Dividend cover for the period to 31 March 2011 was 51%, up from 41% as at 30 September 2010, as calculated using adjusted earnings excluding the impact of revaluations, deferred taxation and performance fees. Dividend cover as calculated using the adjusted earnings including revaluation impact but excluding deferred taxation and performance fees was 84%. In addition 4.6% of the dividends paid since 1 October 2010 have been 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 24 February 2011, 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% of the issued Ordinary Share capital on 24 February 2011 on a non-pre-emptive basis provided that such Ordinary Shares shall be allotted for cash at a price which is not less than the Company's adjusted net asset value at the time of the issue. This power expires immediately prior to the date of the Annual General Meeting of the Company to be held in February 2012.

Share price and outlook

In the period to 31 March 2011, the total annualised shareholder return, as measured by dividends received and share price growth, was 7.0%. Of the return, 7.7% was attributable to dividends received, offset by the effect of a small decline in the share price from 30 September 2010 of 0.25 pence.

At 24 May 2011, the mid-market share price was 77.0 pence per share ex dividend. This represents a premium of 3.9% to the adjusted net asset value plus the estimated mark to market benefit of debt of 74.1 pence per share and a discount of 11.1% to the discounted cash flow net asset value of 86.6 pence per share. The expected total dividends for the year of 5.5 pence per share represent a 7.1% dividend yield based upon the share price at 24 May 2011.

With the successful completion of the recent fundraising, MedicX Fund is well positioned to take advantage of its investment pipeline and ensure that its fifth year continues and expands upon the already proven track record of delivering steady and increasing returns from its property portfolio. With significant opportunities to add to the high quality property portfolio, MedicX Fund is well placed to continue delivering progressive long-term returns to shareholders.

David Staples
Chairman
25 May 2011

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

Market

In the wider property market the improvement in values is levelling off with the IPD All Property Index for April 2011 showing a net initial yield of 6.33% compared with 6.43% at September 2010 and 6.70% at March 2010. These compare with the 7.91% at the bottom of the cycle in June 2009. The gap in values between prime and secondary property continues to widen in all areas of the market.

In the medical centre sector, values have remained firm, with the 31 March 2011 valuation at 5.86% net initial yield compared with 5.88% at 30 September 2010, and our assets remain attractive investments compared with prime property, given the secure nature of the cash flows underlying the asset class.

The NHS reorganisation has continued with the passage of the NHS Bill through the parliamentary investigation. In line with this the government has now announced a new listening exercise to re-examine core elements of the changes that are planned. This has delayed the final form of the new legislation and there is yet to be clarity on the new role for our core tenants, the GPs. What is increasingly clear is that the government is determined to introduce a contestable competitive environment for healthcare provision that will continue to need first class buildings at a community level that deliver flexibility and an increasingly wide range of services for patients. A service led environment for healthcare will be the key for the future.

Written assurance has been obtained from the Department of Health by the Primary Care Premises Forum, the industry association for commissioners, providers of and investors in primary healthcare property, that the transfer of responsibility for decisions on reimbursement of GP premises costs from PCTs to the NHS Community Board will not alter the arrangements for reimbursement of those costs as detailed within the NHS (GMS Premises Costs) Directions 2004.

The current portfolio delivers a wide range of buildings that are well located to continue to deliver the services required. New acquisitions continue to be focused on their ability to be fit to deliver the demands of the new service driven environment that will meet the primary care estate needs over the next 25 years.

Portfolio update

The MedicX Fund now has committed investment of £235.5 million[1,2] at today's date in 58 primary healthcare properties at a cash yield of 6.04%[2,3]. The annualised rent roll of the portfolio properties is £14.3 million[1,2].

At 24 May 2011, the portfolio of properties had an average age of 3.9 years, remaining lease length of 17.4 years and an average value of £3.9 million. Of the rents payable, 91% are from government-funded doctors and PCTs/Local Health Boards, 7% from pharmacies and 2% from other parties. There are no voids in the portfolio.

In the six months to 31 March 2011, successful completion was achieved of the property under construction at Bilborough, at a commitment of £2.1m. The project was delivered on time and within budget. Construction continued on the properties at Halifax, Apsley, Hounslow and Bermondsey Spa.

Construction started during the period on new properties at Raynes Park and West Wirral, with a new project at Woolwich Royal Arsenal due to commence in July 2011. In addition the completed medical centre at Immingham was acquired and these four new investments represent a total commitment of £24.3 million.

Completion of the properties at Halifax, Apsley, and Bermondsey Spa is expected to occur by the end of the financial year, along with the forward purchase of a medical centre at Clapham which is due to complete in August. These four properties represent a total commitment of £16.3 million.

The Company continues to focus on larger, modern purpose built assets. Since the end of the period the Company has disposed of its smallest asset at Gorseinon for £0.6 million, as part of its ongoing disposal programme of smaller and older properties.

Asset management

During the period to 24 May 2011, 19 leases and rents of £1.6 million have been reviewed and the equivalent of a 2.6% per annum increase was achieved. Of these reviews, 1.9% per annum was achieved on open market reviews, 2.5% per annum was achieved on fixed uplift reviews and 4.2% 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 £4.3 million of passing rent are currently under negotiation.

Of the £14.3 million annualised rent roll at 24 May 2011, there is £10.9 million, 76%, subject to open market review, £2.6 million, 18%, subject to RPI reviews and £0.8 million, 6%, subject to fixed uplift reviews, of an average 2.5% per annum increase.

Cash and debt

As at 31 March 2011, the Fund had net debt of £68.1 million, which is 33.9% of gross assets excluding cash and goodwill (30 September 2010: £83.6 million and 45.7%). In relation to the Aviva Loan, the debt service cover ratio was 192% versus a covenant of 140% and the loan to value ratio was 65.8% against a covenant of 75%. In addition, as at 31 March 2011 £29.8 million of properties, including those under construction, were not secured against debt facilities.

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 31 March 2011 would have had a margin of 1.8% over the gilt yield, equivalent in aggregate to 6.1%. On this basis, the mark-to-market benefit of the facility at March 2011 was £14.4 million, or 7.6 pence per share. Incorporating this benefit would take the Fund's net asset value to £141.1 million or 74.1 pence per share. This is an increase of 2.7 pence per share from 30 September 2010 represented by the adjusted earnings excluding revaluation impact, and deferred taxation of 1.3 pence, increased debt benefit of 1.9 pence, premium on the new issue of shares of 1.4 pence and capital appreciation of investment properties of 1.0 pence, offset by the impact of acquisition costs during the period of 0.2 pence and dividends paid of 2.7 pence.

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

The discount rates used are 7% for completed and occupied properties and 8% for properties under construction. These represent 2.5% and 3.5% risk premiums to an assumed 4.5% long-term gilt rate. The weighted average discount rate is 7.20% and this represented a 2.69% risk premium to the 20 year gilt rate at 31 March 2011 of 4.51%.

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

At 31 March 2011, the DCF valuation was £164.8 million or 86.6 pence per share compared with £129.3 million or 91.5 pence per share at 30 September 2010.

Sensitivities
The Investment Adviser has carried out sensitivities to the discounted cash flow net asset value. For the discounted cash flow net asset value to equate to the share price as at 24 May 2011 of 77.0 pence per share, the discounted cash flow calculation would have to assume a 0.55% increase in rents per annum, or a 0.60% capital reduction per annum, or a weighted average discount rate of 8.62%. 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 74.1 pence per share and assumed purchaser costs of 6.9 pence per share, an implied net initial yield of 5.59% is required to get the discounted cash flow net asset value of 86.6 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 approved the acquisition of a further eight properties worth approximately £33 million, subject to finalised contracts, and has access to a property pipeline, subject to contract, which is estimated to be worth a further £59 million in value when fully developed.

Keith Maddin Chairman

Mike Adams Chief Executive Officer

Mark Osmond Chief Financial Officer
MedicX Adviser Ltd

1 As at 24 May 2011.
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 6.21%.
4 Adjusted to exclude goodwill and the impact of deferred tax not expected to crystallise.
5 Ex dividend date 18 May 2011, Record date 20 May 2011, Payment date 30 June 2011.
6 Total expected dividends to be declared in the year divided by share price at 30 September 2010.
7 Adjusted earnings excluding revaluation and deferred tax divided by total dividends declared during the six months to 31 March 2011.
8 Based on share price growth between 30 September 2010 and 24 May 2011 and expected dividends received or receivable by shareholders during the period to 24 May 2011.

Principal Risks and Uncertainties

Full information on the principal financial risks and how they are mitigated can be found in note 18 of MedicX Fund Limited's annual report and financial statements for the year ended 30 September 2010.

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

- A property market recession could materially adversely affect the value of properties.
- Property and property related assets are inherently difficult to value and valuations are subject to uncertainty. There can be no assurance that the estimates resulting from the valuation process will reflect actual realisable sale prices.
- 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.
- 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. In light of the Health and Social Care Bill and the proposal that PCTs will be abolished by 2013, there is no guarantee that rental costs will continue to be reimbursed to GPs in this way or what will replace the PCTs under the existing arrangements. The Board is monitoring government proposals in relation to PCTs.
- Initiatives introduced by the previous government pledged increased funding to provide modernisation of GP premises. Whilst the Company is confident that the modernisation programme is not sensitive to the change in government, the Company has no influence over the future direction of primary care initiatives in the public sector. In particular, a reduction in the funding of PCTs or their successors may reduce the funds available for the development of, or investment in, NHS properties and adversely affect the Company's ability to grow its assets and source appropriate opportunities in accordance with its investment policy.
- 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.
- Prospective investors should be aware that the Group uses and intends to use borrowings to raise capital, which may have an adverse impact on net asset value or dividends.
- The Company is in compliance with financial covenants in its borrowing facilities. The Directors consider a breach of the Company's financial covenants under its borrowing facilities to be very unlikely. However, should 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.
- The Company is exposed to risks and uncertainties on financial instruments. The principal areas are credit risk (the risk that a counterparty fails to meet its obligations), interest rate risk (the risk of adverse interest rate fluctuations), and liquidity risk (the risk that funding is withdrawn from the business).

Further details of the Audit Committee's risk monitoring activities may be found in the Report of the Directors on page 15 of MedicX Fund Limited's annual report and financial statements for the year ended 30 September 2010.

Statement of Directors' Responsibilities

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

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

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

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

By order of the Board:

Shelagh Mason
Director
25 May 2011

Independent Review Report to MedicX Fund Limited

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 31 March 2011 which comprises the Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Movements in Equity and Consolidated Statement of Cash Flows as at 31 March 2011 and the related explanatory notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

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

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 2, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

Our responsibility

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

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31 March 2011 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

PKF (UK) LLP
Guildford, UK
25 May 2011

Consolidated Statement of Comprehensive Income

For the six months ended 31 March 2011

	Notes	Six months ended 31 March 2011 £'000	Six months ended 31 March 2010 £'000
Income			
Rent receivable		**5,890**	5,515
Finance income		**74**	8
Other income		**257**	158
Total income		**6,221**	5,681
Valuation and impairment adjustments			
Net valuation gain on investment properties	8	**1,283**	7,033
Impairment of goodwill	6	**(440)**	–
Total valuation and impairment adjustments		**843**	7,033
Expenses			
Direct property expenses		**108**	64
Investment advisory fee		**1,125**	1,125
Property management fee		**172**	163
Administrative fees		**29**	34
Audit fees		**40**	46
Professional fees		**95**	99
Directors' fees		**63**	57
Other expenses		**110**	89
Finance costs	4	**2,515**	2,526
Total expenses		**(4,257)**	(4,203)
Gain before tax		**2,807**	8,511
Taxation	5	**465**	(909)
Gain attributable to equity holders of the parent		**3,272**	7,602
Total comprehensive income attributable to equity holders of the parent		**3,272**	7,602
Earnings per Ordinary Share			
Basic and diluted	7	**2.2p**	7.0p

1 All items in the above statement are derived from continuing operations.
2 Included in note 6 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.

Consolidated Statement of Financial Position

As at 31 March 2011

	Notes	31 March 2011 £'000	30 September 2010 £'000
Non-current assets			
Goodwill	6	**6,484**	6,924
Investment properties	8	**198,043**	180,447
Total non-current assets		**204,527**	187,371
Current assets			
Trade and other receivables		**3,153**	2,475
Cash and cash equivalents	9	**32,844**	17,289
Total current assets		**35,997**	19,764
Total assets		**240,524**	207,135
Current liabilities			
Trade and other payables		**6,150**	6,150
Non-current liabilities			
Long-term loans	10	**100,923**	100,859
Performance fee provision		**342**	342
Deferred tax liability	5	**6,114**	6,579
Total non-current liabilities		**107,379**	107,780
Total liabilities		**113,529**	113,930
Net assets		**126,995**	93,205
Equity			
Share capital		**–**	–
Share premium		**78,518**	44,132
Distributable reserves	12	**54,015**	57,883
Accumulated losses		**(5,538)**	(8,810)
Total attributable to equity holders of the parent		**126,995**	93,205
Net asset value per share			
Basic and diluted	7	**66.7p**	66.0p

The financial statements were approved and authorised for issue by the Board of Directors on 25 May 2011 and were signed on its behalf by

Shelagh Mason
Director

Consolidated Statement of Changes in Equity

For the six months ended 31 March 2011

	Notes	Share premium £'000	Distributable reserve £'000	Accumulated losses £'000	Total £'000
Balance at 1 October 2009		18,284	64,476	(16,785)	65,975
Proceeds on issue of shares		25,052	–	–	25,052
Share issue costs		(640)	–	–	(640)
Total comprehensive income for the period		–	–	7,602	7,602
Dividends paid	13	–	(2,817)	–	(2,817)
Balance at 31 March 2010		42,696	61,659	(9,183)	95,172
Balance at 1 October 2010		44,132	57,883	(8,810)	93,205
Proceeds on issue of shares		35,287	–	–	35,287
Share issue costs		(901)	–	–	(901)
Total comprehensive income for the period		–	–	3,272	3,272
Dividends paid	13	–	(3,868)	–	(3,868)
Balance at 31 March 2011		**78,518**	**54,015**	**(5,538)**	**126,995**

Consolidated Statement of Cash Flows

For the six months ended 31 March 2011

	Notes	Six months ended 31 March 2011 £'000	Six months ended 31 March 2010 £'000
Operating activities			
Gain before taxation		**2,807**	8,511
Adjustments for:			
Net valuation gain on investment properties	8	**(1,283)**	(7,033)
Impairment of goodwill	6	**440**	–
Financial income receivable		**(74)**	(8)
Finance costs payable and similar charges	4	**2,515**	2,526
		4,405	3,996
Increase in trade and other receivables		**(678)**	(488)
Increase in trade and other payables		**28**	42
Interest paid		**(2,715)**	(2,552)
Interest received		**74**	4
Net cash inflow from operating activities		**1,114**	1,002
Investing activities			
Additions to investment properties and properties under construction		**(16,313)**	(2,536)
Net cash outflow from investing activities		**(16,313)**	(2,536)
Financing activities			
Net proceeds from issue of share capital		**34,386**	24,412
Net proceeds of long-term borrowings		**57**	(30)
Loan issue costs		**–**	(95)
Dividends paid	13	**(3,689)**	(2,817)
Net cash inflow from financing activities		**30,754**	21,470
Increase in cash and cash equivalents		**15,555**	19,936
Opening cash and cash equivalents		**17,289**	7,172
Closing cash and cash equivalents	9	**32,844**	27,108

Notes to the Financial Statements

For the six months ended 31 March 2011

1. General information

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

The Company is listed on the London Stock Exchange.

The condensed consolidated interim financial information does not constitute the statutory financial statements of the Group within the meaning of section 245 of The Companies (Guernsey) Law, 2008. The Board of Directors approved the statutory financial statements for the year ended 30 September 2010 on 7 December 2010. The report of the auditors on those financial statements was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 263 of The Companies (Guernsey) Law, 2008.

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

The condensed consolidated interim financial information for the six months ended 31 March 2011 has been reviewed, not audited, and was approved and authorised for issue by the Board of Directors on 25 May 2011.

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

2. Basis of preparation

The condensed consolidated interim financial information for the six months ended 31 March 2011 has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority and with IAS 34 "Interim financial reporting" as adopted by the European Union. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 30 September 2010, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union.

3. Accounting policies

The accounting policies and presentation of figures applied are consistent with those of the annual financial statements for the year ended 30 September 2010, as described in those annual financial statements.

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

4. Finance costs

	Six months ended 31 March 2011 £'000	Six months ended 31 March 2010 £'000
Interest payable on long-term loan	**2,635**	2,526
Interest capitalised on properties under construction	**(120)**	–
	2,515	2,526

During the period 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%.

Notes to the Financial Statements continued

For the six months ended 31 March 2011

5. Taxation

	Six months ended 31 March 2011 £'000	Six months ended 31 March 2010 £'000
Current Tax		
Corporate tax charge for the period	**–**	–
Corporate tax charge for prior periods	**–**	–
Deferred Tax		
On fair value movement for the period	**(465)**	909
Total tax charged in the statement of comprehensive income	**(465)**	909

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

The Company has obtained exempt company status in Guernsey under the terms of Income Tax (Exempt Bodies) (Guernsey) Ordinance 1989 so that it is exempt from Guernsey taxation on income arising outside Guernsey and on bank interest receivable. The Company is, therefore, only liable to a fixed fee of £600 per annum. The Directors intend to conduct the Group's affairs such that this company continues to remain eligible for the exemption. Guernsey companies are subject to UK taxation on UK net rental income. During the period no tax arose in respect of the income of any of the Guernsey companies. The Company's UK subsidiaries, 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% (2010: 20%) and at the standard rate of UK corporation tax of 28% (2010: 28%) where appropriate is set out below:

	Six months ended 31 March 2011 £'000	Six months ended 31 March 2010 £'000
Gain on ordinary activities before tax	**2,807**	8,511
Gain on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (20% for UK income tax) giving an effective tax rate of 26.1% (2010: 28.0%)	**733**	2,383
Capital allowances in excess of depreciation	**(269)**	(4)
Effect on deferred tax balance by change in UK corporate tax rate	**(470)**	–
Profits not subject to UK taxation	**(1,233)**	(1,859)
Non-taxable property revaluations	**(298)**	(779)
Benefit of indexation allowances	**(326)**	(485)
Current period losses carried forward	**1,398**	1,653
Total tax charged in the statement of comprehensive income	**(465)**	909

5. 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 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
Adjustment for change in corporate tax rate	(440)	(12)	(129)	111	(470)
(Released)/provided in period	(91)	(154)	91	159	5
At 31 March 2011	**5,638**	**–**	**1,802**	**(1,326)**	**6,114**

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 period would be £697,000 lower (2010: £705,000 higher).

6. Goodwill Impairment

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 to the fair value of the underlying property portfolio acquired as they form a single cash generating unit.

As a result of the change of corporate tax rate from 28% to 26% the impact of any latent UK capital gains tax on the properties acquired in this manner is reduced, and has resulted in a release of £440,000 which represents the change in the carrying value of deferred tax on fair value gain on acquisitions that is solely attributable to the tax rate change. Consequently, when looking at the cash generating unit as a whole, goodwill is impaired to the extent of an amount equivalent to the change in the deferred tax liability attributed to those properties on acquisition caused by the change in the corporate tax rate.

No adjustment has been made for changes in the fair value of affected properties during the period as these are considered temporary differences, and in the opinion of the Board do not constitute an impairment in goodwill.

7. Earnings and net asset value per Ordinary Share

Basic and diluted earnings and net asset value per share

The basic and diluted earnings per Ordinary Share are based on the gain for the period attributable to Ordinary Shares of £3,272,000 (2010: £7,602,000) and on 149,538,863 (2010: 109,124,508) Ordinary Shares being the weighted average aggregate of Ordinary Shares in issue calculated over the period. This gives rise to a basic and diluted earnings per Ordinary Share of 2.2 pence (2010: 7.0 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 £126,995,000 (30 September 2010: £93,205,000) and on 190,313,101 (30 September 2010: 141,317,110) 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 66.7 pence per Ordinary Share (30 September 2010: 66.0 pence per Ordinary Share).

Adjusted earnings per share and net asset value per share

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

	Six months ended 31 March 2011	Six months ended 31 March 2010
Adjusted earnings per Ordinary Share – basic and diluted	**2.2p**	7.8p

	31 March 2011	30 September 2010
Adjusted net asset value per Ordinary Share – basic and diluted	**66.5p**	65.7p

The adjusted earnings per Ordinary Share is based on the gain for the period of £3,272,000 (2010: £7,602,000) attributable to Ordinary Shares, adjusted for the impact of the deferred tax credit of £465,000 (2010: charge £909,000) and goodwill impairment of £440,000 (2010: £nil) attributable to Ordinary Shares for the period giving an adjusted earnings profit of £3,247,000 (2010: £8,511,000) and on 149,538,863 (2010: 109,124,508) Ordinary Shares being the weighted average number of Ordinary Shares in issue in the period.

The adjusted net asset value per Ordinary Share is based on the net asset position attributable to Ordinary Shares at the period end of £126,995,000 (30 September 2010: £93,205,000) as adjusted for deferred tax of £6,114,000 (30 September 2010: £6,579,000) and goodwill of £6,484,000 (30 September 2010: £6,924,000), giving an adjusted net assets figure of £126,625,000 (30 September 2010: £92,860,000) and on 190,313,101 (30 September 2010: 141,317,110) 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.

8. Investment properties

Investment properties including those under construction 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 31 March 2011.

In accordance with industry standards, the valuation of completed investment properties is net of purchaser costs which are approximately 5.80% (30 September 2010: 5.75%) of purchase price, and the valuation of investment properties under construction is the net of completed property value less the remaining costs to complete the property.

	Completed investment properties £'000	Properties under construction £'000	Total investment properties £'000
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
Impairment			
Fair value 30 September 2010	176,225	4,222	180,447
Additions	6,363	10,097	16,460
Adjustment to base cost	(147)	–	(147)
Disposals at valuation	–	–	–
Transfer to completed properties	2,183	(2,183)	–
Fair value revaluation	749	534	1,283
Fair value 31 March 2011	**185,373**	**12,670**	**198,043**

Some of the investment properties are security for the long-term loan as disclosed in note 10. Of the completed investment properties £39,700,000 (30 September 2010: £39,810,000) are long-leasehold properties.

During the period a portion of the Aviva loan facility disclosed in note 10 was utilised to fund development work on investment properties under construction. Interest costs attributable to development work in progress of £120,000 (2010: £nil) were capitalised.

9. Cash and cash equivalents

	31 March 2011 £'000	30 September 2010 £'000
Cash in hand and balances with banks	**32,844**	17,289

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.

10. Long-term loans

	31 March 2011 £'000	30 September 2010 £'000
Aviva loan facility:		
Amount drawn down	**100,000**	100,000
Loan issue costs	**(386)**	(386)
Amortisation of loan issue costs	**30**	23
	99,644	99,637
Deutsche Postbank loan facility:		
Amount drawn down	**500**	500
Loan issue costs	**(389)**	(471)
Amortisation of loan issue costs	**–**	–
	111	29
Mortgage due after more than one year	**1,168**	1,193
	100,923	100,859

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

	31 March 2011 £'000	30 September 2010 £'000
Due within one year	**50**	49
Between one and two years	**54**	52
Between two and five years	**182**	177
Over five years	**100,687**	100,630
	100,973	100,908

All amounts are repayable by instalments.

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 31 March 2011 was £99,644,000 (30 September 2010: £99,637,000).

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 period 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 £14,433,000 as at 31 March 2011 (30 September 2010: £8,041,000).

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).

10. Long-term loans (continued)

The Group has been in compliance with the financial covenants throughout the period. At 31 March 2011, the debt service coverage ratio was 192% against a covenant of 140% and the loan to value was 65.8% 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 £151,784,000. As at 31 March 2011, the Group had cash of £0.1 million (30 September 2010: £0.1 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 5-year swap rate the loan would be fixed at an all-in rate, including margin, of 4.29%. Costs have been accrued within the Statement of Financial Position and will be amortised as future drawdowns are made against the facility. The facility amortises at 1% per annum.

The Group's Deutsche 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); and

(iv) loan to value on properties after a disposal must be 60% before surplus proceeds from the disposal can be released to the Group.

The Group has been in compliance with the financial covenants of the Deutsche Postbank facility throughout the period. At 31 March 2011, with only £0.5 million drawn down, the debt service coverage ratio was 6,187% against a covenant of 140%, the forecast debt service coverage ratio was 5,476% against a covenant of 140%, and the loan to value was 3.9% against a covenant of 70%.

The facility is secured against one of the investment properties held by MedicX Properties VI Limited. The value of the property provided as security is £14,600,000.

11. Share Issues

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

	Number of shares	Issue price per share
Total shares issued as at 30 September 2010	141,317,110	
Shares issued under Placing, Open Offer and Offer for Subscription:		
4 March 2011	47,650,000	72.00p
Other shares issued for cash:		
17 November 2010	1,100,000	72.75p
Shares issued in lieu of cash payment of dividends:		
31 December 2010	149,034	73.05p
31 March 2011	96,957	72.43p
Total shares issued as at 31 March 2011	**190,313,101**	

On 4 March 2011, the Company issued 47,650,000 Ordinary Shares of no par value at 72.0 pence per share (10 March 2010: 34,921,028 Ordinary Shares of no par value at 72.0 pence per share) in a placing, open offer and offer for subscription. In addition, on 17 November 2010 1,100,000 shares of no par value were issued pursuant to a block listing application announced 26 June 2008 at a price of 72.75 pence per share.

Further shares were issued in lieu of cash payments of dividends as a result of the scrip dividend scheme introduced at 5 May 2010.

12. Distributable reserve

The movement in distributable reserves is set out in the Statement of Changes in Equity on page 15.

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.

13. Dividends

	Six months ended 31 March 2011 £'000	Six months ended 31 March 2011 Dividend per share	Six months ended 31 March 2010 £'000	Six months ended 31 March 2010 Dividend per share
Quarterly dividend declared and paid during the period	**1,908**	**1.35p**	1,399	1.3325p
Quarterly dividend declared and paid during the period	**1,960**	**1.375p**	1,418	1.35p
Total dividends declared and paid during the period	**3,868**		2,817	
Quarterly dividend declared after period end	**2,617**	**1.375p**	1,881	1.35p
Cash flow impact of scrip dividends:				
Cash equivalent value of scrip shares issued on quarterly dividend	**109**		–	
Cash equivalent value of scrip shares issued on quarterly dividend	**70**		–	
Total cash equivalent value of scrip shares issued	**179**		–	
Cash payments made for dividends declared and paid	**3,689**		2,817	

Dividends are paid quarterly and are scheduled for the end of March, June, September and December of each year, subject to Board approval.

On 4 May 2011, the Board approved a dividend of 1.375 pence per share, bringing the total dividend declared in respect of the period to 31 March 2011 to 2.75 pence per share. The record date for the dividend was 20 May 2011 and the payment date is 30 June 2011. 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 24 May 2011 the Board announced an opportunity for qualifying Shareholders to receive the June 2011 dividend in new Ordinary Shares instead of cash. The Company encourages shareholders to consider the advantages of the scrip dividend, and details of the Scrip Dividend Scheme are available on the Company's website (http://www.medicxfund.com/scrip).

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 a.m. to 5.30 p.m. (London time) Monday to Friday (except Bank Holidays).

14. Commitments

At 31 March 2011, the Group had commitments of £27.1 million (30 September 2010: £19.7 million) to complete properties under construction.

15. Material contracts

Investment Adviser

MedicX Adviser Ltd is appointed to provide investment advice under the terms of an agreement dated 17 October 2006 as subsequently amended to 8 April 2009 (the "Investment Advisory Agreement" or "Agreement"). Fees payable under this agreement are:

(i) a tiered property advisory fee set at 1.5% per annum on gross assets (excluding cash) up to £150 million, with an additional 0.75% per annum payable on gross assets (excluding cash) over £300 million, with no fee payable on gross assets (excluding cash) between £150 million and £300 million;
(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;
(iv) a performance fee based upon total shareholder return.

15. Material contracts (continued)

The performance fee is 15% of the amount by which the total shareholder return exceeds an 8% per annum compound hurdle rate calculated from the 69.0 pence issue price at 8 April 2009, subject to a high watermark. If in any year the total shareholder return falls short of 8% per annum then the deficit in the total shareholder return has to be made up in subsequent years before any performance fee can be earned. The compounding of the 8% hurdle rate is 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 be paid in excess of 1.5% of gross assets (excluding cash), such limit being equivalent to the investment advisory base fee that was in existence prior to the change. The excess, if any, of the aggregate of the investment advisory base fee and performance fee earned in any one financial year over 1.5% of gross assets (excluding cash) is not payable but is carried forward to future years or termination of the Investment Advisory Agreement, subject at all times to the annual 1.5% of gross assets (excluding cash) fee limit. The Agreement is terminable at the end of an initial 7-year term and each 3-year term thereafter, provided 12 months' notice is given.

The performance fee that can be earned by the Investment Adviser in respect of the financial year ended 30 September 2011 will be 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 shares issued as a result of the placing and offer for subscription closed on 4 March 2011 (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 2011; 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 31 March 2011 included in the Statement of Financial Position relates to the amount due under the Investment Advisory Agreement as at 30 September 2010.

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

During the period, the agreements with MedicX Adviser gave rise to £1,297,000 (2010: £1,288,000) of fees as follows:

	Six months ended 31 March 2011 £'000	Six months ended 31 March 2010 £'000
Expensed to the consolidated statement of comprehensive income:		
Investment advisory fee	**1,125**	1,125
Investment advisory performance fee	**–**	–
Property management fees	**172**	163
Total Fees	**1,297**	1,288

Of these fees, no amounts (2010: £567,000) remained unbilled or outstanding at the end of the period.

15. Material contracts (continued)

During the period property development costs of £3,881,000 (2010: £1,475,000) were paid to MedicX Property Ltd, a member of the same group of companies as MedicX Adviser Ltd. At 31 March 2011 £2,000 (2010: £nil) of costs remained unbilled or outstanding. In addition, licence fee income of £135,000 (2010: £53,000) was recognised on properties under construction by MedicX Property Ltd during the period. At 31 March 2011 licence fees totalling £251,000 (2010: £nil) remained unbilled or outstanding.

Administrator

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 (2010: £60,000) 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 period, the agreements with International Administration (Guernsey) Limited gave rise to the following fees, of which £9,000 (2010: £16,000) remained unbilled or outstanding at the period end:

	Six months ended 31 March 2011 £'000	Six months ended 31 March 2010 £'000
Administrative fees	**29**	34

16. Related party transactions

During the period fees of £3,000 (2010: £nil) were paid to Aitchison Raffety Limited. John Hearle is Group Chairman of Aitchison Raffety Limited.

17. Post period end events

On 28 April 2011 the Pen-y-bryn Surgery investment property at Gorseinon, West Glamorgan was sold for £0.6 million, at valuation.

Notes

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Christopher Bennett
John Hearle
Shelagh Mason

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