11

Annual Report and Financial Statements
to 30 September 2011

MedicX Fund

Who we are

MedicX Fund Limited is a specialist primary care infrastructure investor in purpose-built 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 primary healthcare properties.

MedicX Fund is listed on the London Stock Exchange, is included in the FTSE All Share Index and currently has a portfolio comprising 63 properties.

Contents

as at 30 September	2011	2010	
Rental Income (£m)	**11.8**	10.8	+8.7%
Adjusted Earnings excluding Revaluation, Performance Fee & Deferred Tax (£m)	**4.0**	2.7	+51.1%
Adjusted Net Asset Value (pence per share)	**66.0**	65.7	+0.5%
Dividends declared (pence per share)	**5.5**	5.4	+1.9%
Committed Investment (£m)	**250.1**	223.7	+11.8%

Highlights

- Total shareholder return of 9.4%[1]
- Dividend yield of 7.4%[3]
- Agreed terms for a new £50 million 20 year debt facility at an indicative interest rate of 4.71%
- Fixed average cost of long term debt of 4.82% with average term remaining of 22.4 years
- New and approved investments during the period of £73.4 million
- Reduced base investment adviser fees from 1 October 2011

Footnotes as per page 10


01


02

→ 01 **Abergele**
Gwrych Medical Centre
Wales

→ 02 **Mablethorpe**
Marisco Medical Centre
Lincolnshire

Portfolio

VALUATION OF THE PORTFOLIO

£241m

Investment objectives

The investment policy of the Fund is to acquire primary care properties that are principally let to GPs and Primary Care Trusts.

The properties in this growing asset class form part of the core UK healthcare infrastructure and provide strong covenants with a long term secure rising cash flow.

The key objective of the Fund is to increase net income over time to support a rising dividend and provide capital growth. The key areas for this growth will come from rent reviews, expanding or re-configuring space and lease cost reduction. The Investment Adviser regularly reviews the entire property portfolio and has regular meetings with tenants to ensure that buildings are meeting the local healthcare needs and to identify opportunities for value enhancement.

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

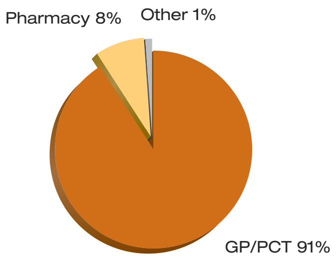
1. Rents received from any one tenant, or tenants within the same group in any one financial year shall not exceed 20 per cent. of the total rental income of the Company in that financial year;
2. Rents receivable from NHS reimbursable sources in any one financial year shall represent at least 80 per cent. of the total rental income of the Company in that financial year;
3. No one property (including all adjacent. or contiguous properties) shall at the time of acquisition represent more than 15 per cent. of the gross assets of the Company; and
4. At least 90 per cent. 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

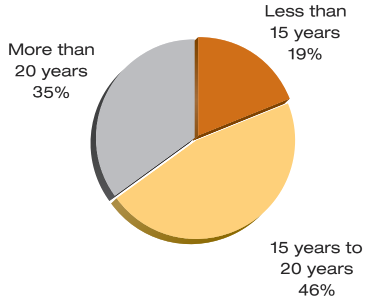
5. The borrowings of the Company shall not exceed 75 per cent. of the adjusted total assets (excluding goodwill) of the Company.

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.

Security of income by tenant type



Security of income by lease expiry



Analysis of property portfolio – largest investments

Property	Year ended 30 September 2011		Year ended 30 September 2010	
	Valuation £'000	**Percentage of total**	Valuation £'000	Percentage of total
Moorgate Primary Care Centre, Bury	**14,600**	**6.84%**	13,820	7.66%
Lytham Primary Care Centre, Lytham	**12,310**	**5.76%**	12,440	6.89%
Evesham Health Centre, Evesham	**7,880**	**3.69%**	7,860	4.36%
Alsager Medical Centre, Alsager	**7,650**	**3.58%**	7,620	4.22%
Kingsway Medical Centre, Ossett	**7,600**	**3.56%**	7,600	4.21%
Sawston Medical Centre, South Cambridgeshire	**7,400**	**3.46%**	7,210	4.00%
Darlaston Health Centre, West Midlands	**7,170**	**3.36%**	7,170	3.97%
Marisco Medical Centre, Mablethorpe	**6,520**	**3.05%**	6,300	3.49%
West Allington Medical Centre, Bridport	**6,070**	**2.84%**	6,100	3.38%
Pilgrim Primary Care Centre, Immingham	**6,000**	**2.81%**		
West View Health Village, Fleetwood			5,910	3.28%
10 largest properties	**83,200**	**38.95%**	82,030	45.46%
Other properties	**130,403**	**61.05%**	98,417	54.54%
	213,603	**100.00%**	180,447	100.00%

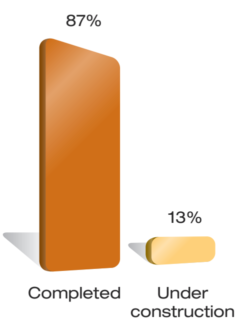

03


04

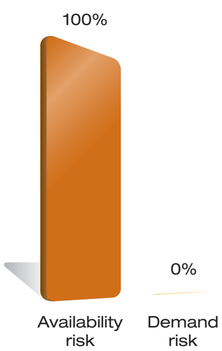
→ 03 **Lytham**
Lytham Primary Care Centre
Lancashire

→ 04 **Sawston**
Sawston Medical Centre
South Cambridgeshire

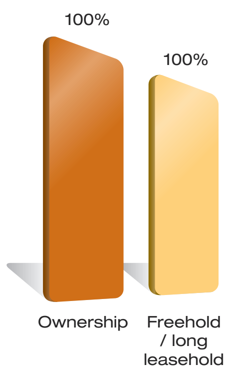
Portfolio review
63 assets



Contractual certainty of income



Security of tenure



Acquisitions

> "The Group now has committed investment of £249.8 million across 63 properties"

COMPLETED PROPERTIES

55

PROPERTIES UNDER CONSTRUCTION

08

Completed properties
Properties under construction

05

06

07

→ 05 **East Cowes**
East Cowes Health Centre
Isle of Wight

→ 06 **Raynes Park**
Raynes Park Health Centre
London

→ 07 **Halifax**
Heath House Medical Centre
West Yorkshire

Acquisitions
continued

"Primary care property assets remain attractive investments and the Fund's portfolio continues to be a good route for accessing secure long term cash flows"

→ 08 **Woolwich**
Royal Arsenal Medical Centre
London

New investme

→ 09 **Hirwaun**
Hirwaun Medical Centre
Wales

→ 10 **Lytham**
Lytham Primary Care Centre
Lancashire

→ 11 **Apsley**
Lincoln House Health Centre
Hemel Hempstead

09

10

11

nts in the year

Chairman's Statement

Introduction

I am pleased to present the fifth annual report for the Fund, on behalf of the board.

Results overview

2011 has been a very good year for the Fund.

Against the backdrop of a turbulent stock market and significant uncertainty in the world economy, the Fund offers investors some stability of income, security and growth from a straightforward business model, that of a specialist property investor in modern purpose built healthcare properties with rents reimbursed by the NHS. This, together with our investment and fundraising this year has positioned the Company well to deliver further solid returns to its investors.

Demand for new purpose-built primary healthcare properties continues to be strong with the changes to the NHS continuing to place increased demands on primary care, and has enabled the Fund to increase its portfolio with ten new properties committed during the period under review. The Group now has committed investment of £249.8 million across 63 properties of which eight remain under construction.

The Group's net asset value, adjusted to exclude goodwill and deferred taxation, at 30 September 2011 was £127.1 million or 66.0 pence per share. 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 £169.8 million or 88.2 pence per share.

With a decrease in long-term interest rates during the year, the debt benefit of the Group's £100 million fixed rate interest only debt facility has decreased to £4.0 million or 2.1 pence per share as at 30 September 2011. This has not been included in the adjusted net asset value reported above; if it were included the adjusted net asset value would be equivalent to 68.0 pence per share.

The Group realised a profit of £4.0 million, excluding the impact of revaluations, deferred taxation and performance fees, which equates to 2.4 pence per share, an improvement of £1.3 million, on the previous financial year.

Rental income grew by £0.9 million or 8.7% during the year. Costs are in line with expectations and for the third year in succession we met our target for annual overheads; £675,000 for the current year. Costs will continue to be managed prudently and we are targeting to keep overheads at a similar level for the forthcoming year, despite inflation and the increased size of our portfolio.

EBITDA (earnings before interest, taxation and depreciation), excluding the impact of revaluations, deferred taxation and performance fees, has increased 17.5% to £9.0 million for the year to September 2011, from £7.7 million in the previous year.

Funding

In March 2011, the Company issued 47.6 million shares at 72 pence per share, by way of a placing, open offer and offer. This placing generated net proceeds of £34.3 million. In addition during the year the Company issued 1.6 million new Ordinary Shares for cash at an average price of 74.47p per share pursuant to the block listing application announced by the Company on 26 June 2008, and a further 1.5 million shares were issued at a price of 78.25p per share pursuant to a separate listing application. In total these additional share issues have generated net proceeds of £2.3 million. The Company issued a further 536,900 new Ordinary Shares under the scrip dividend scheme. All shares were issued at prices above the adjusted net asset value.

The Fund continues to follow its growth strategy and during the course of the year raised both equity and debt to pursue its investment objectives. This measured approach has enabled the Fund to continue to grow without creating undue stress on its balance sheet, an important consideration in the current economic climate, and essential in ensuring that shareholder value is not eroded.

In December 2009, the Group entered into a £25.5 million facility with Deutsche Postbank for a 5 year term, and this facility was extended to £37.1 million in August 2011. At 30 September 2011, £0.5 million had been drawn under this facility. The first significant draw down of this facility for an amount of £7 million was made in November 2011 with a fixed all-in interest rate of 3.14%, and the loan interest rate will continue to be fixed as the loan is drawn down. This is the only swap the Group has and it matches the term of the loan.

The loan will be drawn down at 62.5% loan to value on the properties secured, against a 70% loan to value covenant that will only be tested after years two and four. As a result of the extension in August, the facility does not amortise. Under the previous terms the facility amortised at 1% per annum. The income to interest covenant of the loan is 140% and is expected to be comfortably exceeded.

I am pleased also to report that the Group has recently agreed a new £50 million debt facility with Aviva for a 20-year period. The interest rate on this facility will be fixed on completion. The facility is interest only for the first 10 years, after which it amortises at £2 million per annum over the second ten years, with the remainder repayable at the end of the 20 year term, and can be drawn down to a 65% loan to value on any properties secured against it. If the facility was completely drawn as at 5 December 2011 the interest rate could be fixed at an all-in rate of 4.71%.

Including new facilities agreed, the average all-in fixed rate of debt is 4.82% with an average unexpired term of 22.4 years.

With the successful deployment of the funds from the March 2011 equity raising into new property acquisitions, and in view of the committed investment and attractive investment pipeline the Company will therefore again consider further equity capital raising in the New Year to continue to support the Fund's growth in a balanced manner by maintaining a modest gearing ratio while at the same time utilising the debt facilities available.

"2011 has been a very good year for the Fund... our investment and fund raising this year has positioned the Company well to deliver further solid returns"

Dividends

In November 2011 the Directors approved a quarterly dividend of 1.375p per Ordinary Share in respect of the period 1 July 2011 to 30 September 2011. The dividend will be paid on 30 December 2011 to ordinary shareholders on the register as at close of business on 18 November 2011 (the "Record Date"). The corresponding ex-dividend date was 16 November 2011. The Fund has maintained its progressive dividend policy, with total dividends declared of 5.5p per Ordinary Share in respect of the financial year ended 30 September 2011, an increase from the dividends of 5.4p per ordinary share for the year to 30 September 2010, progressing from the initial dividend of 5.0p at the time of the listing of the Company.

The Company has offered 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 December 2011, by participating in the Scrip Dividend Scheme (the "Scheme") put in place by the Company on 5 May 2010. The results from this offer will be announced on 14 December 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 (www.medicxfund.com/scrip).

Dividend cover for the year to 30 September 2011 was 44%, up from 41% last year, as calculated using adjusted earnings excluding the impact of revaluations, deferred taxation and performance fees and 82% as calculated using the adjusted earnings including revaluation impact but excluding deferred taxation and performance fees. In addition 3.9% of the September 2011 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.

Investment Adviser fee

The Board has agreed to a proposal from the Investment Adviser to reduce its base fee structure.

The existing Investment Adviser fee of 1.5% of gross assets excluding cash up to £150 million, and 0.75% of gross assets excluding cash over £300 million, will change to 1.5% of gross assets excluding cash up to £150 million, 0.65% of gross assets excluding cash between £300 million and £500 million, 0.5% of gross assets excluding cash between £500 million and £750 million, and 0.4% of gross assets excluding cash over £750 million. The new fee will apply from 1 October 2011.

Property management fees remain unchanged at 3% of the passing rent of properties managed. It has also been agreed to amend the calculation of the performance fee, to calculate it with reference to the average daily closing share price during the last month of the period rather than the closing price on the final day, which will reduce any volatility in that calculation.

"MedicX Fund enters its sixth year with a track record of delivering steady returns from its property portfolio"

Annual General Meeting

At the Annual General Meeting held on 24 February 2011, shareholders passed all the resolutions proposed. These included the 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 on 17 February 2012. However, the Board will seek renewal of this authority at the forthcoming Annual General Meeting. During the year 1.6 million Ordinary Shares were issued pursuant to the block listing application announced by the Company on 26 June 2008, and a further 1.5 million shares were issued pursuant to a separate listing application, all at prices greater than adjusted net asset value.

Share price and outlook

In the year to 30 September 2011, the total shareholder return, as measured by dividends received and share price growth, was 9.4%. Of the return, 7.6% was attributable to dividends received with the remainder from growth in the share price. This continues the solid delivery of returns to our shareholders, with the total shareholder returns for the previous two years being 8.6% and 11.4% respectively.

At 5 December 2011, the mid-market share price was 74.0 pence per share ex dividend, this represents a 7.4% dividend yield based upon the 5.5 pence per share dividends declared for the year, and a premium of 12.2% to the adjusted net asset value of 66.0p per share. Additionally, this represents a premium of 8.8% to the adjusted net asset value plus the estimated mark to market benefit of debt of 68.0p per share and a discount of 16.1% to the discounted cash flow net asset value of 88.2p per share.

The Fund enters its sixth year with a track record of delivering steady returns from its property portfolio, and with a number of properties due to complete in the near future the return on the investment activity in the year will start to be realised. Despite the continuing uncertainty in the world's economy the 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. In addition, a new fee basis has been agreed with the Investment Adviser, MedicX Adviser Ltd, which will progressively reduce the fund management fees as a percentage of gross assets as the Fund grows. These factors contribute to our confidence that the Company is well positioned to deliver progressive long-term returns to shareholders.

David Staples
Chairman
7 December 2011

Key achievements of 2011

Financial results

- Total shareholder return of 9.4% for the year (2010: 8.6%)[1]
- Quarterly dividend of 1.375p per share announced November 2011[2]; total dividends of 5.5p per share for the year or 7.4% dividend yield (2010: total dividends of 5.4p; 7.3% dividend yield)[3]
- Rental income for the year £11.8 million representing a 8.7% increase from prior year
- £3.3 million rent reviews agreed in the year ended 30 September 2011 with the equivalent of an average 2.3% per annum increase, 1.9% from open market reviews, 4.3% from RPI reviews, and 2.5% from fixed uplifts
- 17.5% increase in EBITDA to £9.0 million[4]
- Finance costs for the year of £5.1 million an increase of only £0.1 million or 2.0% from the prior year (2010: £5.0 million)
- Marginal improvement in valuation net initial yield to 5.84% compared with 5.88% at 30 September 2010, together with rent reviews generating a valuation gain for the year of £3.4 million
- Adjusted earnings of £4.0 million, an increase of £1.3 million or 51.1% from prior year, equivalent to 2.4p per share (30 September 2010: £2.7 million; 2.1p per share)[4]
- Discounted cash flow net asset value of £169.8 million equivalent to 88.2p per share (30 September 2010: £129.3 million; 91.5p per share)
- Adjusted net asset value of £127.1 million equivalent to 66.0p per share (30 September 2010: £92.9 million; 65.7p per share)[5]
- Adjusted net asset value plus the estimated benefit of fixed rate debt of £131.0 million equivalent to 68.0p per share (30 September 2010: £100.9 million; 71.4p per share)[5]

Investments

- £249.8 million committed investment[6] in 63 primary healthcare properties as at 5 December 2011
- One new property acquired with six properties under construction completed since 1 October 2010; eight remain to be completed as at 5 December 2011
- Annualised rent roll as at 5 December 2011 now £15.4 million with 91% of rents reimbursed by the NHS
- New committed investment and approved investments since 1 October 2010 of £73.4 million acquired at a cash yield of 6.16%
- Strong pipeline of approximately £54.1 million further acquisition opportunities as at 5 December 2011

Funding

- £35.8 million net proceeds raised from 50.8 million shares issued since 1 October 2010 at an average issue price of 72.3p per share
- Existing £100 million of interest only debt at fixed rate of 5.0% until 2036 or for a further 25 years
- Loan to value ratio of 65.4% and debt service interest cover ratio of 194% on £100 million Aviva facility against covenants of 75% and 140% respectively as at 5 December
- Net debt £82.4 million (37.7% adjusted gearing[5]) at year end
- £7.5 million of Deutsche Postbank facility drawn down and swapped at a fixed all-in rate of 3.14% to April 2015 at 5 December 2011. Debt service interest cover ratio of 404%, forecast interest cover ratio of 364%[7] and loan to value ratio of 58.6% on the facility against covenants of 140% (interest cover) and 70% (loan to value)
- Terms agreed on a £50 million 20 year facility with Aviva at an indicative all-in fixed rate of 4.71% as at 5 December 2011
- Including new facilities agreed the average all-in fixed rate of debt is 4.82% with an average unexpired term of 22.4 years

1 Based on share price growth between 30 September 2010 and 30 September 2011 and dividends received during the year
2 Ex dividend date 16 November 2011, Record date 18 November 2011, Payment date 30 December 2011
3 Total dividends declared divided by share price at 5 December 2011 (2010: at 6 December 2010)
4 Excluding revaluation impact, deferred taxation and performance fees
5 Adjusted to exclude goodwill and the impact of deferred tax not expected to crystallise
6 Includes completed properties, properties under construction and committed investment
7 Forecast interest payments divided by forecast income from secured properties over the next year

Investment Adviser's report

"In the year, successful completion was achieved of properties under construction at Bilborough, Halifax, Apsley and Bermondsey, a total commitment of £11.5 million"

Market

The IPD UK Annual Healthcare Index total return (published annually) in 2010 was 11.1% year-on-year, falling behind the IPD UK All Property total return for the first time in four years which showed a return of 15.1% for the same period as the overall index benefitted from a market correction in yields yet to be seen in primary care property. Whilst MedicX Fund achieved a comparable total return of 7.1% for the year ended 31 December 2010, this was the impact of the market catching up to the Company as the return for the past three years ending December 2010 of 3.6% is comparable to the healthcare index return of 3.7% for the same period. The IPD UK Healthcare Index total return outperformed the IPD UK All Property total returns in 2007, 2008 and 2009 and over the four year period to the end of 2010 showed a positive return of 5.7% per annum compared with negative return of 2.7% per annum for UK All Property.

The October 2011 IPD UK Monthly Index net initial yield figures for All Property and Retail were 6.20% and 5.98% respectively, a proportionate reduction of 21.6% and 21.4% respectively since the low point in property values in June 2009 and reductions of 3.28% and 2.13% respectively from October 2010. Prime Retail and Office properties have in many cases returned to pre-recession yields with net initial yields ranging between 3.75% and 5.25%.

The primary care property sector has historically been less volatile and lagged behind other property classes with net initial yield for the Fund at 5.84% in September 2011 compared with 5.88% in September 2010. 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 September 2011 net initial yield of 5.84% represents only a 4.1% reduction since the low point in property values in March 2009.

The restructuring of the NHS is becoming clearer with the NHS Bill now being debated by the Lords. Clinical commissioning groups are the proposed replacement for the existing PCT structure, but will have a wider community involvement. To this end some steps have already been taken to restructure the PCTs into clinical consortia to support the new structure when the new legislation is implemented, which is currently anticipated to be in February 2012. Continued debate over the final form of the NHS Bill means that the role the GPs will take in the revised structure of the NHS has yet to be defined, but they will continue to be the cornerstone of primary care delivery. The question of who will take ownership for the existing NHS primary care estates once the PCT structure is dissolved is still being debated, although it is anticipated that this will be the commissioning groups.

A continuing theme in the discussions over the restructuring is the ability for the NHS to deliver efficiencies in the provision of healthcare. The provision of modern purpose-built and flexible primary care properties, such as those in the Fund's portfolio, is 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 Fund now has committed investment of £249.8 million[6] at today's date in 63 primary healthcare properties. The annualised rent roll of the portfolio properties is £15.4 million at 5 December 2011.

The valuation of the portfolio undertaken by Jones Lang LaSalle LLP (formerly King Sturge LLP), independent valuers to the Group, as at 30 September 2011 stood at £241.0 million on the basis that all properties were complete, reflecting a net initial yield of 5.84%. This reflects a marginal improvement of the property values during the year to the uplift reported in the 30 September 2010 valuation of 5.88% net initial yield.

At 5 December 2011, the portfolio of properties had an average age of 4.2 years, remaining lease length of 17.8 years and an average value of £3.8 million. Of the rents payable, 90.8% are from government-funded doctors and Primary Care Trusts/Local Health Boards, 7.6% from pharmacies and 1.6% from other parties.

In the year, successful completion was achieved of properties under construction at Bilborough, Halifax, Apsley and Bermondsey, a total commitment of £11.5m. All of the completed projects were delivered within budget. The forward purchase of Clapham, expected to complete in August 2011, is now expected to complete in the first quarter of 2012.

Construction continued on the existing project at Hounslow, and commenced on the properties at Raynes Park and West Wirral. Construction also commenced on the new properties at Woolwich Royal Arsenal, Rochdale, Hirwaun, East Cowes, Corby Glen and Grangetown. Of the projects under construction as at 30 September 2011, the properties at Hounslow and Woolwich Royal Arsenal have been completed, on time and within budget.

Including the purchase of a completed medical centre at Immingham in February 2011, the Fund has acquired new investments representing a total commitment of £38.7 million.

ANNUALISED RENT ROLL OF THE PORTFOLIO

£15.4m

Investment Adviser's report continued

The Fund has also approved a number of investment opportunities which are in the process of being completed as acquisitions. These approved investments represent a further commitment of £34.7 million, and comprise nine new properties. The combined committed and approved investment totals £73.4 million at a cash yield of 6.16%.

The Pen-y-bryn Surgery investment property at Gorseinon, West Glamorgan was sold in April 2011 at its valuation of £0.6 million. This was the smallest property within the portfolio and had been acquired as part of the initial portfolio of investment properties in November 2006. The intention to sell a number of the smaller and older properties remains, and a number of further disposal opportunities have been identified.

As noted the valuation yield on investments is 5.84% compared with the Group's weighted average fixed rate debt of 5% and a benchmark 20-year gilt rate of 3.54% at 30 September 2011. With committed and approved investment since 1 October 2010 of £73.4 million, further identified investment opportunities of approximately £54.1 million, and an unprecedented spread between the acquisition yields of these opportunities, the cost of long term debt rates that we can fix at, and Government gilts, the Fund is in an excellent position to continue to grow and to deliver value to its shareholders.

Asset management

During the year to 30 September 2011, 33 leases and rents of £3.3 million have been reviewed and the equivalent of a 2.3% 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 4.3% 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 £4.5 million of passing rent are currently under negotiation as at 5 December 2011.

Of the £15.4 million annualised rent roll at 5 December 2011, there is £12.1 million, 78.4%, subject to open market review, £2.6 million, 17.1%, subject to RPI reviews and £0.7 million, 4.5%, subject to fixed uplift reviews, of an average 2.5% per annum increase. The proportion of rent subject to RPI uplifts has increased over the last five years from 6.0% to 17.1%.

Cash and debt

As at 30 September 2011, the Group had net debt of £82.4 million, which is 37.8% 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 194.3% versus a covenant of 140% and the loan to value ratio was 65.4% against a covenant of 75%.

Although in accordance with IFRS, the net assets on the Consolidated Statement of Financial Position do not reflect the fair value of the £100 million Aviva facility. Advice from the Group's lenders indicates that the fixed interest rate for a loan with similar terms taken out at 30 September 2011 would have had a margin of 2% over the gilt yield, equivalent in aggregate to 5.54%. On this basis, the mark-to-market benefit of the facility at September 2011 was £4.0 million, or 2.1 pence per share. Incorporating this benefit would take the Group's net asset value to £131.0 million or 68.0 pence per share. The debt benefit as at 5 December 2011 was £1.6 million, or 0.8p per share due to the decrease in long term interest rates since the end of the year.

The Deutsche Postbank facility was extended at 1 August 2011 by £11.6 million, bringing the total facility to £37.1 million. As at 30 September 2011 only £0.5 million of the facility was drawn. A further £7 million of this facility has since been drawn down achieving a fixed all-in interest rate of 3.14% using interest rate swaps, and any further draw downs will also be fixed at the time the funds are drawn.

The Group has also agreed terms for a further 20-year debt facility of £50 million with Aviva. The facility will be interest only for the first ten years, and will later amortise at £2 million per annum over the second ten years with the remaining principle repayable on expiry of the facility. The interest rate on this facility will be fixed at completion of the agreement. If this entire facility was drawn down as at 5 December 2011, it could be fixed at an all-in interest rate of 4.71%.

The spreads between the yields the Fund can acquire the properties at, the cost of long term debt that we can fix, and Government gilts are unprecedented. Both the Deutsche Postbank and new Aviva facilities are working well for investors, and it is pleasing to report that based on current rates these facilities would lower the weighted average debt cost when fully drawn to 4.82%. The average unexpired term of the Group's debt is 22.4 years.

Discounted cash flow valuation of assets and debt

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

At 30 September 2011, the DCF valuation was £169.8 million or 88.2p per share compared with £129.3 million or 91.5p per share at 30 September 2010.

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 3.66% risk premium to the 20 year gilt rate at 30 September 2011 of 3.54%.

"MedicX Fund currently has access to a property pipeline, subject to contract, which is already estimated, to be worth approximately £54.1 million in value when fully developed"

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.

Interest in voting rights of the Company

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

	2011	2010
MedicX Adviser Limited	**669,225**	622,456

During the year the Investment Adviser received dividends on the holding in the Company in addition to fees received for services. With the Scrip Dividend Scheme in place, the Investment Adviser elected to receive their dividends in the form of new Ordinary Shares. The cash equivalent of the dividends received by the Investment Adviser was £35,045. In 2010, the Investment Adviser received dividends as a combination of shares and cash payment. The cash equivalent of the dividends received in that year was £32,443.

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 5 December 2011 of 74.00 pence per share, the discounted cash flow calculation would have to assume a 0.3% decrease in rents per annum, or a 1.4% capital reduction per annum, or a weighted average discount rate of 9.3%. 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 68.0 pence per share and assumed purchaser costs of 7.3 pence per share, an implied net initial yield of 5.29% is required get to the discounted cash flow net asset value of 88.2 pence.

A review of sensitivities has been carried out in relation to the valuation of properties. A 0.5% movement in net initial yield would have an approximate impact of 10.8 pence per share on the adjusted net asset value. If valuation yields firmed by 0.5%, or a net initial yield of 5.34%, the adjusted net asset value would increase to 77.7 pence per share and the adjusted net asset value plus debt would increase to 79.8 pence per share.

Pipeline and investment opportunity

The spread between the yields the Fund can acquire properties at, the cost of long term debt that we can fix, and Government gilts are unprecedented. 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. The Fund currently has access to a property pipeline, subject to contract, which is already estimated to be worth approximately £54.1 million in value when fully developed. Including the committed and approved investments of £73.4 million, and taking into account the available debt facilities, the Investment Adviser supports the Board's view that new equity raising should be considered in the new year.

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

Board of directors

David Staples
Non-executive Chairman

David Staples (aged 54) is a Chartered Accountant and a Chartered Tax Adviser. He also holds the Institute of Directors' Diploma in Company Direction. For thirteen years until 2003, Mr. Staples was a partner with PwC and led the tax practice in the South East of England advising several well known family and owner-managed businesses. Mr. Staples is currently a non-executive director of four other listed companies and chairs their audit committees: Gottex Fund Management Holdings Limited, Signet Global Fixed Income Strategies Limited, Aberdeen Private Equity Fund Limited and Henderson Far East Income Limited. His other appointments include non-executive directorships of certain private equity funds of Apax Partners and HSBC Private Bank (C.I.) Limited. Mr. Staples is resident in Guernsey where he is Chairman of the Chartered Institute of Taxation.

Mr. Staples was appointed to the Board in October 2008 and has served as Chairman since that appointment.

Shelagh Mason
Non-executive director

Shelagh Mason (aged 52) is an English property solicitor with 30 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 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 and also holds other non-executive positions. She is a 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.

Mrs. Mason was appointed to the Board in September 2006.

Christopher Bennett
Non-executive director

Christopher Bennett (aged 46) 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 DCG 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.

Mr. Bennett was appointed to the Board in September 2006 and is the Audit Committee Chairman.

John Hearle
Non-executive director

John Hearle (aged 58) 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. Mr. Hearle is also Group Chairman of Aitchison Raffety Limited and its subsidiaries with offices from London to Birmingham. After working for the District Valuers' Office, he joined Aitchisons in the late 1970s followed by TSB Property Services and then Aitchison Raffety. Mr. Hearle 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. Mr. Hearle 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. He was one of the founding members of the Primary Care Premises Forum and is now their joint Chairman.

Mr. Hearle was appointed to the Board in September 2006.

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. The principal risks and uncertainties are detailed on page 24.

Results and dividend

The results for the year are shown on page 28. One quarterly dividend of 1.35p per Ordinary Share was paid in December 2010, and three quarterly dividends of 1.375p per Ordinary Share were paid in March, June and September 2011. The Directors have approved a further quarterly dividend of 1.375p per Ordinary Share to be paid on 30 December 2011.

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, and as such all dividends paid during the year were subject to the scheme. The quarterly dividend to be paid on 30 December 2011 will also be subject to this scheme. The amounts disclosed for dividend payments are the cash equivalent values.

As at 30 September 2011, the Ordinary Share price was 75.00p.

Share issues

Ordinary Shares of no par value were issued for cash during the year and post year-end generating net proceeds of £35.8 million, excluding the impact of shares issued in lieu of dividends under the Scrip Dividend Scheme of £0.4 million. The issues are detailed below:

	Number of shares	Issue price per share
17 November 2010 (tap issue)	1,100,000	72.75 pence
31 December 2010 (scrip shares)	149,034	73.05 pence
4 March 2011 (open placing and offer)	47,650,000	72.00 pence
31 March 2011 (scrip shares)	96,957	72.43 pence
17 June 2011 (tap issue)	500,000	78.25 pence
30 June 2011 (scrip shares)	156,928	76.63 pence
8 July 2011 (tap issue)	1,500,000	78.25 pence
30 September 2011 (scrip shares)	133,981	77.73 pence

Financial instruments

The Group utilises financial instruments in its operations. The financial instruments of the Group at both 30 September 2011 and 30 September 2010 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 were not hedged during the year ended 30 September 2011. 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

In common with most investment funds, the Company does not have any employees. The Board has appointed the Investment Adviser to provide investment advice and to manage the property portfolio and the associated day to day activities for the Company, including management of tenanted properties, accounting and marketing activities. An independent Administrator has been appointed to undertake the secretarial and other administrative duties of the Company.

The Company has appointed MedicX Adviser Ltd as the Investment Adviser. This company 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. After an initial seven year period (which can be extended on a three year rolling basis), the agreement is terminable on a twelve month notice period.

Report of the directors (continued)

Management (continued)

The duties of the Investment Adviser include the sourcing of investment opportunities that meet the investment criteria of the Fund, controlling the acquisition and development of approved projects to completion, management of all complete properties within the portfolio, provision of accounting and management reporting services, maintaining the compliance with all relevant rules and regulations, and providing marketing and investor relations services to the Company. Under the agreement, the Investment Adviser has the ability to delegate certain property management responsibilities to other suitable companies on terms such that the Investment Adviser remains liable for the performance of those responsibilities.

The Investment Adviser receives a base fee of 1.5% of the Fund's gross assets excluding cash up to a gross asset value of £150 million (excluding cash). A reduced base fee of 0.75% of gross assets excluding cash over £300 million is payable, with no fee payable for gross assets between £150 million and £300 million. In addition to this, the Investment Adviser is entitled to a property management fee of 3% of all passing rents of properties under management, and a performance fee of 15% of the total shareholder return in excess of 8% per annum compounded hurdle rate and subject to a high watermark.

The Investment Adviser fee structure has been modified effective from 1 October 2011 following the Board's acceptance of a new fee structure proposed by the Investment Adviser. The Investment Adviser will now receive a base fee of 1.5% of the Fund's gross assets excluding cash up to a gross asset value of £150 million excluding cash, 0.65% of gross assets excluding cash between £300 million and £500 million, 0.5% of gross assets excluding cash between £500 million and £750 million, and 0.4% of gross assets excluding cash over £750 million. No fee is payable for gross assets excluding cash between £150 million and £300 million. In addition, the calculation of the performance fee has been altered to be based upon the daily average closing share price during the last month of the period rather than the closing share price on the last day.

Further details of the services contract between the Company and the Investment Adviser are contained within note 20 of the financial statements.

The performance of the Investment Adviser has been reviewed on an ongoing basis throughout the year by the Board at its quarterly meetings. The Board considers a number of factors including investment performance, the quality and quantity of investment opportunities presented, the skills and experience of key staff, and the capability and resources of the Investment Manager to deliver satisfactory performance for the Company. The Board are satisfied with the performance of the Investment Adviser and consider its continued appointment to be in the best interests of the Company and its shareholders.

The Company has appointed International Administration (Guernsey) Limited as the Administrator. This company is a specialist administrator for investment funds, providing support functions and expertise tailored for this industry.

The Administrator acts as administrator and secretary of the Company and its subsidiaries. The Administrator receives an aggregate fee of £63,000 for corporate secretarial services and administration services. The agreements are terminable on 90 days' notice.

The duties of the Administrator include the maintenance of all Company and subsidiary books and records, excluding those maintained by the Investment Adviser, compliance with all relevant rules and regulations, monitoring compliance with the Company's Articles of Incorporation and other administrative duties as required. In conjunction with the Investment Adviser, the Administrator is also responsible for monitoring adherence to the investment restrictions as set in the Company's investment policy on page 02.

The performance of the Administrator has been reviewed on an ongoing basis throughout the year by the Board at its quarterly meetings. The Board considers a number of factors including performance of duties, the skills and experience of key staff, and the capability and resources of the Administrator to deliver the satisfactory performance for the Company. The Board are satisfied with the performance of the Administrator and consider its continued appointment to be in the best interests of the Company and its shareholders.

Directors

The members of the Board are listed on page 14.

The Board consists solely of non-executive directors each of whom is independent of the Investment Adviser. The Company has no executive directors or employees.

The Board has assessed its performance using the AIC recommendations but intends for the next review to use a third party facilitator, in accordance with the procedure described in the Corporate Governance report on page 18, which includes reviewing the structure, composition and size of the Board, plus the experience and independence of individual directors, and also includes an assessment of the Chairman. The Board are satisfied that the current structure is appropriate and meets the needs of the business, and that all Directors are independent.

The Directors have beneficial interests in the following number of shares in the Company:

	2011	2010
D Staples (Chairman)	**44,403**	31,122
S Mason	**7,251**	–
C Bennett (Audit Committee Chairman)	**7,251**	–
J Hearle	**14,503**	–
Total	**73,408**	31,122

No Director is under a contract of service with the Company. Details of Directors' remuneration are described in the Directors' remuneration report on page 23 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
Investec Wealth & Investment Limited	29,165,518	15.14%
CCLA Investment Management	19,030,000	9.88%
East Riding of Yorkshire Council Pension Acct	11,000,000	5.71%
Rathbone Brothers PLC	8,466,765	4.40%
F&C Asset Management PLC	7,335,946	3.81%
Smith & Williamson Holdings Ltd	6,882,110	3.57%

Auditor

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 Auditor 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 Auditor are aware of that information.

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

Going concern

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

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

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

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

Shelagh Mason
Director
7 December 2011

Corporate governance statement

Introduction

The Board has put in place a framework for corporate governance which it believes is appropriate for an investment company and which will enable the Company to comply with the relevant provisions of the UK Corporate Governance Code issued in May 2010 by the Financial Reporting Council (the "Code"). As a member of the Association of Investment Companies (the "AIC") the Board has considered the principles and recommendations of the Association of Investment Companies ("AIC") Code of Corporate Governance (the "AIC Code") by reference to the AIC Corporate Governance Guide for Investment Companies (the "AIC Guide"). The AIC Code, as explained by the AIC Guide, addresses all of the principles set out in the Code, as well as setting out principles and recommendations on issues that are of specific relevance to the Company.

On 30 September 2010 the Financial Reporting Council provided the AIC with an updated endorsement letter to cover the fifth edition of the AIC Code. The endorsement confirms that the AIC Code fully meets, for investment company boards, their obligations in relation to the Code and paragraph LR 9.8.6 of the Listing Rules.

The Board considers that reporting against the principles and recommendations of the AIC Code, and by reference to the AIC Guide (which applies the Code to investment companies), will provide better information to shareholders.

The Company has complied with the relevant provisions of the Code through the application of the recommendations of the AIC Guide, except as set out below.

The Code includes provisions relating to the role of the chief executive and executive directors' remuneration. For the reasons set out in the AIC Code and as explained in the Code, the Board considers that these provisions are not relevant to the position of the Company, being an externally managed investment company with no employees. The Company has therefore not reported further in respect of these provisions.

The Company has complied with the relevant principles and recommendations of the AIC Code throughout the year except where detailed below.

The Board

The Company's Board, of which David Staples is Chairman, is comprised solely of non-executive directors. No separate senior independent director has been appointed as in the view of the Directors it is inappropriate to do so given the size and composition of the Board. Each of the Directors are considered to be independent of the Investment Adviser, MedicX Adviser Ltd and directors' independence is subject to review as part of the Board's annual performance evaluation.

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, but remain under the supervision of the Board, 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 and approvals, financing and dividend policies and corporate governance processes.

The Board meets formally at least five times a year and receives full information on financial performance and financial position along with other relevant information on a timely basis ahead of meetings and on an ongoing basis throughout the year. These meetings include a review of the investment performance and associated matters such as portfolio performance, gearing, marketing, investor relations, peer group information and industry developments amongst other things. One meeting a year is dedicated to an annual review of the Company position, long term performance objectives and strategy.

In addition to the formal meetings, the Board will convenes as required to discuss and assess and approve opportunities for investment or divestment, approval of dividends to shareholders and any other matters of corporate governance where a meeting of the Board is considered appropriate.

The performance of the Board is assessed annually and from next year, once every three years, going forward will use the services of a third party facilitator following the principles outlined by the AIC. In particular the following areas are assessed:

- Size of the Board;
- The relevant expertise and composition of the Board;
- The performance of individual directors and the Board as a whole;
- The independence of the Directors and the Board as a whole;
- The training and development needs of each Director; and
- The frequency and effectiveness of Board meetings.

Training and development for Directors includes all aspects of the business, and will incorporate such matters as environmental, social, financial, regulatory and governance issues as they affect the Company. As part of this assessment, the performance of the Chairman was assessed by the Board, with the review led by Mr Bennett as the Chairman of the Audit Committee. Following a formal self-review, the Board are satisfied with their performance overall and the performance of the Chairman, consider that the structure of the Board is appropriate, and that there are no areas where a significant lack of expertise exists.

The Company does not maintain nomination, management engagement or remuneration committees.

The Board (continued)

A nomination committee is not considered necessary, as all the non-executive directors are contributors to nomination discussions regarding the appointment of new members. The Board policy is that decisions regarding appointments include the consideration of a wide number of factors including the experience, aptitude and motivation for the role and overall fit with the Board taking into account best practice with regards to board diversity.

A management engagement committee is not considered necessary as all the non-executive directors are considered independent of the Investment Adviser, and are contributors to the assessment of the Investment Adviser's performance and discussions surrounding the continued appointment of the incumbent.

Similarly, all the Directors are party to remuneration reviews and are paid fees as set out in their letters of appointment, and any such discussion is led by the Chairman except in relation to his own fees whereupon the Audit Committee chairman leads. The Directors fees are set with regard to those of comparable investment companies and also take into account such factors as complexity, time requirements and responsibilities of the roles. For further information, refer to the Directors' remuneration report on page 23.

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.

New directors receive an induction from the Chairman, 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.

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 2011 along with the attendance of the directors were:

	Board of Directors				Audit Committee			
	Scheduled		Ad hoc[2]		Scheduled		Ad hoc	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
D Staples	5	5	15	12	3	3	1	1
C Bennett	5	5	15	13	3	3	1	1
S Mason	5	5	15	10	3	3	1	1
J Hearle[1]	5	5	15	3	3	3	1	1

1. J Hearle was not a member of the Audit Committee, but was in attendance
2. includes meetings of the Investment Committee, a sub-committee of the Board

It is the Board's policy that members in the United Kingdom at the time of a meeting are not permitted to attend the meeting in question. Mr. Hearle is resident in the UK and is not normally expected to attend ad hoc meetings which are of a more routine nature.

Conflicts of interest

All Directors have a statutory responsibility to avoid situations where a conflict of interest exists, or may exist, between the Company and an entity that the director is either directly or indirectly involved with. The Board have procedures in place to identify potential conflicts and resolve any that should arise. In the case of a conflict of interest, the nature and extent of the conflict are assessed against the existing internal control structure, and the results of this assessment and actions taken to resolve the conflict are documented in the minutes of the relevant Board meeting. Where conflicts of interest arose during the year, the Director involved was required to leave the meeting and abstain from voting on the matter upon which the conflict arose.

Independence of directors

As part of the annual assessment of the Board, the independence of all Directors has been reviewed in accordance with the guidelines in the AIC Code. As part of its policy, the Board does not consider that length of service will necessarily compromise the independence or effectiveness of Directors and as such no limit has been placed on the overall length of service. Rather the Board considers that such continuity and experience can be of significant benefit to the Company and its shareholders. However, in accordance with best practice, the Board has determined as part of its policy that any director who has served for more than nine years will be required to stand for re-election on an annual basis.

The longest serving directors are Mr. Hearle, Mrs. Mason and Mr. Bennett who have all served on the Board for five years. There is no concern that the independence of the Directors has been compromised by length of service.

All Directors are considered to be independent in character and judgement in general, and specifically of the Investment Adviser. In particular the status of Mr. Hearle has been reviewed given the nature of the relationship between the Investment Adviser and Aitchison Rafferty, a company of which he is Chairman, which is a supplier of professional services to both the Investment Adviser and the Company. The fees paid to Aitchison Raffety in the year were £33,000 (2010: £34,000). The Board are satisfied that Mr. Hearle is independent of the Investment Adviser despite this relationship as Mr Hearle is sufficiently removed from the team that performs the work for the Investment Adviser and Company, and there are several other suppliers of similar professional services currently engaged by the Investment Adviser. The Board is also satisfied that appropriate procedures are in place to deal with any conflicts of interest that may arise.

Corporate governance statement (continued)

Audit Committee

The Audit Committee (the "Committee") is chaired by Christopher Bennett and the other members are David Staples and Shelagh Mason. The Board consider that the inclusion of the Board Chairman on the Audit Committee is appropriate due to the small size of the Board, and in order that the members of the Committee can benefit from Mr. Staples' professional qualifications and experience. 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 auditor, monitoring the performance of the Auditor, 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 auditor at least annually without the Investment Adviser. The Committee reviews the performance and continued suitability of the Fund's external auditor on an annual basis. They assess the external auditor's independence, qualification, 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 auditor that they are independent and of the level of non-audit fees earned by them and their affiliates. The Board believe that it is appropriate for the external auditor to provide other services to the Group for a variety of reasons including cost effectiveness, depth of knowledge and the ongoing relationship between the Board and the external auditor. Where non-audit fee levels are considered significant, the Committee considers the appropriateness of the independence safeguards put in place by the auditor. Note 4 details the total fees paid to PKF (UK) LLP in the financial year to 30 September 2011. 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 auditor in respect of the Fund's last three statutory reporting periods and, consequently auditor rotation is not required.

There is no formal third party process for evaluation of the performance of the Committee. The Committee did, however, conduct an evaluation of its performance during the year, following the AIC guidelines. Following the review, the Committee are satisfied with their performance, that the structure of the Committee is appropriate and that there are no areas where a significant lack of experience exists.

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 24 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.

In addition to the formal review of risk at the regular Committee meetings, the Board operates the following key controls in relation to financial reporting:

- Valuation reports are prepared by the external Valuer which are reviewed by the Board on a quarterly basis, including the impact on the financial statements, and reviewed annually by the external Auditor;
- The Board review monthly management reports and supporting documents that are provided by the Investment Adviser including comparison to budget and forecasts as well as key performance indicators;
- Regular performance and compliance reports are required from the Investment Adviser, Administrator and Broker;
- The internal processes of the Investment Adviser are subjected to regular review by the Internal Auditor under the direction of the Audit Committee;
- The Board has procedures in place for the approval of expenses and payments to third parties;
- The information contained within the annual report and other financial reports is reviewed separately by the Audit Committee prior to consideration by the Board; and
- The Board reviews all financial information and announcements prior to publication.

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 auditor 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 auditor continued their programme of rolling reviews during the year to 30 September 2011 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 Broker, 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.

Corporate governance statement (continued)

Relations with shareholders

The Board welcomes shareholders' views and places great importance on communication with the shareholders of the Company. The Board is responsible for the content of communication regarding corporate issues and for communicating the Board's views to shareholders. The Board aims to ensure that shareholders are provided with sufficient information to understand the risk / reward balance to which they are exposed by the holding of shares in the Company. In addition to the annual and interim reports that are available to shareholders, regularly updated information is available on the company website (www.medicxfund.com) including quarterly fact sheets, key policies and procedures and details of the investment property portfolio.

The Board regularly monitors the shareholder profile of the Company. With the majority of shareholders being a combination of institutional investors and private client brokers, the Board receives regular updates on investors' views and attitudes from the Company's broker and the Investment Adviser. During the year several investor update meetings were held between the shareholders, one or more of the Chairman, the Investment Adviser and the Broker. The results of these meetings were reported to the Board as part of the formal reporting undertaken by both the Broker and Investment Adviser.

The Board gives due consideration to any corporate governance matters raised by shareholders.

Should any shareholder wish to raise any matter with the Board or Investment Adviser, they can write to the Company at its registered address as disclosed on page 48, or alternatively use one of the contact links on the Company's website (www.medicxfund.com/contact). The Annual General Meeting of the Company also provides a forum where shareholders may discuss issues with the Board and Investment Adviser.

By order of the Board

Shelagh Mason
Director
7 December 2011

Directors' remuneration report

The Board of Directors of MedicX Fund presents its Directors' remuneration report in respect of the year ended 30 September 2011.

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 2011 was 9.4%, compared to 8.6% for the year ended 30 September 2010.

Directors' remuneration (audited)

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 2011 fundraising noted below, there were no other payments for extra or special services in the year ended 30 September 2011.

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

	2011 £'000	2010 £'000
D Staples (Chairman)	**45**	45
S Mason	**32**	30
C Bennett (Audit Committee Chairman)	**36**	32
J Hearle	**32**	30
Total	**145**	137

Included in the fees noted above is an additional fee of £5,000 per director (total of £20,000) which was paid in relation to the March 2011 fundraising, reflecting the additional time and duties involved in that exercise (2010: £20,000 total, £5,000 per director). 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 year, the Directors received dividends on their holdings in the Company as disclosed on page 16. With the Scrip Dividend Scheme in place throughout the year, all the Board members elected to receive their dividend in the form of new Ordinary Shares. The cash equivalent value of the dividends received by each Director is disclosed in the table below.

	2011 £	2010 £
D Staples (Chairman)	**2,045**	1,350
S Mason	**194**	–
C Bennett (Audit Committee Chairman)	**194**	–
J Hearle	**388**	–
Total	**2,822**	1,350

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 17 February 2012.

By order of the board

David Staples
Chairman
7 December 2011

Principal risks and uncertainties

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

- A property market recession could materially adversely affect the value of properties.
- 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 program 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, and that borrowings may not be available at the appropriate time or at appropriate terms.
- 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).

The principal risks and uncertainties in relation to financial instruments are set out in note 18. More information on the principal financial risks and how they are mitigated can be found in the note.

Further details of the Audit Committee's risk monitoring activities may be found in the Report of the directors on page 15, and Corporate governance statement on page 18.

Anti-corruption policy

Core expectations and code of ethics

The Company is committed to upholding high standards of business integrity, honesty and transparency in all its business dealings. We will comply with local laws and international good practice and will not become involved in any way in the offering, payment, soliciting or acceptance of bribes in any form.

All Directors and appointed advisers are expected to:

- Behave honestly, be trustworthy and set a good example;
- Make sure that their behaviour complies with the policies of MedicX Fund;
- Use the resources of the Company in the best interest of the Company, and not to misuse those resources;
- Not to pay or accept bribes or kickbacks, whether in the public or the commercial sector;
- Make a clear distinction between the interests of the Company, the interests of the organisation that they are employed by, and their individual private interests, and avoid possible conflicts of interest. Gifts, invitations or other advantages which could contradict this principle are not accepted;
- Ensure that they comply with UK and applicable international anti-corruption laws; and
- Report incidents, risks and issues which deviate from our policies.

In accordance with these commitments, and to support the above behaviours, the Company has developed this policy for countering corruption and bribery. The key aspects of policy are documented on the Company's website (www.medicxfund.com/anti-corruption).

Application of this Policy

This Policy applies to MedicX Fund Ltd ("the Fund" or "the Company") and all subsidiary companies over which it exercises control (together, "the Group"). It also applies to all directors of the Company (including those of subsidiaries), and those employees of the Investment Adviser and Administrator (which for these purposes includes temporary or contract staff and consultants) (the "Agents"). In addition, the Group expects its business partners to comply with the prohibitions on bribery set out in this Policy.

All Directors and Agents are required to comply with this Policy.

The Board of Directors is committed to supporting this Policy. The Board is responsible for establishing and implementing this Policy. Questions in relation to this Policy should be directed to the Audit Committee Chairman.

Statement of directors' responsibilities

The Directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations. They are also responsible for ensuring that the annual report includes information required by the Listing Rules of the Financial Services Authority.

Company Law in Guernsey requires the Directors to prepare financial statements for each financial year that give a true and fair view. Under that law the Directors have prepared the financial statements in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union and in compliance with The Companies (Guernsey) Law, 2008.

In preparing these financial statements the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether the financial statements have been prepared in accordance with IFRSs as adopted by the European Union; 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 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 at that time and enable them to ensure that the financial statements are prepared properly and in accordance 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 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 IFRSs 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 includes 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 14.

Report of the Independent Auditor

to the members of MedicX Fund Limited

We have audited the financial statements of MedicX Fund Limited for the year ended 30 September 2011 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 financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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 auditor's 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 auditor

As explained more fully in the Directors' responsibilities statement, the Directors' are responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the UK Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements and are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. We read all the information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's affairs as at 30 September 2011 and of its profit for the year then ended;
- are in accordance with IFRSs as adopted by the European Union; and
- comply with The Companies (Guernsey) Law, 2008.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where The Companies (Guernsey) Law, 2008 requires us to report to you if, in our opinion:

- the parent company has not kept proper accounting records; or
- the financial statements are not in agreement with the accounting records; or
- we have not obtained all the information and explanations which, to the best of our knowledge and belief, are necessary for the purposes of the audit.

Under the Listing Rules we are required to review:

- the Directors' statement, set out on page 26, in relation to going concern;
- the part of the corporate governance statement relating to compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to the shareholders by the board on Directors' remuneration.

Rhodri Whitlock
for and on behalf of PKF (UK) LLP, Recognised auditor
Guildford, UK
7 December 2011

Consolidated Statement of Comprehensive Income

For the year ended 30 September 2011

	Notes	2011 £'000	2010 £'000
Income			
Rent receivable	2	**11,768**	10,825
Finance income	2	**168**	43
Other income	2	**706**	250
Total income		**12,642**	11,118
Valuation and impairment adjustments			
Net valuation gain on investment properties	10	**3,409**	6,180
Charge for impairment of goodwill	8	**(514)**	(605)
Total valuation and impairment adjustments		**2,895**	5,575
Expenses			
Loss on disposal of property	10	**12**	–
Direct property expenses		**214**	190
Investment advisory fee	20	**2,250**	2,250
Investment advisory performance fee	20	**282**	89
Property management fee	20	**337**	331
Administrative fees	20	**51**	58
Audit fees	4	**74**	74
Professional fees		**198**	227
Directors' fees	3	**125**	117
Other expenses		**214**	172
Finance costs	5	**5,125**	5,024
Total expenses		**(8,882)**	(8,532)
Profit before tax		**6,655**	8,161
Taxation	6	**665**	(186)
Profit attributable to equity holders of the parent		**7,320**	7,975
Total comprehensive income attributable to equity holders of the parent		**7,320**	7,975
Earnings per ordinary share			
Basic and diluted	9	**4.3p**	6.4p

1. All items in the above statement are derived from continuing operations
2. Included in note 9 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 32 to 47 form an integral part of the financial statements.

Consolidated Statement of Financial Position

As at 30 September 2011

	Notes	2011 £'000	2010 £'000
Non-current assets			
Goodwill	8	**6,410**	6,924
Investment properties	10	**213,603**	180,447
Total non-current assets		**220,013**	187,371
Current assets			
Trade and other receivables	11	**5,125**	2,475
Cash and cash equivalents	16	**18,112**	17,289
Total current assets		**23,237**	19,764
Total assets		**243,250**	207,135
Current liabilities			
Trade and other payables	12	**9,316**	6,150
Non-current liabilities			
Long-term loans	13	**100,443**	100,859
Performance fee provision	7	**–**	342
Deferred tax liability	6	**5,914**	6,579
Total non-current liabilities		**106,357**	107,780
Total liabilities		**115,673**	113,930
Net assets		**127,577**	93,205
Equity			
Share capital	14	**–**	–
Share premium	14	**80,315**	44,132
Distributable reserves	15	**48,752**	57,883
Accumulated losses		**(1,490)**	(8,810)
Total attributable to equity holders of the parent		**127,577**	93,205
Net asset value per share			
Basic and diluted	9	**66.2p**	66.0p

The financial statements were approved and authorised for issue by the Board of Directors on 7 December 2011 and were signed on its behalf by:

Shelagh Mason
Director

The accompanying notes on pages 32 to 47 form an integral part of the financial statements.

Consolidated Statement of Changes in Equity

For the year ended 30 September 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		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**
Proceeds on issue of shares		37,077	–	–	37,077
Share issue costs		(894)	–	–	(894)
Total comprehensive income for the year		–	–	7,320	7,320
Dividends paid	17	–	(9,131)	–	(9,131)
Balance at 30 September 2011		**80,315**	**48,752**	**(1,490)**	**127,577**

The accompanying notes on pages 32 to 47 form an integral part of the financial statements.

Consolidated Statement of Cash Flows

For the year ended 30 September 2011

	Notes	2011 £'000	2010 £'000
Operating activities			
Profit before taxation		**6,655**	8,161
Adjustments for:			
Net valuation (gain) on investment properties		**(3,409)**	(6,180)
Goodwill impairment		**514**	605
Loss on disposal of investment property		**12**	–
Financial income receivable		**(168)**	(43)
Finance costs payable and similar charges		**5,125**	5,024
		8,729	7,567
Increase in trade and other receivables		**(2,613)**	(536)
Increase in trade and other payables		**2,763**	85
Interest paid		**(5,297)**	(5,106)
Interest received		**131**	43
Net cash inflow from operating activities		**3,713**	2,053
Investing activities			
Proceeds from sale of investment properties		**623**	–
Additions to investment properties and properties under construction		**(30,076)**	(11,364)
Net cash outflow from investing activities		**(29,453)**	(11,364)
Financing activities			
Net proceeds from issue of share capital		**35,779**	25,848
Net repayment of long-term borrowings		**(489)**	(12)
Dividends paid		**(8,727)**	(6,408)
Net cash inflow from financing activities		**26,563**	19,428
Increase in cash and cash equivalents		**823**	10,117
Opening cash and cash equivalents		**17,289**	7,172
Closing cash and cash equivalents	16	**18,112**	17,289

The accompanying notes on pages 32 to 47 form an integral part of the financial statements.

Notes to the financial statements

For the year ended 30 September 2011

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 that are principally let to GPs and Primary Care Trusts, 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 applied and the presentation of figures are consistent with those of the annual financial statements for the year ended 30 September 2010.

The following standards and interpretations 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 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 7	Financial instruments: Disclosure	1 July 2011
IFRS 9	Financial instruments: Recognition and measurement	1 January 2013
IAS 24	Related Party Disclosures	1 January 2011
IFRS 10	Consolidated financial statements	1 January 2013
IFRS 11	Joint arrangements	1 January 2013
IFRS 12	Disclosure of interests in other entities	1 January 2013
IFRS 13	Fair value measurement	1 January 2013

Only the amendment to IFRS 9 has been adopted by the European Union at the date of approval of these financial statements.

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 2011. 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 on acquisitions comprises the excess of the aggregate of the fair value of the consideration transferred, the fair value of any previously held interests, and the recognised value of the non-controlling interest in the acquiree over the net of the acquisition date amounts of the identifiable assets acquired and liabilities assumed.

Goodwill is carried at cost less accumulated impairment losses. Goodwill is tested for impairment annually.

Segmental reporting

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

Revenue recognition

Rent receivable comprises rent 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 mechanism to incentivise developers to complete projects on time. 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.

2. Principal accounting policies (continued)

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 investment 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.

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 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.

The fair value of completed investment properties and investment properties under construction is based upon the valuations of the properties as provided by Jones Lang LaSalle LLP (formerly King Sturge LLP), an independent firm of chartered surveyors, as at the period end, adjusted as appropriate for costs to complete.

Costs of financing specific developments are capitalised and included in the cost of each 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 £306,000 (2010: £64,000) were capitalised.

Derivative financial instruments and hedging activities

The Group had no derivative financial instruments during the period.

Notes to the financial statements (continued)

For the year ended 30 September 2011

2. Principal accounting policies (continued)

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.

Impairment of assets

The Group assesses annually whether there is any indication that any of its assets have been impaired. If such indication exists, the asset's recoverable amount is estimated and compared to its carrying value. Where it is impossible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the smallest cash-generating unit to which the asset is allocated.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount an impairment loss is recognised immediately in Consolidated Statement of Comprehensive Income, unless the asset is carried at a revalued amount, in which case the impairment loss is recognised as revaluation decrease.

For goodwill, intangible assets that have an indefinite life, and intangible assets not yet available for use, the recoverable amount is estimated annually and whenever there is an indication of impairment.

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 investment 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

	2011 £'000	2010 £'000
During the year each of the directors received the following fees:		
D Staples (Chairman)	**45**	45
S Mason	**32**	30
C Bennett (Audit Committee Chairman)	**36**	32
J Hearle	**32**	30
	145	137
Less additional fees paid in relation to fundraising	**(20)**	(20)
Total charged in the statement of comprehensive income	**125**	117

The above fees were charged to the consolidated statement of comprehensive income. Those fees paid in relation to the fundraising, reflecting the additional time and duties involved in that exercise, have 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 2011, payable to PKF (UK) LLP.

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

	2011 £'000	2010 £'000
Audit fees for the current year	**74**	74
Total audit fees	**74**	74
Review of the interim report	**16**	15
Tax compliance	**26**	47
Other tax services	**11**	49
For acting as reporting accountants in respect of the share issue	**30**	30
Other professional services	**–**	3
Total audit and other fees	**157**	218

5. Finance costs

	2011 £'000	2010 £'000
Interest payable on long-term loan	**5,431**	5,088
Interest capitalised on properties under construction	**(306)**	(64)
	5,125	5,024

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

	2011 £'000	2010 £'000
Current Tax		
Corporate tax charge for the year	**–**	–
Corporate tax charge for prior periods	**–**	–
Deferred Tax		
Change in corporate tax rate	**470**	–
On fair value movement for the year	**195**	(186)
Total tax charged in the statement of comprehensive income	**665**	(186)

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 the 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% (2010: 20%) and at the average standard rate of UK corporation tax of 27% (2010: 28%) where appropriate is set out below:

	2011 £'000	2010 £'000
Profit on ordinary activities before tax	**6,506**	8,161
Profit on ordinary activities multiplied by the average standard rate of corporation tax in the UK of 27% (2010: 28%)	**1,757**	2,285
Additional taxable income – gains	**–**	666
Expenses not deductible for tax purposes	**2,306**	1,147
Profits not subject to UK taxation	**(6,845)**	(5,791)
Effect of change in tax rate on brought forward deferred tax liability	**(470)**	–
Effect of difference in deferred and corporation tax rates	**(26)**	–
Effect of different rates of tax on income	**(1,013)**	(196)
Current year losses carried forward	**3,626**	2,075
Total tax charged in the statement of comprehensive income	**(665)**	186

Notes to the financial statements (continued)

For the year ended 30 September 2011

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 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**
Change in tax rate	(440)	(12)	(129)	111	(470)
Released/provided in year	(77)	(154)	182	(146)	(195)
At 30 September 2011	**5,652**	**–**	**1,893**	**(1,631)**	**5,914**

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 £683,000 lower (2010: £439,000 lower).

There are accumulated tax losses within MedicX Properties I Limited, MedicX Properties V Limited and MedicX Properties VI Limited totalling £53.0 million (2010: £28.5 million) which are currently not recognised within the financial statements of the Group due to uncertainty over whether these will be completely utilised in the future as the losses can only be utilised within the company in which they arose.

7. Performance fee provision

	2011 £'000	2010 £'000
Brought forward	**342**	766
Provided in year	**282**	89
Payable at year end	**(624)**	(513)
At 30 September	**–**	342

Full provision was 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 were 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. Goodwill

	2011 £'000	2010 £'000
Brought forward	**6,924**	7,529
Impairment recognised in year	**(514)**	(605)
Carried forward	**6,410**	6,924

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 in corporation 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 (refer to note 6). 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, but net of a £3,000 adjustment relating to the sale of a property.

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).

9. 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 £7,320,000 (2010: £7,975,000) and on 170,516,709 (2010: 124,587,668) 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 4.3 pence (2010: 6.4 pence) per ordinary share.

The basic and diluted net asset value per ordinary share are based on the net asset position at the period end attributable to Ordinary Shares of £127,577,000 (2010: £93,205,000) and on 192,604,010 (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 66.2 pence per Ordinary Share (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.

	2011	2010
Adjusted earnings per Ordinary Share – basic and diluted	**4.2p**	7.0p
Adjusted net asset value per Ordinary Share – basic and diluted	**66.0p**	65.7p

The adjusted earnings per Ordinary Share is based on the gain for the year of £7,320,000 (2010: £7,975,000) attributable to Ordinary Shares, adjusted for the impact of the deferred tax gain and goodwill impairment attributable to Ordinary Shares for the year of £665,000 (2010: charge of £186,000) and £514,000 (2010: £605,000), respectively, giving an adjusted earnings profit of £7,169,000 (2010: £8,766,000) and on 170,516,709 (2010: 124,587,668) Ordinary Shares being the weighted average number of Ordinary Shares in issue in the year.

The adjusted net asset value per Ordinary Share is based on the net asset position attributable to Ordinary Shares at the period end of £127,577,000 (2010: £93,205,000) as adjusted for deferred tax of £5,914,000 (2010: £6,579,000) and goodwill of £6,410,000 (2010: £6,924,000), giving an adjusted net assets figure of £127,081,000 (2010: £92,860,000) and on 192,604,010 (2009: 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 requirement to recognise deferred tax on fair value gains on acquisition (refer to note 8).

Notes to the financial statements (continued)

For the year ended 30 September 2011

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 Jones Lang LaSalle LLP (formerly King Sturge LLP) as at 30 September 2011. In accordance with industry standards, the valuation is net of purchaser costs which are approximately 5.8% (2010: 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 Jones Lang LaSalle LLP as at 30 September 2011. 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 £241,025,000 as at 30 September 2011 by Jones Lang LaSalle LLP. 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 and other fair value adjustments as at 30 September 2011.

The Valuer's opinion of market value was primarily derived using comparable recent market transactions on arm's length terms. Jones Lang LaSalle LLP (as King Sturge LLP) have previously valued these properties for reporting purposes as at 31 March 2008, 30 September 2008, 31 March 2009, 31 December 2009, 31 March 2010, 30 June 2010, 30 September 2010, 31 December 2010, 31 March 2011 and 30 June 2011.

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

If the valuation yield were to shift by 0.25%, this would result in an impact on the valuation of the properties of approximately £10,300,000.

	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
Transfer to completed properties	12,907	(12,907)	–
Fair value revaluation	6,692	(512)	6,180
Fair value/cost 30 September 2010	**176,225**	**4,222**	**180,447**
Additions	6,436	24,096	30,532
Adjustment to base cost	(150)	–	(150)
Disposals at valuation	(635)	–	(635)
Transfer to completed properties	11,509	(11,509)	–
Fair value revaluation	2,204	1,205	3,409
Fair value 30 September 2011	**195,589**	**18,014**	**213,603**

Some of the investment properties are security for the long-term loan as disclosed in note 13. Of the completed investment properties £43,670,000 (2010: £39,810,000) are long-leasehold properties.

In April 2011 the Pen-y-bryn Surgery investment property in Gorseinon, West Glamorgan was sold at its valuation of £635,000. The loss on the disposal of £12,000 recognised in the Consolidated Statement of Comprehensive Income relates to agency commissions and other conveyance fees incurred as part of the sale process. Aitchison Rafferty acted as the estate agent on behalf of the Company, and their commission is included in the amounts disclosed within note 20.

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 £306,000 (2010: £64,000) were capitalised.

11. Trade and other receivables

	2011 £'000	2010 £'000
Rent receivable	**1,325**	1,879
VAT recoverable	**2,137**	35
Other debtors and prepayments	**1,663**	561
	5,125	2,475

12. Trade and other payables

	2011 £'000	2010 £'000
Mortgage	**52**	49
Trade creditors	**1,810**	196
Deferred rental income	**2,794**	2,534
Interest payable and similar charges	**1,111**	1,053
Accruals	**2,840**	1,816
Other creditors	**709**	502
	9,316	6,150

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

13. Long-term loans

	2011 £'000	2010 £'000
Aviva loan facility:		
Amount drawn down	**99,600**	100,000
Loan issue costs	**(403)**	(386)
Amortisation of loan issue costs	**54**	23
	99,251	99,637
Deutsche Postbank loan facility:		
Amount drawn down	**500**	500
Loan issue costs	**(512)**	(471)
Amortisation of loan issue costs	**63**	-
	51	29
Mortgage due after more than one year	**1,141**	1,193
	100,443	100,859

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

	2011 £'000	2010 £'000
Due within one year	**52**	49
Between one and two years	**55**	52
Between two and five years	**239**	177
Over five years	**100,149**	100,630
	100,495	100,908

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.

Notes to the financial statements (continued)

For the year ended 30 September 2011

13. Long-term loans (continued)

The value of the loan, including amounts available to be drawn, on an amortised cost basis at 30 September 2011 was £99,651,000 (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 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 £3,966,000 as at 30 September 2011 (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; and

(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 2011, the debt service coverage ratio was 194% against a covenant of 140% and the loan to value was 65.4% against a covenant of 75%.

During the year £400,000 of the facility was repaid as part of the disposal of the Pen-y-bryn Surgery (as disclosed in note 10), being the amount of the facility secured against that property. This amount remains undrawn as at 30 September 2011, but is available to be drawn down at any point as the repayment does not affect the total value of the facility.

The Aviva loan is secured on some of the Group's investment properties. The value of properties provided as security for this facility is £152,655,000. As at 30 September 2011, the Group had cash of £0.2 million (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 as at 5 December the loan would be fixed at an all-in rate, including margin, of 3.1%. Costs have been accrued within the Statement of Financial Position and will be amortised as future drawdowns are made against the facility.

On 1 August 2011 the Group entered into an agreement to extend the facility to a total of £37.1m on largely the same terms as the original facility. The significant changes to the previously agreed terms were that the facility would no longer be amortised and the loan to value covenant would change from 65% to 62.5%.

The facility has a five year term, expiring in April 2015. A condition of the extension granted is that the facility must be drawn down by 30 June 2012, or any undrawn portion of the facility will be cancelled.

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 62.5% 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 year. As at 30 September, with only £0.5 million drawn down, the debt service covenant ratio was 6,055% against a covenant of 140%, the forecast debt service coverage ratio was 6,014% 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.

14. Share capital

2011	Number of shares	Share Capital £'000
Authorised		
Ordinary shares of no par value	**Unlimited**	**–**
Issued and fully paid		
Ordinary shares of no par value	**192,604,010**	**–**

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	–

On 4 March 2011, the Company issued 46,750,000 Ordinary Shares of no par value at 72.0p per share (10 March 2010: 34,921,028 Ordinary Shares of no par value at 72.0p per share) in a placing and offer for subscription. Ordinary Shares of no par value were issued for cash during the year as detailed below:

	Number of shares	Issue price per share
17 November 2010	1,100,000	72.75 pence
17 June 2011	500,000	78.25 pence
8 July 2011	1,500,000	78.25 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
31 December 2010	149,034	73.05 pence
31 March 2011	96,957	72.43 pence
30 June 2011	156,928	76.63 pence
30 September 2011	133,981	77.73 pence

Share premium	2011 £'000	2010 £'000
At 1 October	**44,132**	18,284
Net proceeds arising on issue of Ordinary Shares for placing and offer	**33,480**	24,062
Net proceeds arising on issue of Ordinary Shares	**1,157**	–
Net proceeds arising on issue of Ordinary Shares pursuant to block listing	**1,180**	1,615
Net proceeds arising on issue of Ordinary Shares in lieu of dividends	**366**	171
Share premium at 30 September	**80,315**	44,132

15. Distributable reserve

The movement in distributable reserves is set out in the Statement of Changes in Equity on page 30.

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.

Notes to the financial statements (continued)

For the year ended 30 September 2011

16. Cash and cash equivalents

	2011 £'000	2010 £'000
Cash in hand and balances with banks	**18,112**	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.

Included in the above amounts are balances that are held in restricted accounts which are not immediately available for use by the Group of £200,000 (2010: £100,000).

17. Dividends

	2011		2010	
	£'000	**Dividend per share**	£'000	Dividend per share
Quarterly dividend declared and paid during the year	**1,908**	**1.35p**	1,399	1.3325p
Quarterly dividend declared and paid during the year	**1,960**	**1.375p**	1,418	1.35p
Quarterly dividend declared and paid during the year	**2,617**	**1.375p**	1,881	1.35p
Quarterly dividend declared and paid during the year	**2,646**	**1.375p**	1,895	1.35p
Total dividends declared and paid during the year	**9,131**		6,593	
Quarterly dividend declared after year end	**2,648**	**1.375p**	1,908	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**			
Cash equivalent value of scrip shares issued on quarterly dividend	**121**		61	
Cash equivalent value of scrip shares issued on quarterly dividend	**104**		124	
Total cash equivalent value of scrip shares issued	**404**		185	
Cash payments made for dividends declared and paid	**8,727**		6,408	

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 7 November 2011, the Board approved a dividend of 1.375 pence per share, bringing the total dividend declared in respect of the year to 30 September 2011 to 5.5 pence per share. The record date for the dividend was 18 November 2011 and the payment date is 30 December 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 22 November 2011 the Board announced an opportunity for qualifying Shareholders to receive the December 2011 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 a.m. to 5.30 p.m. (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 2011 and 30 September 2010 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 (or better) banks.

Concentrations of credit risk with respect to customers are limited due to the Group's revenue being largely receivable from UK 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:

	2011 £'000	2010 £'000
Financial assets		
Trade receivables	**1,325**	1,879
Other current assets	**1,663**	515
Cash and cash equivalents	**18,112**	17,289

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 £895,000 (2010: £1,008,000) is neither impaired nor past due. £430,000 (2010: £832,000) is past due and of this £344,000 (2010: £278,000) is more than 120 days past due. The Board takes active steps to recover all amounts and has assessed that a provision of £76,000 (2010: £72,000) against trade receivables is appropriate.

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.

The Group's Aviva borrowing facilities of £99,651,000 (2010: £99,637,000) 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 on borrowings to be immaterial and do not consider it appropriate to perform sensitivity analysis on these items.

The Group holds excess monies in deposit accounts until the funds are required, with £12,000,000 held in deposit at the end of the year (2010: £7,000,000). The term of these deposits ranges between 28 days and three months at an average interest rate of 0.83% (2010: 0.87%). Because of the current low interest rates and variation in amounts held on deposit during the year, the Directors consider interest rate risk on deposits to be immaterial and do not consider it appropriate to perform a sensitivity analysis on these items.

Notes to the financial statements (continued)

For the year ended 30 September 2011

18. Financial instruments risk management (continued)

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 one month £'000	Due between 1 to 3 months £'000	Due between 3 months to 1 year £'000	Due between 1 to 5 years £'000	Due after 5 years £'000	Total £'000
Trade and other payables	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
	1,255	–	3,766	20,589	207,411	233,021
Current portion of non-current borrowings						
Principal	12	–	37	–	–	49
Interest payments	19	–	58	–	–	77
	31	–	95	–	–	126
Liabilities at 30 September 2010	***1,495***	***529***	***37***	***229***	***100,630***	***102,920***
Future costs of non-current borrowings	***1,274***	***–***	***3,824***	***20,360***	***106,781***	***132,239***
Balances at 30 September 2010	**2,769**	**529**	**3,861**	**20,589**	**207,411**	**235,159**

	Due or due less than one month £'000	Due between 1 to 3 months £'000	Due between 3 months to 1 year £'000	Due between 1 to 5 years £'000	Due after 5 years £'000	Total £'000
Trade and other payables	1,810	–	–	–	–	1,810
Accruals	1,951	889	–	–	–	2,840
Non-current borrowings						
Principal	–	–	–	294	100,149	100,443
Interest payments	1,347	–	4,179	21,747	101,713	128,986
	1,347	–	4,179	22,041	201,862	229,429
Current portion of non-current borrowings						
Principal	13	–	39	–	–	52
Interest payments	18	–	55	–	–	73
	31	–	94	–	–	125
Liabilities at 30 September 2011	***3,774***	***889***	***39***	***294***	***100,149***	***105,145***
Future costs of non-current borrowings	***1,365***	***–***	***4,234***	***21,747***	***101,713***	***129,059***
Balances at 30 September 2011	**5,139**	**889**	**4,273**	**22,041**	**201,862**	**234,204**

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

19. Commitments

At 30 September 2011, the Group had commitments of £27.7 million (2010: £19.7 million) to complete properties under construction.

20. Material contracts

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 2011 was set with reference to the share price at 30 September 2010, of 73 pence per share. The current high watermark is set with reference to the share price at 30 September 2011, 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 7-year term and each 3-year term thereafter, provided 12 months' notice is given.

The performance fee that has been earned by the Investment Adviser of £282,000 in respect of the financial year ended 30 September 2011 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 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.

An amount of £624,000 (2010: £513,000) was paid after the year end in relation to the performance fee earned for the year ended 30 September 2011 and the amount carried forward from the year ended 30 September 2010, and is included in trade and other payables on the Statement of Financial Position. There is no provision relating to amounts due under the Investment Advisory Agreement as at 30 September 2011 (2010: £342,000) included in the Statement of Financial Position.

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

During the year, the agreements with MedicX Adviser gave rise to £2,869,000 (2010: £2,670,000) of fees as follows:

	2011 £'000	2010 £'000
Expensed to the consolidated statement of comprehensive income:		
Investment advisory fee	**2,250**	2,250
Investment advisory performance fee	**282**	89
Property management fees	**337**	331
Total Fees	**2,869**	2,670

Of these fees, £844,000 (2010: £565,000) 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.

Notes to the financial statements (continued)

For the year ended 30 September 2011

20. Material contracts (continued)

During the year property development costs of £12,103,000 (2010: £3,290,000) were paid to MedicX Property Ltd, a member of the same group of companies as MedicX Adviser Ltd. At the year end there was a total of £811,000 that remained unbilled or outstanding (2010: £nil). In addition, licence fee income of £568,000 (2010: £114,000) was recognised on properties under construction by MedicX Property Ltd during the year. At 30 September 2011 licence fees totalling £396,000 (2010: £74,000) 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 £63,000 (2010: £60,000) for the provision of corporate secretarial services to all Group companies and other administrative services.

During the year, the agreements with International Administration (Guernsey) Limited gave rise to the following fees, of which £12,000 (2010: £25,000) remained unbilled or outstanding at the year end:

	2011 £'000	2010 £'000
Administrative fees	**51**	58

21. Related party transactions

During the year fees of £33,000 (2010: £34,000) were paid to Aitchison Raffety Limited, of which £10,000 (2010: £nil) remained unbilled or outstanding at the year end. John Hearle is Group Chairman of Aitchison Raffety Limited.

22. Subsidiary companies

The following were the subsidiary companies in the Group at 30 September 2011:

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

23. Operating leases

At 30 September 2011 the Group had entered into leases in respect of investment properties for the following rental income, excluding any future rent reviews:

	2011 £'000	2010 £'000
Amounts receivable under leases		
Within one year	**12,383**	11,115
Between one and five years	**54,584**	49,898
After more than five years	**147,365**	139,336
Total	**214,332**	200,349

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.

24. Capital management

The Group's objectives when managing capital are:

- To safeguard the Group's ability to 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 2011 and 30 September 2010 were as follows:

	2011 £'000	2010 £'000
Total debt	**100,495**	100,908
Less: cash and cash equivalents	**(18,112)**	(17,289)
Net debt	**82,383**	83,619
Total assets	**243,250**	207,135
Less: cash and cash equivalents	**(18,112)**	(17,289)
Less: goodwill	**(6,410)**	(6,924)
Adjusted capital	**218,728**	182,922
Adjusted gearing ratio	**0.38:1**	0.46:1

25. Post year end events

On 25 November 2011 £7 million was drawn down on the Deutsche Postbank facility, bringing the total amount drawn under the facility to £7.5 million. The interest rate has been fixed at an all-in rate of 3.14% until the facility expires in April 2015.

If the amount had been drawn before the end of September, the debt service covenant ratio would be 404% (note 13: 6,055%), the forecast debt service coverage ratio would be 364% (note 13: 6,014%), and the loan to value would be 58.6% (note 13: 3.9%)

On 2 December 2011 the Company agreed terms for a new long-term debt facility of £50 million with Aviva. The length of the facility is 20 years and the interest rate will be fixed when it is drawndown. Drawdowns under the new Facility can be made up to 65% of the value of properties secured against it.

Company information

Directors
David Staples (Chairman)
Christopher Bennett
John Hearle
Shelagh Mason

Registered Office
Regency Court
Glategny Esplanade
St Peter Port
Guernsey
GY1 1WW

Investment Adviser
MedicX Adviser Ltd
5 Godalming Business Centre
Woolsack Way
Godalming
Surrey
GU7 1XW

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

Financial adviser and stockbroker
Collins Stewart Europe Limited
88 Wood Street
London
EC2V 7QR

Auditor
PKF (UK) LLP
Pannell House
Park Street
Guildford
Surrey
GU1 4HN

Internal Auditor
Roffe Swayne
Ashcombe Court
Woolsack Way
Godalming
Surrey
GU7 1LQ

Tax Adviser
PKF (UK) LLP
Pannell House
Park Street
Guildford
Surrey
GU1 4HN

Solicitors
Pinsent Masons
30 Crown Place
Earl Street
London
EC2A 4ES

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

Property Valuer
Jones Lang LaSalle LLP
Queen Square House
Queen Square
Bath
BA1 2LL

Registrar
Capita Registrars (Guernsey) Limited
2nd Floor
No.1 Le Truchot
St Peter Port
Guernsey
GY1 4AE

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

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MedicX Fund

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

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