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MedicX Fund

Interim Report
to 31 March 2012

Who we are

MedicX Fund Limited ("MXF", the "Fund" or the "Company", or together with its subsidiaries, the "Group") the specialist primary care infrastructure investor in modern, purpose-built primary healthcare properties in the United Kingdom, listed on the London Stock Exchange in November 2006. It has committed investment of £294.3 million and a portfolio of 73 properties.

The Investment Adviser to the Company is MedicX Adviser Ltd, which is authorised and regulated by the Financial Services Authority and is a subsidiary of the MedicX Group. The MedicX Group is a specialist investor, developer and manager of healthcare properties with 27 people operating across the UK.

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Highlights

- £46.0 million of new committed investment in eleven properties since 1 October 2011
- New £50 million 20 year debt facility secured at a fixed all-in rate of 4.37%
- Average weighted cost of debt (including undrawn facilities) of 4.5%[6] with an average unexpired term of 18.6 years
- Capital appreciation on investment properties of £1.1 million in the period
- £2.6 million rent reviews agreed since 1 October 2011 with an average 3.2% per annum increase

Footnotes as per page 04

→ 01 **Tooting**
Tooting Health Centre
London

→ 02 **Caerphilly**
Caerphilly Health and Social Care Centre
Wales

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Chairman's Statement

Introduction

I am pleased to present the sixth interim report for the Company, on behalf of the board.

Results overview

Since September 2011 there has been a significant increase in the Fund's investment portfolio. Eleven properties have been acquired, five of which are finished with the other six under construction, or due to commence construction in the next few months. During the period four of the properties that were under construction were completed, with a fifth being completed after the period end. The Group now has committed investment of £294.3 million across 73 properties of which eleven are currently under construction. In addition the Group has approved a further four developments which, once contracted, will add a further £13.9 million to the committed investment.

In line with other infrastructure funds and given the long-term predictable cash flows, we believe it is appropriate to calculate a net asset value based upon discounted cash flows. This basis as set out in the Investment Adviser's report gives a net asset value of £222.4 million or 90.1 pence per share, based upon a weighted average discount rate of 7.16%.

The Group's net asset value adjusted to exclude goodwill, financial derivatives and deferred taxation at 31 March 2012 was £161.7 million or 65.5 pence per share. Long-term interest rates have increased since the start of the period and the benefit of the Fund's fixed rate debt facilities at a weighted average fixed rate (excluding undrawn amounts) of 4.72%, including the recently completed £50 million facility with Aviva, is estimated at £7.7 million (compared with £4.0 million at 30 September 2011) or 3.1 pence per share which has not been included in the adjusted net asset value. If it were to be included, the adjusted net asset value plus the estimated benefit of fixed rate debt would be equivalent to 68.6 pence per share.

Rental income grew by £1.0 million or 17% during the period. Overhead costs are in line with expectations.

EBITDA (earnings before interest, taxation and depreciation), excluding the impact of revaluations, impairments, fair value adjustments for financial instruments, deferred taxation, performance fees, and exceptional acquisition costs, increased by 27% to £5.6 million for the six months to March 2012, from £4.4 million in the first half of the previous year.

Adjusted earnings (excluding the impact of revaluations, impairments, fair value adjustments for financial instruments, deferred taxation, performance fees and exceptional acquisition costs) of £2.6 million, equivalent to 1.3 pence per share, represent an increase of 30% from the prior year (31 March 2011: £2.0 million; 1.3 pence per share).

Funding

In February 2012, the Company issued 70 million shares at 72 pence per share, by way of a placing, open offer and offer for subscription, of which 18.3 million were immediately repurchased by the Company and held in treasury. This issue generated net proceeds of £36.3 million excluding those shares held in treasury. In addition during the period the Company issued 900,000 new Ordinary Shares for cash at a price of 75 pence per share, generating net proceeds of £0.7 million, to satisfy additional market demand. The Company issued a further 141,770 new Ordinary Shares under the scrip dividend scheme at a price of 74.61 pence per share. All shares were issued at prices above the adjusted net asset value, and very close to the share price at the time. It is very pleasing to continue to have raised funds on a basis that has been non-diluting to existing shareholders.

The treasury shares have been utilised to satisfy further demand for shares in the Company in the period, with a further 1.3 million shares sold from treasury at an average price of 76.65 pence per share, and 332,337 shares were transferred from treasury to satisfy demand under the scrip dividend scheme at a price of 72.25 pence. Since the period end an additional 3.0 million shares have been sold from treasury at an average price of 78.33 pence per share. The total number of shares held in treasury currently stands at 13.7 million.

The Group drew down £7 million on the existing Deutsche Postbank facility in November 2011, bringing the total amount drawn to £7.5 million. The interest rate was fixed by an interest rate swap at the time of the draw down, achieving an all-in rate of 3.14%. This loan is subject to an interest to income covenant of 140%, which the Group is comfortably exceeding with the interest cover as at 31 March 2012 standing at 364%.

Long term gilt rates have seen their lowest point since the launch of the Fund and have presented a very attractive opportunity for the Group to secure new long term debt facilities. The Group took advantage of this position and completed an agreement with Aviva in February 2012 for a new £50 million debt facility at a fixed all-in rate of 4.37%. This facility is interest only for the first ten years after which it amortises by £20 million over the final ten years, with the residual balance payable at the end of the term of the facility. Under the terms of the agreement the entire facility has been drawn down and is currently held on deposit in a restricted account. Funds from this account will be released up to either 65% of the current market value of the properties secured against the facility, both completed and those under construction, or 50% of the expected value of the property at the time the facility terminates, whichever is lower. The facility is subject to an interest to income covenant of 110%, and the total value of the facility at expiry must not exceed 50% of expected value of all properties secured against the facility.

The addition of new equity and debt has marginally reduced the adjusted gearing as at 31 March 2012 to 32.4% from 33.9% as at 30 September 2011, and there is capacity for more debt, with a further £29.6 million available to be drawn under the Deutsche Postbank facility. Any future draw downs against this facility must be completed by the end of June and the interest rate will be fixed at the time of the draw down. Based upon the current five year swap rate, the loan could be fixed at an all-in rate of 3.12% as at 23 May 2012.

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The Company has had a very good start to the year... this puts the Company in a very strong position to take advantage of acquisition opportunities."

Dividends

On 30 April 2012 the Directors approved a quarterly dividend of 1.4 pence per Ordinary Share in respect of the period 1 January 2012 to 31 March 2012. The dividend will be paid on 29 June 2012 to ordinary shareholders on the register as at close of business on 18 May 2012 (the "Record Date"). The corresponding ex-dividend date was 16 May 2012. The Company expects to pay, subject to unforeseen circumstances, dividends totalling 5.6 pence per Ordinary Share in respect of the financial year ending 30 September 2012, an increase from the dividends of 5.5 pence per Ordinary Share for the year to 30 September 2011.

The Company is offering qualifying shareholders the opportunity to take Ordinary Shares, credited as fully paid, in lieu of the cash dividend to be paid on 29 June 2012, by participating in the Scrip Dividend Scheme (the "Scheme") put in place by the Company on 5 May 2010. It is expected that shares held in treasury will be used to satisfy any applications received pursuant to the Scheme.

As previously announced, the option to participate will be available to shareholders until 8 June 2012. For further information on the Scheme, together with a copy of the Scheme Document (containing the terms and conditions of the Scheme) and relevant mandate forms, please refer to the Scrip Dividend portal on the Company's website (http://www.medicxfund.com/scrip).

Dividend cover for the period to 31 March 2012 was 48%, up from 44% as at 30 September 2011, as calculated using adjusted earnings[1]. This increases to 54% if the costs incurred from the new debt facility are excluded. Dividend cover as calculated using the adjusted earnings including the capital appreciation of completed investment properties was 68%, or 75% if the costs of the new debt facility are also excluded[1]. The costs of the new debt facility were more than offset by a positive mark to market impact of the fixed rate facility at the period end. In addition 6.4% of the dividends paid since 1 October 2011 have been in the form of scrip dividends and so to that extent did not result in a cash outflow from the Company. Dividend cover is targeted to continue to grow over time and following further future capital raising. The intention of the Company remains to grow dividends over time and to distribute via dividends a proportion of the increase in the value of properties.

Annual General Meeting

At the annual general meeting held on 17 February 2012, shareholders passed all of the resolutions proposed. This included a reserving authority for the Directors to issue Ordinary Shares for cash up to an amount representing 10% of the issued Ordinary Share capital on 17 February 2012 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.

In addition a separate resolution was passed giving the ability for the Company to acquire its own shares (either for cancellation or to be held as treasury shares) up to a maximum of 14.99% of total shares issued, at a minimum price of 1 pence per share, and a maximum price per share of either 105% of the average mid-market share price for the five days preceding the purchase, the price of the last independent trade or the highest current independent bid at the time of the purchase. All purchases under this resolution are to be made in the market for cash and at prices below the prevailing net asset value per share. These powers expire immediately prior to the date of the annual general meeting of the Company, expected to be held in February 2013.

"The portfolio continues to perform well and the Company continues to deliver a good level of return for its shareholders."

A further resolution was passed by shareholders to amend the Company's Scrip Dividend Scheme to allow the satisfaction of the scrip dividend entitlement either by the issue of new ordinary shares, or the allotment of shares held by the Company as treasury shares.

Share price and outlook

In the period to 31 March 2012, the total shareholder return for the period, as measured by dividends received and share price growth, was 5.9%. Of this return, 3.7% was attributable to dividends received, with the remainder of the return from the appreciation in the share price from 30 September 2011 of 1.5 pence.

At 23 May 2012, the mid-market share price was 77.0 pence per share ex dividend. In comparison to the financial position at 31 March 2012 this represents a premium of 17.5% to the adjusted net asset value of 65.5 pence per share, a premium of 12.2% to the adjusted net asset value plus the estimated mark to market benefit of debt of 68.6 pence per share and a discount of 14.5% to the discounted cash flow net asset value of 90.1 pence per share. The expected total dividends for the year of 5.6 pence per share represent a 7.3% dividend yield based upon the share price at 23 May 2012.

With eleven properties having been acquired since 1 October 2011, and the strong pipeline of investment opportunities, I am very pleased to be able to report that the Company is in a strong position. Having successfully completed the equity fund raising and also secured further long-term debt facilities at an attractive rate, the Group is well placed to take advantage of any acquisition opportunities and we continue to have good visibility on potential acquisitions to add to the portfolio. The portfolio continues to perform well and the Company continues to deliver a good level of return for its shareholders.

David Staples
Chairman
25 May 2012

COMPLETED PROPERTIES
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PROPERTIES UNDER CONSTRUCTION
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Key Achievements

Financial results

- Rental income for the period of £6.9 million representing a 17% increase over the same period last year
- £2.6 million rent reviews agreed since 1 October 2011 with the equivalent of an average 3.2% per annum increase, 3.2% from open market reviews, 2.5% from fixed uplifts and 3.4% from RPI reviews
- 27% increase in EBITDA to £5.6 million[1] over the same period last year (31 March 2011: £4.4 million)
- Adjusted earnings of £2.6 million, an increase of £0.6 million or 30% from prior year, equivalent to 1.3 pence per share (31 March 2011: £2.0 million; 1.3 pence per share)[1]
- Capital appreciation on investment properties for the period of £1.1 million and net initial yield of 5.87% as at 31 March 2012 (5.84% as at 30 September 2011)
- Discounted cash flow net asset value of £222.4 million equivalent to 90.1 pence per share based upon a discount rate of 7.16% (30 September 2011: £169.8 million; 88.2 pence per share; 7.20% discount rate)
- Adjusted net asset value of £161.7 million equivalent to 65.5 pence per share (30 September 2011: £127.1 million; 66.0 pence per share)[2]
- Adjusted net asset value plus the estimated benefit of fixed rate debt of £169.5 million equivalent to 68.6 pence per share (30 September 2011: £131.0 million; 68.0 pence per share)[2]
- Quarterly dividend of 1.4 pence per share announced 30 April 2012[3]; total dividends of 5.6 pence per share for the year expected, equivalent to 7.3% dividend yield, an increase from 5.5 pence for the previous year[4]

Investments

- £294.3 million committed investment in 73 primary healthcare properties as at 23 May 2012[5]
- Acquired five properties valued at £19.8 million by means of a corporate acquisition on 21 February 2012
- New committed investment since 1 October 2011 in eleven properties of £46.0 million.
- £13.9 million of investment approved for four further acquisitions, and a strong pipeline of approximately £135 million additional acquisition opportunities
- Annualised rent roll of £18.3 million as at 23 May 2012[5]

Funding

- £40.6 million net proceeds raised from shares issued since 1 October 2011 at an average issue price of 72.5 pence per share
- New £50 million 20 year debt facility secured with Aviva at a fixed all-in interest rate of 4.37%
- £7 million drawn on existing Deutsche Postbank facility, with total amount drawn fixed at an all-in interest rate of 3.14%. A further £29.6 million available to be drawn on this facility
- Average weighted cost of debt (including undrawn facilities) of 4.5%[6] with an average unexpired term of 18.6 years (2011: 4.8%, 20.3 years)
- Net debt £81.9 million (32.4% adjusted gearing[2]) at period end

1 Excluding revaluation impact, deferred taxation, performance fees, fair value adjustments for financial instruments and exceptional costs
2 Adjusted to exclude goodwill, financial derivatives and the impact of deferred tax not expected to crystallise
3 Ex dividend date 16 May 2012, Record date 18 May 2012, Payment date 29 June 2012
4 Total expected dividends divided by share price at 23 May 2012
5 Includes completed properties, properties under construction and committed investment
6 Includes impact of the £29.1 million undrawn portion of the Deutsche Postbank debt facility at a rate of 3.12% being the rate possible to fix the facility as at 23 May 2012

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→ 03 **Corby Glen**
Market Cross Surgery
Lincolnshire

→ 04 **East Cowes**
East Cowes Medical Centre
Isle of Wight

→ 05 **Hounslow**
The Meadows Centre for Health
London

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The Group has committed investment of £294.3 million and a portfolio of 73 properties."

Investment Adviser's report

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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

In the wider property market, yields have remained static over the six months to April with the IPD All Property Index for April 2012 showing a net initial yield of 6.23%, unchanged from September 2011. This compares with 7.91% at the bottom of the cycle in June 2009, and 4.57% at the peak of the cycle in May 2007. Prime yields across all sectors have remained stable for twelve months, driven by robust investor demand for secure income.

In the primary care investment sector, values have remained stable due to steady demand from the specialist healthcare investors (who have also been able to raise additional capital and debt recently). Smaller, lower value assets continue to sell well to private investors. The 31 March 2012 valuation showed 5.87% net initial yield, largely unchanged from 30 September 2011 (5.84%).

The IPD UK Healthcare Index 2011 released in May 2012 shows that during the year to 31 December 2011, total return for All Healthcare Property performed slightly below All Commercial Property (7.2% return versus 7.8% respectively) with Primary Care return at 8.5% against Secondary Care return of 5.7%. Primary Care capital growth of 2.2% outperformed both Secondary Care and All Commercial Property.

The NHS Health and Social Care Bill finally received Royal Assent in April and has now become law. The Health and Social Care Act 2012 reflects substantial changes from the original bill. It is the most extensive reorganisation of the NHS since 1948 and has restructured and simplified the process of delivering healthcare in the UK. It transfers decision making on the procurement and commissioning of services to new groups of GPs who will manage this through Clinical Commissioning Groups. These are already being formed and it is envisaged that the new structure will be in place by the end of 2013.

The budget that will support this has been maintained at the current level with a small increase to reflect some growth but the government hopes that the new structure will be simpler, less complicated and will make strong savings that will contribute to more money spent on patients.

There continues to be significant demand for new primary care premises and the schemes delivered by the Fund represent good value for money compared with alternative procurement routes. The NHS has announced a new NHS Property Company that will take on the management of the existing Primary Care Trust owned estate when the Primary Care Trusts are abolished in 2013. The route for GP premises procurement has yet to be confirmed but any alteration from the current reimbursement system would likely result in increased rental costs for the NHS, and as a result it is not expected that this system will be altered. We continue to work closely with the advisory groups that are shaping the new clinical commissioning groups and remain well placed to take full advantage of the new opportunities that will unfold from GP led commissioning.

The Company is well placed to support GPs and the commissioning groups during this period of change. The current portfolio incorporates a wide range of buildings that are well located to continue to deliver the services required. New acquisitions continue to be focussed on their ability to be fit to deliver the demands of the new service driven environment that will meet the primary care estate needs over the next 25 years.

Portfolio update

The MedicX Fund now has committed investment of £294.3 million at today's date in 73 primary healthcare properties[5]. The annualised rent roll of the portfolio properties is £18.3 million as at 23 May 2012[5].

The valuation of the portfolio undertaken by Jones Lang LaSalle LLP, independent valuers to the Group, as at 31 March 2012 stood at £275.6 million on the basis that all properties were complete, reflecting a net initial yield of 5.87%, which is unchanged from the 31 December 2011 valuation of 5.87% net initial yield and shows little movement from the 30 September 2011 valuation of 5.84% net initial yield. Transactions in the sector have been limited and values at this level show a significant spread to borrowing costs. The valuation gain during the six months was £0.7 million, being a gain of £1.1 million from capital appreciation of the investment portfolio, offset by a charge of £0.4 million relating to transaction costs on property acquisitions.

At 23 May 2012, the portfolio of properties had an average age of 4.2 years, remaining lease length of 18.1 years and an average value of £3.9 million. Of the rents payable, 90% are from government-funded doctors and Primary Care Trusts/Local Health Boards, 8% from pharmacies and 2% from other parties.

In the six months to 31 March 2012, successful completion was achieved on the properties under construction at Woolwich Royal Arsenal, Hounslow, West Wirral and Corby Glen, at a total commitment of £15.5m. Since the end of the period the property under construction at Rochdale was completed reflecting a commitment of £2.4 million. All of the projects were delivered on time and within budget. Construction continued on the properties at Raynes Park, Hirwaun, Grangetown and East Cowes.

ANNUALISED RENT ROLL OF THE PORTFOLIO

£18.3m

Construction started during the period on new properties at Methil and Monkseaton, with the new project at Caerphilly commencing construction in April 2012. These three new investments represent a total commitment of £13.9 million. Further projects at Tooting, Uckfield and Kingston upon Thames have since been secured. Construction is already underway at the Kingston property, with both Tooting and Uckfield expected to commence construction next month. These represent a further commitment of £11.4 million.

Five further properties were procured by way of corporate acquisition. Accounting standards necessitate recognising the fair value of assets and liabilities of the acquired company. Taking all items relating to the acquisition into account including costs of the corporate acquisition and provisions made (but ignoring any amounts that may be recoverable from the vendor under warranties), the acquisition yield of the properties is consistent with the Fund's investment criteria and the properties represent a good investment for the Fund. This portfolio of high quality assets is predominantly based in the North East, and represents a total commitment of £20.8 million bringing the total committed investment since 1 October 2011 to £46.0 million.

Completion of the properties at Hirwaun, East Cowes and Grangetown is expected to occur by the end of the financial year, along with the delayed forward purchase of a medical centre at Clapham which is expected to complete in May. These four properties represent a total commitment of £17.4 million. In addition the Group has approved a further four developments which, once contracted, will add a further £13.9 million to the committed investment.

The Group continues to focus on larger, modern purpose built assets. Since the end of the period the Group has disposed of one of its smaller properties at Churchside, Mansfield for £1.2 million, and will continue to look to dispose of properties selectively where they no longer meet its long-term investment criteria.

Asset management

During the period to 23 May 2012, 17 leases and rents of £2.6 million have been reviewed and the equivalent of a 3.2% per annum increase was achieved. Of these reviews, 3.2% per annum was achieved on open market reviews, 2.5% per annum was achieved on fixed uplift reviews and 3.4% on RPI based rental reviews. Reviews of £4.0 million of passing rent are currently under negotiation.

Of the £18.3 million annualised rent roll at 23 May 2012, there is £14.8 million, 81%, subject to open market review, £2.8 million, 15%, subject to RPI reviews and £0.7 million, 4%, subject to fixed uplift reviews of an average 2.5% per annum increase.

Cash and debt

As at 31 March 2012, the Group had net debt of £81.9 million, which is 32.4% of gross assets excluding cash and goodwill (30 September 2011: £82.4 million and 37.7%). This includes a new £50 million debt facility agreed with Aviva, and a further draw down on the Deutsche Postbank facility of £7 million. This strengthens the Group's debt position further and it forms a very good match for the long term increasing cash flows generated by the portfolio. The weighted average cost of all debt, including amounts not yet drawn, as at 31 March 2012 was 4.5% with an average remaining term of 18.6 years.

The drawdown of £7 million on the Deutsche Postbank facility was made in November 2011, and at that point the interest rate was fixed at an all-in rate, including margin, of 3.14% using an interest rate swap. A further £29.6 million is available under this facility, pending the submission of properties as security, and this is expected to be fully drawn by 30 June 2012.

The new £50 million debt facility was completed in February 2012 with Aviva, with a term of 20 years and a fixed all-in interest rate of 4.37%. This represented a 1.85% margin over the 20 year gilt rate of 2.52% at that time. This facility is interest only for the first ten years, after which it amortises by £20 million over the following ten years with the residual amount repayable on expiry of the facility. The facility has a debt service covenant of 110%, and can be drawn up to 65% of the market value of secured properties. This facility was drawn at the time of completion and the proceeds are currently held in a restricted deposit account pending the submission of investment properties, including properties under construction, as security.

Debt facilities totalling £16.3 million were acquired as part of a corporate acquisition, with a weighted average fixed interest rate of 5.94%. Shortly after the completion of the transaction, the Company exercised its option to make early repayment of the facility and re-finance the properties by utilising a portion of the new facility as this is expected to save the Company £5.7 million in interest costs, excluding the impact of any early redemption penalties. The early repayment incurred break costs of £1.9 million which have been reflected in the financial performance for the period, being offset by the reversal of fair value adjustment made on acquisition of £1.9 million to reflect the fair value of the loans acquired. These costs were anticipated at the time of the purchase and factored into the acquisition price.

The Company has remained within the covenants of its debt facilities. The debt service cover ratio was 197% versus a covenant of 140% and the loan to value ratio was 65.2% against a covenant of 75% in relation to the £100 million Aviva Loan. The debt service cover ratio was 364% versus a covenant of 140% in relation to the Deutsche Postbank loan. In addition, as at 31 March 2012 properties valued at £105.0 million, including those under construction, were available to be secured against debt facilities.

The net assets on the statement of financial position do not reflect the fair value of the fixed rate debt facilities. Advice from the Company's lenders indicates that the fixed interest rate for loans with similar terms taken out at 31 March 2012 would have had an average margin of 2.1% over the gilt yield, equivalent in aggregate to 5.1%. On this basis, the mark-to-market benefit of the fixed rate facilities at March 2012 was £7.7 million, or 3.1 pence per share. Incorporating this benefit would take the Fund's net asset value to £169.5 million or 68.6 pence per share.

“MedicX Fund currently has access to a property pipeline, subject to contract, which is already estimated, to be worth a further £135 million in value when fully realised.”

Investment Adviser's report continued

Discounted cash flow valuation of assets and debt

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

At 31 March 2012, the DCF valuation was £222.4 million or 90.1 pence per share compared with £169.8 million or 88.2 pence per share at 30 September 2011.

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 7.16% and this represented a 3.71% risk premium to the 20 year gilt rate at 31 March 2012 of 3.45%, compared with a risk premium of 3.66% against the 20 year gilt rate of 3.54% at 30 September 2011.

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.

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 23 May 2012 of 77.0 pence per share, the discounted cash flow calculation would have to assume a 0.5% decrease in rents per annum, or a 1.4% capital reduction per annum, or a weighted average discount rate of 9.7%. 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 68.6 pence per share and assumed purchaser costs of 6.5 pence per share, an implied net initial yield of 5.17% is required to get to the discounted cash flow net asset value of 90.1 pence.

Pipeline and investment opportunity

The Investment Adviser has continued to successfully source properties both through the MedicX Group's development arm, MedicX Property, and through its established relationships with investors, developers and agents in the sector. The Company currently has approved the acquisition of a further four properties worth approximately £14 million, subject to finalised contracts, and has access to a property pipeline, subject to contract, which is estimated to be worth a further £135 million in value when fully realised.

Keith Maddin	Chairman
Mike Adams	Chief Executive Officer
Mark Osmond	Chief Financial Officer

MedicX Adviser Ltd

1 Excluding revaluation impact, deferred taxation, performance fees, fair value adjustments for financial instruments and exceptional costs
2 Adjusted to exclude goodwill, financial derivatives and the impact of deferred tax not expected to crystallise
3 Ex dividend date 16 May 2012, Record date 18 May 2012, Payment date 29 June 2012
4 Total expected dividends divided by share price at 23 May 2012
5 Includes completed properties, properties under construction and committed investment
6 Includes impact of the £29.1 million undrawn portion of the Deutsche Postbank debt facility at a rate of 3.12% being the rate possible to fix the facility at as at 23 May 2012

Principal risks and uncertainties

Full information on the principal financial risks and how they are mitigated can be found in note 18 of MedicX Fund Limited's annual report and financial statements for the year ended 30 September 2011.

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 Act 2012 and the directive that PCTs will be abolished by 2013, there is no guarantee that rental costs will continue to be reimbursed to GPs in this way.
- Initiatives introduced by the previous government pledged increased funding to provide modernisation of GP premises. Whilst the Company is confident that the modernisation programme is not incompatible with the provisions of the new Health and Social Care Act 2012, the Company has no influence over the direction taken by the new commissioning bodies. In particular, a reduction in the funding of the Clinical Commissioning Groups (the successors to the PCTs when they are abolished) 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, Clinical Commissioning Group 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. NHS budgetary restrictions might restrict or delay the number of opportunities available to the Company.
- Prospective investors should be aware that the Company intends to use borrowings which may have an adverse impact on net asset value or dividends and those borrowings may not be available at the appropriate time or on 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).

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 of MedicX Fund Limited's annual report and financial statements for the year ended 30 September 2011.

Directors' responsibilities statement

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

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

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

By order of the Board:

Shelagh Mason
Director
25 May 2012

Independent review report

to MedicX Fund Limited

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 31 March 2012 which comprises the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows and the related explanatory notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

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

Directors' responsibilities

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

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

Our responsibility

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

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31 March 2012 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

PKF (UK) LLP
London, UK
25 May 2012

Consolidated Statement of Comprehensive Income

For the six months ended 31 March 2012

	Notes	**Six months ended 31 March 2012 £'000**	Six months ended 31 March 2011 £'000
Income			
Rent receivable		**6,917**	5,890
Finance income		**16**	74
Other income		**455**	257
Total income		**7,388**	6,221
Valuation and impairment adjustments (excluding exceptional costs)			
Net valuation gain on investment properties	9	**747**	1,283
Impairment of existing goodwill	7	**(460)**	(440)
		287	843
Expenses			
Direct property expenses		**140**	108
Investment advisory fee		**1,125**	1,125
Performance fee		**292**	–
Property management fee		**186**	172
Administrative fees		**32**	29
Audit fees		**40**	40
Professional fees		**101**	95
Directors' fees		**63**	63
Other expenses		**105**	110
Finance costs	4	**3,045**	2,515
Total expenses before exceptional costs		**(5,129)**	(4,257)
Exceptional costs related to acquisitions			
Legal and professional fees	18	**(394)**	–
Goodwill on acquisition written-off	18	**(1,252)**	–
Total expenses including acquisition costs		**(6,775)**	(4,257)
Profit before tax		**900**	2,807
Taxation	6	**1,140**	465
Profit attributable to equity holders of the parent		**2,040**	3,272
Other comprehensive income			
Fair value loss on financial derivatives	5	**(72)**	–
Total comprehensive income attributable to equity holders of the parent		**1,968**	3,272
Earnings per Ordinary Share			
Basic and diluted	8	**1.0p**	2.2p

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

Consolidated Statement of Financial Position

As at 31 March 2012

	Notes	31 March 2012 £'000	30 September 2011 £'000
Non-current assets			
Goodwill	7	**6,428**	6,410
Investment properties	9	**248,725**	213,603
Total non-current assets		**255,153**	220,013
Current assets			
Trade and other receivables		**4,196**	5,125
Cash and cash equivalents	10	**75,404**	18,112
Total current assets		**79,600**	23,237
Total assets		**334,753**	243,250
Current liabilities			
Trade and other payables		**8,669**	9,316
Non-current liabilities			
Long-term loans	11	**157,269**	100,443
Deferred tax liability	6	**5,630**	5,914
Provisions	18	**639**	–
Financial derivatives	5	**72**	–
Total non-current liabilities		**163,610**	106,357
Total liabilities		**172,279**	115,673
Net assets		**162,474**	127,577
Equity			
Share capital		**–**	–
Share premium		**130,640**	80,315
Treasury shares		**(12,037)**	–
Distributable reserves	14	**43,393**	48,752
Accumulated profits/(losses)		**478**	(1,490)
Total attributable to equity holders of the parent		**162,474**	127,577
Net asset value per share			
Basic and diluted	8	**65.8p**	66.2p

The financial statements were approved and authorised for issue by the Board of Directors on 25 May 2012 and were signed on its behalf by

Shelagh Mason
Director

Consolidated Statement of Changes in Equity

For the six months ended 31 March 2012

	Notes	Share Premium £'000	Treasury Shares £'000	Distributable Reserve £'000	Accumulated Profits/ (Losses) £'000	Total £'000
Balance at 1 October 2010		**44,132**	**–**	**57,883**	**(8,810)**	**93,205**
Proceeds on issue of shares		35,287	–	–	–	35,287
Share issue costs		(901)	–	–	–	(901)
Total comprehensive income for the period		–	–	–	3,272	3,272
Dividends paid	13	–	–	(3,868)	–	(3,868)
Balance at 31 March 2011		**78,518**	**–**	**54,015**	**(5,538)**	**126,995**
Balance at 1 October 2011		**80,315**	**–**	**48,752**	**(1,490)**	**127,577**
Proceeds on issue of shares		52,379	–	–	–	52,379
Share issue costs		(915)	–	–	–	(915)
Shares repurchased and held in treasury		–	(13,176)	–	–	(13,176)
Shares sold from treasury		(1,139)	1,139	–	–	–
Total comprehensive income for the period		–	–	–	1,968	1,968
Dividends paid	13	–	–	(5,359)	–	(5,359)
Balance at 31 March 2012		**130,640**	**(12,037)**	**43,393**	**478**	**162,474**

Consolidated Statement of Cash Flows

For the six months ended 31 March 2012

	Notes	Six months ended 31 March 2012 £'000	Six months ended 31 March 2011 £'000
Operating activities			
Profit before taxation		**900**	2,807
Adjustments for:			
Net valuation gain on investment properties	9	**(747)**	(1,283)
Impairment of existing goodwill	7	**460**	440
Goodwill written-off on acquisition	18	**1,252**	–
Financial income receivable		**(16)**	(74)
Finance costs payable and similar charges	4	**3,045**	2,515
		4,894	4,405
Decrease/(increase) in trade and other receivables		**932**	(678)
Increase/(decrease) in trade and other payables		**(1,220)**	28
Interest paid		**(2,908)**	(2,715)
Interest received		**41**	74
Early repayment fees on long term debt	18	**(1,929)**	–
Net cash (outflow)/inflow from operating activities		**(190)**	1,114
Investing activities			
Acquisitions net of cash acquired	18	**(1,087)**	–
Additions to investment properties and properties under construction		**(14,331)**	(16,313)
Net cash outflow from investing activities		**(15,418)**	(16,313)
Financing activities			
Net proceeds from issue of share capital		**37,943**	34,386
Net proceeds of long-term borrowings	11	**40,589**	(24)
Loan issue costs	11	**(619)**	81
Dividends paid	13	**(5,013)**	(3,689)
Net cash inflow from financing activities		**72,900**	30,754
Increase in cash and cash equivalents		**57,292**	15,555
Opening cash and cash equivalents		**18,112**	17,289
Closing cash and cash equivalents	10	**75,404**	32,844

Notes to the financial statements

For the six months ended 31 March 2012

1. General information

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

The Company is listed on the London Stock Exchange.

The condensed consolidated interim financial information does not constitute the statutory financial statements of the Group within the meaning of section 245 of The Companies (Guernsey) Law, 2008. The Board of Directors approved the statutory financial statements for the year ended 30 September 2011 on 7 December 2011. The report of the auditors on those financial statements was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 263 of The Companies (Guernsey) Law, 2008.

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

The condensed consolidated interim financial information for the six months ended 31 March 2012 has been reviewed, not audited, and was approved and authorised for issue by the Board of Directors on 25 May 2012.

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

2. Basis of preparation

The condensed consolidated interim financial information for the six months ended 31 March 2012 has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority and with IAS 34 'Interim financial reporting' as adopted by the European Union. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 30 September 2011, which have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

3. Accounting policies

The accounting policies and presentation of figures applied are consistent with those of the annual financial statements for the year ended 30 September 2011, as described in those annual financial statements, except as disclosed below.

Business combinations

The acquisition of subsidiaries is accounted for using the acquisition method. The consideration for the acquisition is measured at the aggregate of the fair values at the date of exchange of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquired company. The acquired companies' assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair value at the acquisition date. The details of the companies acquired and how they have been treated are dealt with in Note 18. The costs incurred in connection with the acquisition are recognised in the Consolidated Statement of Comprehensive Income as incurred.

Exceptional items relating to acquisitions are those items that in the Directors' view are required to be separately disclosed by virtue of their size and incidence to enable a full understanding of the Group's financial performance.

Derivative financial instruments and hedging activities

The Group uses interest rate swaps to manage its exposure to interest rate risk. At inception of the hedge the Group documents the relationship between the hedging instrument and the hedged item and its assessment, both at the time of inception and on an ongoing basis, of whether the hedging instrument meets the requirements to be considered an effective hedge in offsetting changes in the cash flows of the hedged item.

All derivatives are initially recognised at fair value at the time of inception, and are subsequently measured at fair value. The fair value of the interest rate swaps are determined by the relevant counterparty to both the interest rate swap and hedged item.

Changes in the fair value of the hedging instrument will be recognised either as part of other comprehensive income if the hedge is considered effective, or as an element of finance costs if it is not considered effective.

Financial derivatives are classified as either current or non-current with relation to the maturity of the underlying hedged item.

Taxation

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

Use of estimates

In the process of applying the Group's accounting policies described within the financial statements for the year ended 30 September 2011 and the additional policies outlined above, the Directors are required to make certain judgements and estimates to arrive at the carrying value for its assets and liabilities.

Significant areas requiring judgement in the preparation of these financial statements include the estimate of provisions and the performance fee accrual. With the exception of the two areas mentioned above the significant areas requiring judgement are consistent with those reported within the financial statements for the year ended 30 September 2011.

4. Finance costs

	Six months ended 31 March 2012 £'000	Six months ended 31 March 2011 £'000
Interest payable on long-term loan	**3,247**	2,635
Interest capitalised on properties under construction	**(202)**	(120)
	3,045	2,515

During the period interest costs on funding attributable to investment properties under construction were capitalised. The funding was sourced from the existing debt facilities (see note 11 for details) which had an effective weighted average interest rate of 4.84% during the period.

5. Financial derivatives

As part of its risk management strategy, the Company maintains a policy of, where possible, securing fixed interest rates on all external debt to mitigate its exposure to interest rate risk. Where fixed interest rates are not able to be secured with lenders, an interest rate swap will be utilised to fix the rate and the aim is to achieve a perfect hedge. The fair value of these contracts is recorded in the Consolidated Statement of Financial Position, and is determined by discounting the future cash flows at prevailing market rates as at the reporting date.

	31 March 2012 £'000	30 September 2011 £'000
Fair value of interest rate swaps treated as cash flow hedges under IAS39 ("effective swaps"):		
Non-current liabilities	**(72)**	–
	(72)	–

The movement in fair value of effective swaps are recognised as part of other comprehensive income in the Consolidated Statement of Comprehensive Income.

On 25 November 2011 MedicX Properties VI Limited entered into a floating-to-fixed interest rate swap contract with Deutsche Postbank to fix the interest rate on the drawdown of the facility that was made on the same day. The swap exchanged the floating rate for a fixed rate of 1.14% from 1 January 2012 to 30 April 2015, with the floating rate reset at the start of each month. The notional value of the swap is £7.5 million, matching the value of the hedged debt.

6. Taxation

	Six months ended 31 March 2012 £'000	Six months ended 31 March 2011 £'000
Current Tax		
Corporate tax charge for the period	**–**	–
Corporate tax charge for prior periods	**–**	–
Deferred Tax		
Change in corporate tax rate	**(488)**	(470)
On fair value movement for the period	**(162)**	(245)
(Released)/provided during the period	**(490)**	250
Total tax credited in the statement of comprehensive income	**(1,140)**	(465)

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

Notes to the financial statements (continued)

For the six months ended 31 March 2012

6. Taxation (continued)

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 Company's affairs such that this company continues to remain eligible for the exemption. Guernsey companies are subject to UK taxation on UK net rental income. During the period no tax arose in respect of the income of any of the Guernsey companies. The Company's UK subsidiaries, MedicX Properties II Ltd, MedicX Properties III Ltd, MedicX Properties IV Ltd, MedicX (Verwood) Ltd, MedicX (Istead Rise) Ltd (in voluntary liquidation) and MPVII Investments 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 standard rate of UK corporation tax of 26% (2011: 28%) is set out below:

	Six months ended 31 March 2012 £'000	Six months ended 31 March 2011 £'000
Profit on ordinary activities before tax	**900**	2,807
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 26% (2011: 28%)	**234**	786
Effect of lower tax rates for Guernsey companies	**(149)**	(53)
Capital allowances in excess of depreciation	**(258)**	(269)
Effect on deferred tax balance by change in UK corporate tax rate	**(488)**	(470)
Profits not subject to UK taxation	**(2,118)**	(1,233)
Non-taxable property revaluations	**(67)**	(298)
Benefit of indexation allowances	**(311)**	(326)
Current period losses carried forward	**2,017**	1,398
Total tax charged in the statement of comprehensive income	**(1,140)**	(465)

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 2010	**6,169**	**166**	**1,840**	**(1,596)**	**6,579**
Adjustment for change in corporate tax rate	(440)	(12)	(129)	111	(470)
(Released)/provided in year	(77)	(154)	182	(146)	(195)
At 30 September 2011	**5,652**	**–**	**1,893**	**(1,631)**	**5,914**
Adjustment for change in corporate tax rate	(454)	–	(161)	127	(488)
Recognised on acquisition of subsidiaries	478	–	378	–	856
(Released)/provided in period	(162)	–	76	(566)	(652)
At 31 March 2012	**5,514**	**–**	**2,186**	**(2,070)**	**5,630**

As required by IAS 12 "Income taxes", full provision has been made for the temporary timing differences arising on the fair value gain of investment properties held by UK resident companies that have passed through the Group's consolidated statement of comprehensive income. In the opinion of the Directors, this provision is only required to ensure compliance with IAS 12. It is the Directors' view that the deferred tax attributable to the fair value gain on the Group's investment property portfolio is unlikely to crystallise as, in common with practice in the sector, the Group would most likely sell the company that holds the property portfolio rather than sell an individual property. Had the provision not been previously made, the Group's earnings for the period would be £138,000 lower (2011: £697,000 lower).

7. Goodwill

	Note	31 March 2012 £'000	30 September 2011 £'000
Balance brought forward		**6,410**	6,924
Goodwill on acquisition of subsidiary	18	**1,730**	–
Goodwill on acquisition written-off	18	**(1,252)**	–
Impairment on existing goodwill recognised in period/year		**(460)**	(514)
		6,428	6,410

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 (in voluntary liquidation) 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.

Goodwill arose on the acquisition of MPVII Investments Ltd as detailed within note 18, including the recognition of a deferred tax liability of £478,000 relating to fair value gains to ensure compliance with IAS 12, which is not expected to crystallise. The Directors have reviewed the goodwill resulting from the acquisition. With the exception of the amount relating to the deferred tax liability relating to fair value gains, they consider that the goodwill that arose on the acquisition of MPVII Investments Ltd is impaired and as a result it has subsequently been written-off in the Consolidated Statement of Comprehensive Income in the period.

As a result of the change of corporate tax rate from 26% to 24% 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 £460,000 which represents the change in the carrying value of deferred tax on fair value gain on acquisitions that is solely attributable to the tax rate change. Consequently, when looking at the cash generating unit as a whole, goodwill is impaired to the extent of an amount equivalent to the change in the deferred tax liability attributed to those properties on acquisition caused by the change in the corporate tax rate.

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

8. Earnings and net asset value per Ordinary Share

Basic and diluted earnings and net asset value per share

The basic and diluted earnings per Ordinary Share are based on the profit for the period attributable to Ordinary Shares of £2,040,000 (2011: £3,272,000) and on 203,937,886 (2011: 149,538,863) Ordinary Shares being the weighted average aggregate of Ordinary Shares in issue, excluding those held in treasury, calculated over the period. This gives rise to a basic and diluted earnings per Ordinary Share of 1.0 pence (2011: 2.2 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 £162,474,000 (30 September 2011: £127,577,000) and on 246,928,117 (30 September 2011: 192,604,010) Ordinary Shares being the aggregate of Ordinary Shares in issue at the period end, excluding those held in treasury. This gives rise to a basic and diluted net asset value per Ordinary Share of 65.8 pence per Ordinary Share (30 September 2011: 66.2 pence per Ordinary Share).

Adjusted earnings per share and net asset value per share

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

	Six months ended 31 March 2012	Six months ended 31 March 2011
Adjusted earnings per Ordinary Share – basic and diluted	**1.5 pence**	2.2 pence

	31 March 2012 £'000	30 September 2011 £'000
Adjusted net asset value per Ordinary Share – basic and diluted	**65.5 pence**	66.0 pence

Notes to the financial statements (continued)

For the six months ended 31 March 2012

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

The adjusted earnings per Ordinary Share is based on the profit for the period of £2,040,000 (2011: £3,272,000) attributable to Ordinary Shares, adjusted for the impact of the deferred tax credit of £1,140,000 (2011: £465,000), goodwill impairment of £460,000 (2011: £440,000), and exceptional costs from the acquisition of subsidiaries totalling £1,646,000 (2011: £nil), attributable to Ordinary Shares for the period giving an adjusted earnings profit of £3,006,000 (2011: £3,247,000) and on 203,937,886 (2011: 149,538,863) Ordinary Shares being the weighted average number of Ordinary Shares in issue in the period.

The adjusted net asset value per Ordinary Share is based on the net asset position attributable to Ordinary Shares at the period end of £162,474,000 (30 September 2011: £127,577,000) as adjusted for deferred tax of £5,630,000 (30 September 2011: £5,914,000), goodwill of £6,428,000 (30 September 2011: £6,410,000), and financial derivative liabilities of £72,000 (30 September 2011: £nil), giving an adjusted net assets figure of £161,748,000 (30 September 2011: £127,081,000) and on 246,928,117 (30 September 2011: 192,604,010) 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 that has arisen on acquisitions is the result of the recognition of deferred tax on fair value gains on acquisition. The use of financial derivatives is in line with Group policy, which requires that they be secured for matching terms with the underlying debt facility. As a result, the Group intends to hold financial derivatives to their maturity and therefore the Directors consider the liability represented by the fair value of financial derivatives as being unlikely to crystallise.

9. Investment properties

Investment properties including those under construction are initially recognised at cost, being fair value of consideration given including transaction costs associated with the property. After initial recognition, investment properties are measured at fair value, which as at 31 March 2012 has been determined based on valuations performed by Jones Lang LaSalle LLP.

In accordance with industry standards, the valuation of completed investment properties does not reflect purchaser costs which are approximately 5.80% (30 September 2011: 5.80%) of purchase price, and the valuation of investment properties under construction is the net of completed property value less the remaining costs to complete the property.

	Completed investment properties £'000	Properties under construction £'000	Total investment properties £'000
Fair value 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**
Additions	19,851	14,496	34,347
Adjustment to base cost	28	–	28
Transfer to completed properties	15,456	(15,456)	–
Fair value revaluation	959	(212)	747
Fair value 31 March 2012	**231,883**	**16,842**	**248,725**

Some of the investment properties are security for the long-term loan as disclosed in note 11. Of the completed investment properties £49,143,000 (30 September 2011: £43,670,000) are long-leasehold properties.

During the period a portion of the loan facilities disclosed in note 11 was utilised to fund development work on investment properties under construction. Interest costs attributable to development work in progress of £202,000 (2011: £120,000) were capitalised.

10. Cash and cash equivalents

	31 March 2012 £'000	30 September 2011 £'000
Cash in hand and balances with banks	**24,804**	17,912
Cash held in restricted accounts	**50,600**	200
	75,404	18,112

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.

Cash held in restricted accounts represents funds available under Aviva loan facilities as disclosed in note 11. These amounts are not immediately available for use by the Group.

11. Long-term loans

	31 March 2012 £'000	30 September 2011 £'000
Aviva £100 million loan facility:		
Amount drawn down	**100,000**	99,600
Loan issue costs	**(426)**	(403)
Amortisation of loan issue costs	**60**	54
	99,634	99,251
Deutsche Postbank loan facility:		
Amount drawn down	**7,500**	500
Loan issue costs	**(512)**	(512)
Amortisation of loan issue costs	**125**	63
	7,113	51
Aviva £50 million loan facility:		
Amount drawn down	**50,000**	–
Fair value adjustments	**(2)**	–
Loan issue costs	**(595)**	–
Amortisation of loan issue costs	**5**	–
	49,408	–
Mortgage due after more than one year	**1,114**	1,141
	157,269	100,443

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

	31 March 2012 £'000	30 September 2011 £'000
Due within one year	**54**	52
Between one and two years	**57**	55
Between two and five years	**7,307**	239
Over five years	**149,905**	100,149
	157,323	100,495

All amounts are repayable by instalments.

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

The value of the loan on an amortised cost basis at 31 March 2012 was £99,634,000 (30 September 2011: £99,651,000).

Notes to the financial statements (continued)

For the six months ended 31 March 2012

11. Long-term loans (continued)

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

(i) long-term rental income from the properties charged must cover 140% of projected finance costs;

(ii) the net loan amount must not exceed 75% of the market value of mortgaged property (first tested 30 April 2009).

The Group has been in compliance with the financial covenants throughout the period. At 31 March 2012, the debt service coverage ratio was 197% against a covenant of 140% and the loan to value was 65.2% against a covenant of 75%.

The Aviva £100 million loan is secured on some of the Group's investment properties. The value of properties provided as security for this facility is £151,784,000. As at 31 March 2012, the Group had cash of £0.6 million (30 September 2011: £0.6 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 4 February 2012 the Group entered into an agreement for a new facility with Aviva. The total value of the facility is £50 million for a period of 20 years, at a fixed all-in interest rate of 4.37% including margin. Initially the facility is interest only for the first ten years, and subsequently amortises to £30 million over the remaining ten years with the remaining principal repayable on expiry of the facility. The facility was fully drawn at the time the agreement was completed with the proceeds placed on deposit secured against the loan, to be released once investment properties are secured against the facility.

The Aviva £50 million facility is subject to the following financial covenants:

(i) the FRI-equivalent rental income from the properties charged must cover 110% of projected finance costs;

(ii) drawdowns must not exceed the lower of:

a. 65% of the market value of the property secured against the facility; or

b. 50% of the expected market value of the property at the time the facility expires;

(iii) the projected exit values of all properties secured against the facility must not be less than 50% of the loan value at expiry.

As at 31 March 2012, the Group had cash of £50 million on deposit secured against the loan. No properties had been secured against the facility as at that date.

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. Drawdowns against the facility could not exceed 65% of the market value of the mortgaged property. Interest is payable on the first drawdown at 2% plus LIBOR, and the facility would be amortised at a rate of 1% per annum.

On 1 August 2011 the Group agreed to extend the facility to a total of £37.1 million on largely the same terms as the original facility. The key changes to the agreement were that the facility would no longer be amortised, and the drawdowns could not exceed 62.5% of the market value of the mortgaged property.

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

On 25 November 2011 the first significant drawdown of £7 million was made against the facility. The interest rate was fixed at the time of the drawdown at an all-in rate, including margin, of 3.14%. The interest rate for future drawdowns will be fixed at the time the drawdown occurs. Costs associated with the loan issue have been accrued within the Statement of Financial Position and are being amortised over the expected remaining life of the facility.

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

(i) rental income from a) the previous three months and b) the forecast subsequent 12 months must cover 140% of projected finance costs;

(ii) drawdowns must not exceed 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);

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

The Group has been in compliance with the financial covenants of the Deutsche Postbank facility throughout the period. At 31 March 2012, with only £7.5 million drawn down, the debt service coverage ratio was 364% against a covenant of 140%, the forecast debt service coverage ratio was 397% against a covenant of 140%, and the loan to value was 59% against a covenant of 70%.

The facility is secured against the two investment properties held by MedicX Properties VI Limited. The value of the property provided as security is £21,040,000.

11. Long-term loans (continued)

Mark to market of fixed rate debt

The Group does not mark to market its fixed interest debt in its financial statements. A mark to market calculation gives an indication of the benefit or cost to the Group of the fixed rate debt given the prevailing cost of debt over the remaining life of the debt. An approximate mark to market calculation has been undertaken following advice from the Group's bankers, with reference to the fixed interest rate on the individual debt facilities, and the fixed interest rate, including margin, achievable on the last business day of the financial period for a loan with similar terms to match the existing facilities. The debt benefit 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 of the total fixed rate debt to the Group is £7,732,000 as at 31 March 2012 (30 September 2011: £3,966,000).

Cash flow movements

	Six months ended 31 March 2012 £'000	Six months ended 31 March 2011 £'000
Repayment of mortgage principal	**(26)**	(24)
Draw down of Deutsche Postbank facility	**7,000**	–
Draw down of Aviva £50 million facility	**50,000**	–
Repayment of loans acquired	**(16,385)**	–
Net proceeds of long-term borrowings	**40,589**	(24)
Aviva £50 million facility arrangement fee	**(595)**	–
Other costs/corrections	**(24)**	81
Loan issue costs	**(619)**	81

12. Share issues

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

	Number of shares	Issue price per share
Total shares issued as at 30 September 2011	**192,604,010**	
Shares issued under Placing, Open Offer and Offer for Subscription:		
27 February 2012	70,000,000	72.00 pence
Other shares issued for cash:		
22 December 2011	900,000	75.00 pence
Shares issued in lieu of cash payment of dividends:		
30 December 2011	141,770	74.61 pence
Total shares issued as at 31 March 2012	**263,645,780**	
Shares held in treasury (see below)	(16,717,663)	
Total voting rights in issue as at 31 March 2012	**246,928,117**	

On 27 February 2012, the Company issued 70,000,000 Ordinary Shares of no par value at 72.0 pence per share (4 March 2011: 47,650,000 Ordinary Shares of no par value at 72.0 pence per share) in a placing, open offer and offer for subscription. In addition, on 22 December 2011 900,000 shares of no par value were issued pursuant to a block listing application announced 26 June 2008 at a price of 75.0 pence per share.

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

Notes to the financial statements (continued)

For the six months ended 31 March 2012

12. Share issues (continued)

On 27 February 2012 the Company purchased 18,300,000 of its own shares at 72.0 pence per share to hold in treasury at a total cost of £13,176,000. Subsequent to that transaction, a number of shares were sold to investors at the prevailing market price, and treasury shares were also utilised to satisfy the demand for shares in lieu of cash payment for the dividend payable on 30 March 2012. The transactions and relevant price per share are noted below:

	Number of shares	Price per share
Total shares held in treasury as at 30 September 2011	**–**	
Shares repurchased following Placing, Open Offer and Offer for Subscription:		
27 February 2012	18,300,000	72.00 pence
Shares sold for cash:		
27 March 2012	(500,000)	76.50 pence
29 March 2012	(750,000)	76.75 pence
Shares utilised in lieu of cash payment of dividends:		
30 March 2012	(332,337)	72.25 pence
Total shares held in treasury as at 31 March 2012	**16,717,663**	

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

13. Dividends

	Six months ended 31 March 2012		Six months ended 31 March 2011	
	£'000	**Dividend per share**	£'000	Dividend per share
Quarterly dividend declared and paid during the period	**2,648**	**1.375p**	1,908	1.35p
Quarterly dividend declared and paid during the period	**2,711**	**1.4p**	1,960	1.375p
Total dividends declared and paid during the period	**5,359**		3,868	
Quarterly dividend declared after period end	**3,471**	**1.4p**	2,617	1.375p
Cash flow impact of scrip dividends:				
Cash equivalent value of scrip shares issued on quarterly dividend	**106**		109	
Cash equivalent value of scrip shares issued on quarterly dividend	**240**		70	
Total cash equivalent value of scrip shares issued	**346**		179	
Cash payments made for dividends declared and paid	**5,013**		3,689	

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

On 30 April 2012, the Board approved a dividend of 1.4 pence per share, bringing the total dividend declared in respect of the period to 31 March 2012 to 2.8 pence per share. The record date for the dividend was 18 May 2012 and the payment date is 29 June 2012. 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 May 2012 the Board announced an opportunity for qualifying shareholders to receive the June 2012 dividend in new Ordinary Shares instead of cash. The Company encourages shareholders to consider the advantages of the scrip dividend, and details of the Scrip Dividend Scheme are available on the Company's website (http://www.medicxfund.com/scrip).

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

14. Distributable reserve

The movement in distributable reserves is set out in the Statement of Changes in Equity on page 16.

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.

15. Commitments

At 31 March 2012, the Group had commitments of £27.8 million (30 September 2011: £27.7 million) to complete properties under construction.

16. Material contracts

Investment Adviser

MedicX Adviser Ltd is appointed to provide investment advice under the terms of an agreement dated 17 October 2006 as subsequently amended 20 March 2009 and 17 February 2012 (the "Investment Advisory Agreement" or "Agreement"). Fees payable under this agreement are:

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

(ii) a property management fee of 3% of gross rental income;

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

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

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

The high watermark used for the calculation of the performance fee for the year to 30 September 2011 was set with reference to the share price at 30 September 2010, of 73.75 pence per share. The current high watermark is set with reference to the share price at 30 September 2011, of 75.0 pence per share.

The investment advisory base fee and performance fee earned in aggregate in any one financial year cannot be paid in excess of 1.5% of gross assets (excluding cash), such limit being equivalent to the investment advisory base fee that was in existence prior to the change. The excess, if any, of the aggregate of the investment advisory base fee and performance fee earned in any one financial year over 1.5% of gross assets (excluding cash) is not payable but is carried forward to future years or termination of the Investment Advisory Agreement, subject at all times to the annual 1.5% of gross assets (excluding cash) fee limit. The Agreement is terminable at the end of an initial 7-year term and each 3-year term thereafter, provided 12 months' notice is given.

The performance fee that can be earned by the Investment Adviser in respect of the financial year ended 30 September 2012 will be the lower of:

(i) the performance fee as set out in the Investment Advisory Agreement, calculated on the basis of the weighted average of the number of Ordinary Shares in issue during the period (which would, for the avoidance of doubt, include the shares issued as a result of the placing and offer for subscription closed on 27 February 2012 (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 2012; and

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

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

Notes to the financial statements (continued)

For the six months ended 31 March 2012

16. Material contracts (continued)

During the period, the agreements with MedicX Adviser Ltd gave rise to £1,803,000 (2011: £1,297,000) of fees as follows:

	Six months ended 31 March 2012 £'000	Six months ended 31 March 2011 £'000
Expensed to the consolidated statement of comprehensive income:		
Investment advisory fee	**1,125**	1,125
Investment advisory performance fee	**292**	–
Property management fees	**186**	172
Corporate acquisition fees	**200**	–
Total fees	**1,803**	1,297

Of these fees, £1,057,000 (2011: £nil) remained unbilled or outstanding at the end of the period.

The Investment Adviser performance fee noted above is a provision of the estimated amount payable to MedicX Adviser Ltd for the period ended 31 March 2012 based upon the calculation specified above (using the average share price for March 2012). Estimates used within the calculation have been assessed by the Directors as being appropriate. The performance fee is only payable upon the full year result, and the calculation is based upon total shareholder return which, in turn, is affected by movements in the share price of the Company in the last month of the financial year. Consequently the actual fee payable for the year ended 30 September 2012 may be significantly different from the amount provided for in these financial statements.

During the period property development costs of £11,841,000 (2011: £3,881,000) were paid to MedicX Property Ltd, a member of the same group of companies as MedicX Adviser Ltd. At 31 March 2012 £316,000 (2011: £2,000) of costs remained unbilled or outstanding. In addition, licence fee income of £346,000 (2011: £135,000) was recognised on properties under construction by MedicX Property Ltd during the period. At 31 March 2012 licence fees totalling £513,000 (2011: £251,000) remained unbilled or outstanding.

Administrator

Effective from 1 July 2009, each Group company entered into a separate administration agreement with International Administration Group (Guernsey) Limited ("IAG") for the provision of administrative services for fees totalling £60,000 (2011: £60,000) for the provision of corporate secretarial services to all Group companies and other administrative services. On 2 December 2009 an agreement was entered into between IAG and MedicX Properties VI Limited for administration services to the value of £3,000, and on 25 January 2012 a further agreement was entered into between IAG and MedicX Properties VII Limited for administration services to the value of £4,000.

Effective from 1 April 2012, an amended fee structure was agreed between IAG and the Group to alter the base fee to £69,000 for the provision of administrative services to all Group companies, with an additional fee of £2,000 payable for the completion of a fund raising of at least £20 million, and an additional fee of £1,000 for each corporate acquisition or new loan facility completed. This fee is fixed for a three year period.

During the period, the agreements with IAG gave rise to the following fees, of which £5,000 (2011: £9,000) remained unbilled or outstanding at the period end:

	Six months ended 31 March 2012 £'000	Six months ended 31 March 2011 £'000
Administrative fees	**41**	29

17. Related party transactions

During the period fees of £22,000 (2011: £3,000) were paid to Aitchison Raffety Limited. John Hearle is Group Chairman of Aitchison Raffety Limited.

18. Business combinations

MedicX Properties VII Limited

On 6 December 2011 a new wholly owned subsidiary company was incorporated in Guernsey for the combined purpose of securing new debt facilities and acquiring a UK based property company in the corporate acquisition noted below.

MPVII Investments Ltd

On 21 February 2012 the Group through MedicX Properties VII Limited, a Guernsey based subsidiary, acquired 100% of the Ordinary Share Capital of Leven Investments Ltd, a private property company registered in England and Wales, which has been renamed MPVII Investments Ltd on acquisition. The company is involved in property investment and development and owns five completed properties that it had previously developed, predominantly in and around Middlesbrough. This acquisition has expanded the property portfolio of the Group. The consideration of £1,746,000 was satisfied by a combination of cash and equity as shown below.

The values of the identifiable assets and liabilities of MPVII Investments Ltd as at the date of acquisition were:

	Book Value £'000	Fair Value £'000
Investment properties	19,505	19,843
Trade and other receivables	24	24
Cash and cash equivalents	269	269
Trade and other payables	(311)	(311)
Long term loan	(16,385)	(18,314)
Provision recognised	–	(639)
Deferred tax liability	(225)	(856)
Total identifiable net assets	**2,877**	**16**
Goodwill arising on acquisition		1,730
Total purchase consideration transferred		**1,746**

Purchase consideration:	
Fair value of MedicX Fund shares issued (541,000 @ £0.72 per share)	390
Cash	1,356
Total purchase consideration transferred	**1,746**

As all of the future economic benefit of the acquisition is reflected in the property valuations, with the exception of the deferred tax element relating to latent gains on investment properties of £478,000, goodwill is considered to be impaired. As a result the excess value of £1,252,000 has been expensed in the period.

The fair value of trade and other receivables at the time of acquisition is £24,000. The gross value of trade and other receivables is £24,000, and the Directors do not consider that there is any impairment in the carrying value of trade and other receivables.

The Company has a charge over the MedicX Fund shares issued as part of the consideration, and security over 50% of the collateral held will be released subject to certain claims not being made under the warranties and indemnity within 12 months of acquisition, with the balance released if those claims have not been made within 24 months of acquisition.

Included in the cash consideration is £50,000 which has been retained pending the assessment of remedial works at three of the properties.

Professional fees of £394,000 were incurred in the completion of the acquisition, and these have been expensed during the period.

In assessing the fair value of the assets and liabilities of the acquired company, the Company has made provision for potential liabilities that may become payable in the next few years. The potential liabilities provided for relate to a combination of pre-acquisition compliance matters and employee related matters arising from transactions which occurred prior to the acquisition of the company.

The debt acquired in the purchase comprised five separate mortgages from Aviva secured against the investment properties. The weighted average interest rate was 5.94% with an average remaining term of 21.6 years. The mortgages were repaid on 28 February 2012, incurring early redemption fees of £1,929,000. The fees have been completely offset by the reversal of the fair value adjustment made on acquisition of £1,929,000 to reflect the fair value of the long term loans acquired.

Income of £130,000 and a profit of £2,000 excluding the early redemption fees noted above, has been included in the Statement of Comprehensive Income in respect of the acquired subsidiary for the period since acquisition. It is not practical to report the revenue and profit for the period from 1 October 2011 to 31 March 2012 as the acquired entity has a different reporting period to MedicX Fund Limited.

Notes to the financial statements (continued)

For the six months ended 31 March 2012

19. Post period end events

On 12 April 2012 the Churchside Medical Centre investment property at Mansfield, Nottinghamshire was sold for £1.24 million, below its valuation of £1.34 million.

Since 31 March 2012 the Group has entered into forward funding agreements in respect of three new properties at an aggregate amount of £11.4 million.

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

Financial adviser and stockbroker
Canaccord Genuity
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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