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Annual Report and Financial Statements
to 30 September 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 £394.8 million and a portfolio of 107 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 31 people operating across the UK.

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as at 30 September	2012	2011	
Committed Investment (£m)	**394.8**	250.1	+57.9%
Rental Income (£m)	**15.6**	11.8	+32.9%
Adjusted Earnings excluding Revaluation, Performance Fee & Deferred Tax (£m)	**5.2**	4.0	+29.3%
Adjusted Net Asset Value (pence per share)	**64.4**	66.0	-2.4%
Dividends declared (pence per share)	**5.6**	5.5	+1.8%

Highlights

- → Total shareholder return of 9.0%[1]
- → Rental income for the year £15.6 million
- → 39.6% increase in EBITDA to £12.6 million[5]
- → New committed investment of £146.5 million
- → Strong pipeline of approximately £134 million

Footnotes as per page 13

Investment objectives and policy

Investment objectives

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

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

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

Investment policy

The Company's investment policy is to acquire freeholds and long leaseholds of mainly modern, purpose built primary healthcare properties, some of which may have the potential for enhancement, which will be sourced in the market by the Investment Adviser or from the MedicX Group's own pipeline of development and investment opportunities. It is intended that those properties will be capable of accommodating GP practices and a range of complementary medical and other related primary healthcare and ancillary services.

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

Portfolio asset allocation

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

Restrictions on borrowing

5. The borrowings of the Company shall not exceed 75% of the adjusted total assets (excluding goodwill) of the Company. However, the Directors intend to target borrowings of approximately 50 per cent, and not exceeding 65%, of the Company's total assets attributable to the Ordinary Shares.

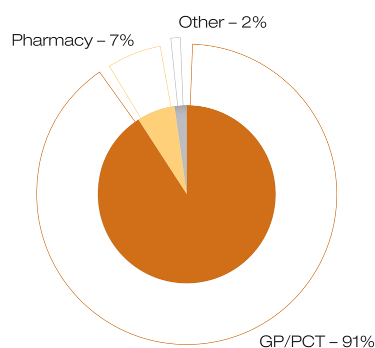
Any material removal, amendment or other modification of the Company's stated investment policy, and additional investment restrictions, will only take place with the approval of Shareholders.

Analysis of property portfolio – largest investments

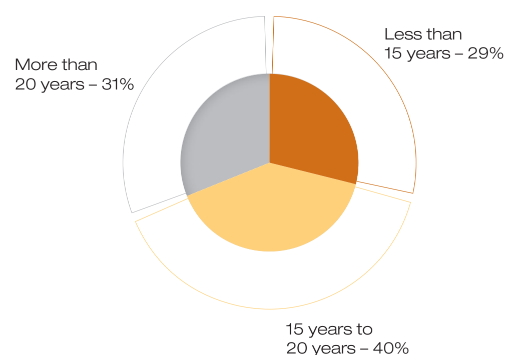
Property	Year ended 30 September 2012 Valuation £'000	Year ended 30 September 2012 Percentage of total	Year ended 30 September 2011 Valuation £'000	Year ended 30 September 2011 Percentage of total
Moorgate Primary Care Centre, Bury	**15,460**	**4.23%**	14,600	6.84%
Lytham Primary Care Centre, Lytham	**12,510**	**3.43%**	12,310	5.76%
Princeway Health Centre, Frodsham	**9,970**	**2.73%**		
Cobham Hospital, Cobham	**9,300**	**2.55%**		
Bathgate Primary Health Centre, Bathgate	**8,780**	**2.40%**		
Kingsway Medical Centre, Ossett	**7,860**	**2.15%**	7,600	3.56%
Evesham Health Centre, Evesham	**7,760**	**2.13%**	7,880	3.69%
Marisco Medical Centre, Mablethorpe	**7,600**	**2.08%**	6,520	3.05%
Alsager Medical Centre, Alsager	**7,550**	**2.07%**	7,650	3.58%
Sawston Medical Centre, South Cambridgeshire	**7,470**	**2.05%**	7,400	3.46%
Darlaston Health Centre, West Midlands			7,170	3.36%
West Allington Medical Centre, Bridport			6,070	2.84%
Pilgrim Primary Care Centre, Immingham			6,000	2.81%
10 largest properties	**94,260**	**25.82%**	83,200	38.95%
Other properties	**270,807**	**74.18%**	130,403	61.05%
	365,067	**100.00%**	213,603	100.00%

Portfolio analysis //

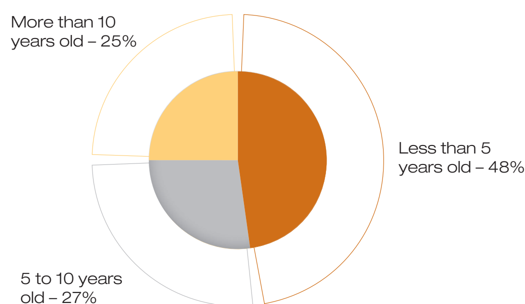
Security of income by tenant type



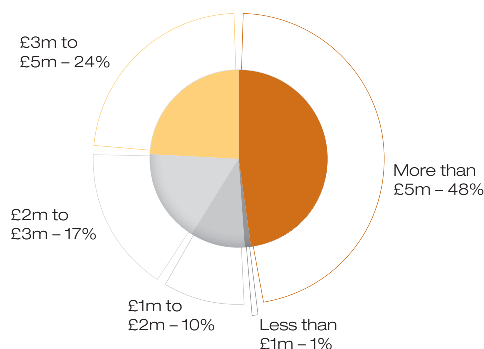
Security of income lease expiry



Modernity of Assets



Value per property



Portfolio

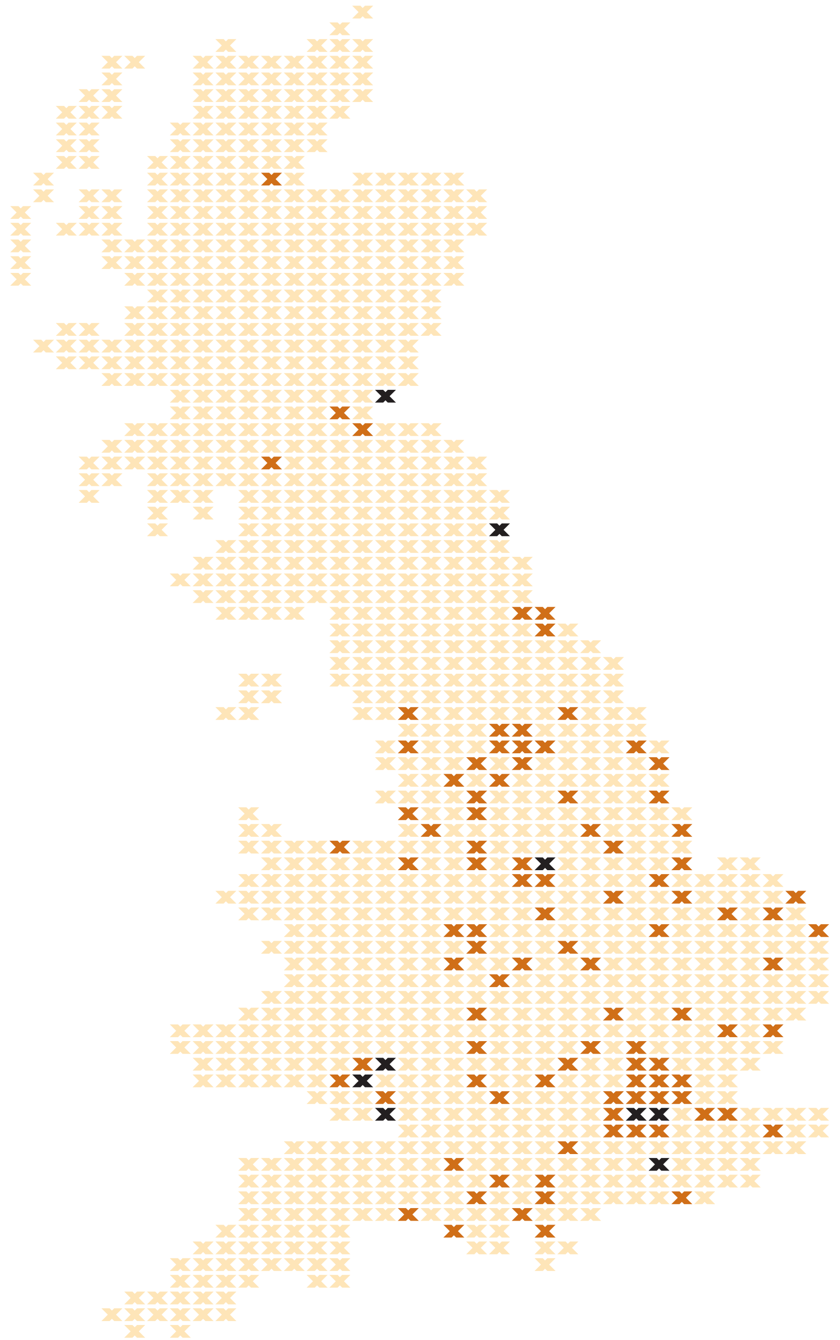
The Group now has committed investment of £394.8 million across 107 properties of which 9 remain under construction.

Rental income grew by £3.9 million or 33.0% during the year."

Completed properties
98

Properties under construction
09

Annualised rent roll
£24.8m



01 // **Hirwaun**
Hirwaun Medical Centre
Wales

02// **East Cowes**
East Cowes Health Centre
Isle of Wight

03// **Hirwaun**
Hirwaun Medical Centre
Wales

Portfolio continued

2012 has seen substantial growth which will be earnings enhancing for the Fund by way of significant new investment in primary healthcare properties.”

04 // **Grangetown**
Grange Medical Practice
Wales

05 // **Methil**
The Cannons Surgery
Scotland

06 // **Uckfield**
The Meads Uckfield Surgery
Sussex

07 // **Hounslow**
The Meadows Centre for Health
London

Chairman's Statement

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

Results overview

2012 has seen substantial growth which will be earnings enhancing for the Fund by way of significant new investment in primary healthcare properties and taking further advantage of the opportunity to secure low cost fixed rate long term debt following a sharp fall in long term interest rates. The resultant spread between the cost of debt and the yields at which the Fund can acquire modern purpose built primary care buildings has been at unprecedented levels in the year.

With the impact of the Health and Social Care Act on the NHS now becoming apparent, demand for new purpose-built primary healthcare properties continues to be strong with increased demand on primary care. The Fund has increased its portfolio with forty five new properties acquired during the period under review. Thirty six of these properties were acquired in two separate corporate acquisitions in the period with a combined committed investment of £112.7 million. All of these properties were completed and were immediately revenue generating. The Group now has committed investment of £394.8 million across 107 properties of which nine remain under construction.

The Group's net asset value at 30 September 2012, adjusted to exclude goodwill, the impact of deferred tax not expected to crystallise, financial derivatives, and the post year-end impact of resetting debt interest costs was £167.7 million or 64.4 pence per share.

Long term interest rates decreased further during the year. The Fund has continued to take advantage of the low interest rate environment, locking into long term fixed all-in rate debt and, except for the fair value adjustment allowed for at acquisition, therefore has a minimal mark to market liability on its debt. The adjusted net asset value plus the estimated cost of fixed rate debt is 64.3 pence per share.

Adjusted net asset value and adjusted net asset value plus the estimated benefit of fixed rate debt are increased by 2.4 and 2.7 pence per share respectively since the announcement on 23 July 2012 of the £91.9 million portfolio acquisition.

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 £239.3 million or 91.9 pence per share, based upon a weighted average discount rate of 7.14%.

Rental income grew by £3.9 million or 33.0% during the year, with half of this growth from the portfolios acquired in the year. Costs are in line with expectations given the level of activity and the acquisitions in the year. Costs will continue to be managed prudently and we are targeting to keep overheads at a similar level for the forthcoming year, after allowing for the growth of the portfolio and a limited allowance for inflation.

Finance costs incurred in the period were significantly higher than prior periods, with the cumulative cost of new debt facilities acquired in the year amounting to £2.2 million. Despite the short term impact from interest paid on the new facilities for properties still under construction, the long term profile of the debt acquired and the securing of favourable fixed interest rates on these facilities will deliver value to the Fund over their remaining life.

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 has increased 39.6% to £12.6 million for the year to September 2012, from £9.0 million in the previous year.

Capital appreciation of the portfolio for the year was £7.0 million with £1.2 million of purchase costs written off generating a valuation gain of £5.8 million.

Adjusted earnings excluding revaluation impact, performance fees, exceptional costs related to acquisitions and deferred taxation was £5.2 million, an increase of £1.2 million or 29.3% from the prior year.

It is very pleasing to continue to have raised equity on a basis that has been non-diluting to existing shareholders."

Long term interest rates decreased further during the year. The Fund has continued to take advantage of the low interest rate environment.”

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, there were two issues of shares in December 2011, with 900,000 shares issued by way of tap issue, and 141,770 shares issued pursuant to the scrip dividend scheme for the dividend paid on 30 December 2011. The details of these issues are noted on page 18 of the Report of the directors.

The treasury shares have been utilised to satisfy further demand for shares in the Company in the period, with a further 14 million shares sold from treasury at an average price of 77.60 pence per share, and 1,123,939 shares transferred from treasury to satisfy demand under the scrip dividend scheme at an average price of 75.69 pence per share. The total number of shares held in treasury currently stands at 3.2 million. The details of these issues are noted on page 18 of the Report of the directors.

It is very pleasing to continue to have raised equity on a basis that has been non-diluting to existing shareholders.

The Fund has taken advantage of the strong relationships developed by the Investment Adviser in the market to make significant acquisitions in the year to take advantage of the current spread between the yields at which the Fund can acquire investment properties and the cost of long term debt.

Long term gilt rates have seen their lowest point since the launch of the Fund and have presented a very attractive opportunity for the securing of new long term debt facilities. The Fund took advantage of this position and completed an agreement with Aviva in February 2012 for a new £50 million, twenty year 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.

The Fund also completed drawing against its facility with Deutsche Postbank in September 2012, drawing a total of £30.7 million under the facility in the year and bringing the total amount drawn under this facility to £31.2 million. The balance of the facility of £5.9 million was relinquished by the Fund as being excessive to requirements given the other debt facilities put in place in the year. This shorter term facility which expires in April 2015 is subject to a floating interest rate, which has been fixed by way of interest rate swaps to a fixed all in rate of 2.75%. The swaps, which are the only swaps the Group has, were entered into following draw down and effectively fix the interest rate for the full term of the loan.

Debt facilities totalling £80.2 million were acquired as part of the two corporate acquisitions in the year, of which £16.4 million has been repaid. The remaining £63.8 million has an average remaining term of 12.4 years and was acquired with a weighted average fixed interest rate of 6.26%. On 5 December 2012 the interest rate on the facility was reset to current market rates and now has a weighted average fixed interest rate of 4.45%. The cost incurred to reset the interest rate was £10.3 million.

Incorporating all of the Group’s debt facilities, the average all-in fixed rate of debt is now 4.45% with an average unexpired term of 16.8 years.

The adjusted gearing as at 30 September 2012 was 51.2% increased from 33.9% as at 30 September 2011, as a result of the acquisitions, debt acquired and new debt facilities. The Directors continue to target borrowings of approximately 50% on average over time and not exceeding 65% of the Company’s total assets.

The covenants on the debt facilities have been complied with in the year. The details of the covenants for each facility and the compliance with the covenants is described in note 13 of the financial statements.

Chairman's Statement (continued)

Dividends

In October 2012 the Directors approved a quarterly dividend of 1.4p per Ordinary Share in respect of the period 1 July 2012 to 30 September 2012. The dividend will be paid on 31 December 2012 to shareholders on the register as at close of business on 16 November 2012 (the "Record Date"). The corresponding ex-dividend date was 14 November 2012. The Fund has maintained its progressive dividend policy, with total dividends declared of 5.6p per Ordinary Share in respect of the financial year ended 30 September 2012, an increase from the dividends of 5.5p per ordinary share for the year to 30 September 2011, progressing from the initial dividend of 5.0p at the time of the listing of the Company. Subject to unforeseen circumstances the Directors expect to increase dividends for the sixth year in a row, and that the Company will pay dividends totalling 5.7p for the financial year ending 30 September 2013.

The Company has offered qualifying shareholders the opportunity to take new Ordinary Shares in the Company, credited as fully paid, in lieu of the cash dividend to be paid on 31 December 2012, by participating in the Scrip Dividend Scheme (the "Scheme") put in place by the Company on 5 May 2010. The results from this offer will be announced on 7 December 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 (www.medicxfund.com/scrip).

Dividend cover excluding any benefit of capital appreciation and underlying dividend cover adjusted to reflect completion of the properties under construction were 42% and 68% respectively even allowing for the issue of a further 67.8 million shares since 1 October 2011.

Dividend cover as calculated using the adjusted earnings including the capital appreciation of completed investment properties was 88%. In addition an average of 7.6% of the dividends paid in the year ended 30 September 2012 was in the form of scrip dividends and did not result in a cash outflow from the Company.

As the Fund continues to grow it is expected that dividend cover and underlying dividend cover will improve further and will align themselves.

Investment Adviser

On 23 July 2012, the Fund announced that given the sector leading performance of the management team at MedicX Adviser Ltd and the track record they have built since IPO, the Fund and Investment Adviser had agreed to the renewal of the Investment Advisory Agreement, for a further three year term, commencing 2 November 2013, and had at the same time agreed, effective 1 October 2012, to increase the hurdle for its performance fee from 8% to 10%.

This performance fee continues to be based on total shareholder return (share price return plus dividends paid), so is fully aligned with shareholders' interests, and the new target is above the good level of returns achieved over the last three years.

The calculation of the performance fee was also altered, to calculate it with reference to the average daily closing share price during the last month of the period rather than the closing price on the final day, which will reduce any volatility in that calculation.

With effect from 1 October 2011 the Investment Adviser fee was changed from 1.5% of gross assets excluding cash up to £150 million and 0.75% of gross assets excluding cash over £300 million, to a tiered calculation of 1.5% of gross assets excluding cash up to £150 million, 0.65% of gross assets excluding cash between £300 million and £500 million, 0.5% of gross assets excluding cash between £500 million and £750 million, and 0.4% of gross assets excluding cash over £750 million which will lead to reduced fees as the Fund grows.

Property management fees remain unchanged at 3% of the passing rent of properties managed.

Annual General Meeting

At the Annual General Meeting held on 17 February 2012, shareholders passed all of the resolutions proposed. This included authority for the Directors to issue Ordinary Shares for cash or sell from treasury 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.

The Fund enters its seventh year with a track record of delivering steady and good returns from its existing property portfolio."

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 as determined by the Directors. These powers expire immediately prior to the date of the annual general meeting of the Company, to be held on 20 February 2013.

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.

It is intended that these two resolutions will again be put before shareholders at the Annual General Meeting scheduled for 20 February 2013.

Share price and outlook

In the year to 30 September 2012, the total shareholder return, as measured by dividends received and share price growth, was 9.0%. Of the return, 7.6% was attributable to dividends received with the remainder from growth in the share price. This continues the solid delivery of returns to our shareholders, with the total shareholder returns for the previous two years being 9.4% and 8.6% respectively.

At 4 December 2012, the mid-market share price was 73.63 pence per share ex dividend, this represents a 7.6% dividend yield based upon the 5.6 pence per share dividends declared for the year, and a premium of 14.3% to the adjusted net asset value of 64.4 pence per share. Additionally, this represents a premium of 14.5% to the adjusted net asset value plus the estimated mark to market benefit of debt of 64.3 pence per share and a discount of 20.0% to the discounted cash flow net asset value of 91.9 pence per share.

The Directors have reviewed the legislation concerning Real Estate Investment Trusts ("REIT") which could allow the Company to convert to REIT status. The Directors are keeping the possibility of conversion to REIT status under review.

The Fund enters its seventh year with a track record of delivering steady and good returns from its existing property portfolio and with the recent acquisitions of completed properties, is in a position to further enhance earnings. Primary care infrastructure assets continue to be attractive investments and the Fund's portfolio remains a good route for accessing secure long term cash flows. With the recent renewal of the Investment Adviser agreement, and the strong investment pipeline, the Company is well positioned to deliver progressive long term returns to shareholders.

Following the successful deployment of the funds from the March 2012 equity raising, and in view of the committed investment and attractive investment pipeline the Company will again consider further equity capital raising in the opening months of the New Year.

David Staples
Chairman
5 December 2012

Key achievements of 2012

08 // **Corby Glen**
Market Cross Surgery
Lincolnshire

09 // **Grangetown**
Grange Medical Practice
Wales

Financial results

→ Total shareholder return of 9.0% for the year (2011: 9.4%)[1]
→ Quarterly dividend of 1.4p per share announced November 2012[2]; total dividends of 5.6p per share for the year or 7.6% dividend yield (2011: total dividends of 5.5p per share; 7.3% dividend yield)[3,4]
→ Rental income for the year £15.6 million representing a 33.0% increase from prior year
→ £3.9 million rent reviews agreed in the year ended 30 September 2012 with the equivalent of an average 2.9% per annum increase, 2.5% from open market reviews, 3.5% from RPI reviews, and 2.5% from fixed uplifts
→ 39.6% increase in EBITDA to £12.6 million[5]
→ Adjusted earnings excluding valuation gain of £5.2 million, an increase of £1.2 million or 29.3% from prior year, equivalent to 2.3p per share (30 September 2011: £4.0 million; 2.4p per share)[5]
→ Dividend and underlying dividend cover 42% and 68% respectively (30 September 2011: 44% and 61%)[6]
→ Capital appreciation of the portfolio of £7.0 million with £1.2 million of purchase costs written off generating a valuation gain for the year of £5.8 million
→ Discounted cash flow net asset value of £239.3 million equivalent to 91.9p per share (30 September 2011: £169.8 million; 88.2p per share)
→ Adjusted net asset value of £167.7 million equivalent to 64.4p per share (30 September 2011: £127.1 million; 66.0p per share)[7]
→ Adjusted net asset value plus the estimated benefit of fixed rate debt of £167.5 million equivalent to 64.3p per share (30 September 2011: £131.0 million; 68.0p per share)[7,8]

Investments

→ New committed investment and approved investments since 1 October 2011 of £146.5 million acquired at a cash yield of 6.03%
→ £394.8 million committed investment in 107 primary healthcare properties an increase of 58% in the year (30 September 2011: £249.8 million, 63 properties)[3,9]
→ Annualised rent roll now £24.8 million with 91% of rents reimbursed by the NHS, an increase of £9.5 million since 1 October 2011[3]
→ Strong pipeline of approximately £134 million further acquisition opportunities[3]

The Fund has committed investment of £394.8 million and a portfolio of 107 properties."

Funding

- → Market capitalisation £191.7 million[3] following £48.7 million net proceeds raised from 67.8 million shares issued since 1 October 2011 at an average issue price of 73.3p per share
- → £31.2 million of Deutsche Postbank facility now drawn at an all-in fixed rate of 2.75% for the life of loan to April 2015
- → New £50 million 20 year loan agreed and drawn on 2 February 2012 at an all-in fixed rate of 4.37%[10]
- → Acquired debt of £80.2 million of which £16.4 million repaid retaining £63.8 million which has been reset post year-end to a weighted all-in fixed rate of 4.45% on an average unexpired term of 12.4 years[3]
- → Total debt facilities of £246.0 million with an average all-in fixed rate of debt of 4.45% and an average unexpired term of 16.8 years, matching unexpired lease term of the investment properties and compared with 4.82% and 22.4 years for the prior year[3]
- → Net debt £190.0 million equating to 51.2% adjusted gearing at 30 September 2012

1. Based on share price growth between 30 September 2011 and 30 September 2012 and dividends received during the year
2. Ex dividend date 14 November 2012, Record date 16 November 2012, Payment date 31 December 2012
3. As at 4 December 2012
4. Total dividends declared divided by share price at 4 December 2012 (2011: at 7 December 2011)
5. Excluding revaluation impact, performance fees, exceptional costs related to acquisitions, and deferred taxation
6. Dividend cover adjusted to include impact of properties under construction as completed properties
7. Adjusted to exclude goodwill, the impact of deferred tax not expected to crystallise, financial derivatives, and the post year-end impact of resetting debt interest costs
8. Estimated benefit of all fixed rate debt calculated following advice from the Group's lenders
9. Includes completed properties, properties under construction and committed investment
10. Part held in a restricted account awaiting charge

Investment Adviser's report

Market

Prime property rental and capital returns have remained largely stable throughout the last year, but average property rental yields have slowly moved out resulting in a further widening between prime and secondary property yields. The IPD All Property Index (October 2012) shows an income yield of 6.38%, which compares to 7.91% at the bottom of the cycle in June 2009 and 4.57% at the peak of the cycle in May 2007.

In the primary care investment sector, yields for prime assets, such as those within MedicX Fund's portfolio, remain stable, having tightened slightly over the last 12 months due to strong demand from specialist healthcare investors who have capital and debt available for new acquisitions. Initial yields on prime primary healthcare assets secured on leases with fixed or RPI/CPI linked rent reviews are currently between 5.25% and 5.75%, and those for assets secured on leases with upwards only, open market reviews are between 5.50% and 6.00% with other assets at higher yields.

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 impact of the NHS Health and Social Care Act 2012, which received Royal Assent in March 2012 is now starting to be seen. 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 forming 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 formation of the NHS Property Services Company that will take on the ownership and management of the existing Primary Care Trust owned estate when Trusts are abolished in 2013 has provided some insight into the future of these properties although the exact function of the company remains unclear. The route for GP premises procurement is still 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 and the newly emerging clinical commissioning groups and remain well placed to take full advantage of the new opportunities that will unfold from GP led commissioning.

The Fund's assets are well placed to support GPs and the commissioning groups during this period of change. The current portfolio incorporates a wide range of prime 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. The NHS focus of delivering services in primary care means that there are likely to be additional opportunities for investment in healthcare infrastructure assets in a community setting outside of those accommodating GP practices and the Investment Adviser is keeping opportunities in this area under review.

Portfolio update

The Fund now has committed investment of £394.8 million at today's date, an increase of 58% in the year, in 107 primary healthcare properties.[9] The annualised rent roll of the portfolio properties is £24.8 million, an increase of £9.5 million since 1 October 2011.

The valuation of the portfolio undertaken by Jones Lang LaSalle LLP, independent valuers to the Group, as at 30 September 2012 stood at £385.2 million on the basis that all properties were complete, reflecting a net initial yield of 5.84%. The results reflect a valuation gain of £5.8 million for the year of which the capital appreciation of the portfolio was £7.0 million with £1.2 million of purchase costs written off during the period.

At 4 December 2012, the portfolio of properties had an average age of 6.3 years, remaining lease length of 17.1 years and an average value of £3.6 million. Of the rents payable, 90.8% are from government-funded doctors and Primary Care Trusts/Local Health Boards, 7.3% from pharmacies and 1.9% from other parties.

During the year the Group procured a total of 45 properties representing a total commitment of £146.5 million at a cash yield of 6.03%. 36 of the properties were acquired through two separate corporate acquisitions, with the remaining 9 properties acquired as individual acquisitions of development opportunities. These represent total commitments of £112.7 million and £33.8 million respectively.

During the year the Group procured a total of 45 properties representing a total commitment of £146.5 million at a cash yield of 6.03%."

The first corporate transaction occurred in February 2012, with the Fund acquiring a total of five properties based predominantly in the North East of England. These high quality assets had a value at acquisition of £19.8 million. With the completion of the second transaction in July 2012 the Fund acquired a portfolio of 31 assets throughout England and Scotland which were valued at £84.9 million.

Nine new development projects at Monkseaton, Methil, Caerphilly, Tooting, Uckfield, Kingston upon Thames, Arnold, Middlewich and Scholar Green were acquired in the year. These new investments represent a commitment of £33.8 million, and were all under construction as at 30 September 2012. Also, the forward purchase of Clapham, representing a committed investment of £6.9 million, completed in June 2012.

In the year, successful completion was achieved of properties under construction at Woolwich Royal Arsenal, Hounslow, West Wirral, Corby Glen, Rochdale, East Cowes, and Hirwaun, representing a total commitment of £25.1 million. All of the completed projects were delivered within budget.

Construction continued on the existing projects at Raynes Park and Grangetown, while the construction of new projects at Monkseaton, Methil, Caerphilly, Tooting, Uckfield, Kingston upon Thames, Arnold, Middlewich and Scholar Green commenced in the year. The outstanding commitment on these properties at 30 September 2012 was £19.9 million, with most projects expected to complete in the next six months. Of the projects under construction as at 30 September 2012, the properties at Grangetown and Kingston upon Thames have since been completed, on time and within budget.

The Fund has a pipeline of identified investment opportunities of £134 million, of which £50 million relates to completed assets and £84 million relates to forward funding opportunities where the Fund is the preferred investment partner.

In April 2012 the Group 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.

As noted the valuation yield on investments is 5.84% compared with the Group's weighted average fixed rate debt of 4.45% and a benchmark 20-year gilt rate of 2.95% at 30 September 2012. With committed investment since 1 October 2011 of £146.5 million and the identified investment opportunities of approximately £134 million, the Company is well placed to continue to grow and deliver value to its shareholders.

Asset management

During the year to 30 September 2012, 29 leases and rents of £3.9 million have been reviewed and the equivalent of a 2.9% per annum increase was achieved. Of these reviews, 2.5% per annum was achieved on open market reviews, and 3.3% per annum was achieved on RPI based and fixed uplift reviews. Reviews of £8.9 million of passing rent are currently under negotiation as at 4 December 2012.

The latest acquisitions have presented some good asset management opportunities and the Investment Adviser does expect the Fund to realise some rental uplifts and valuation gains from these in the future.

Of the £24.8 million annualised rent roll at 4 December 2012, there is £19.4 million, 78.2%, subject to open market review, £4.1 million, 16.5%, subject to RPI reviews and £1.3 million, 5.3%, subject to fixed uplift reviews, of an average 2.5% per annum increase. The proportion of rent subject to RPI uplifts has increased over the last six years from 6.0% to 16.5%.

Discounted cash flow valuation of assets and debt

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

At 30 September 2012, the DCF valuation was £239.3 million or 91.9 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 7.14% and this represented a 4.19% risk premium to the 20 year gilt rate at 30 September 2012 of 2.95%.

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.

Investment Adviser's report (continued)

For the discounted cash flow net asset value to equate to the share price as at 30 September 2012 of 76.00 pence per share, the discounted cash flow calculation would have to assume a 0.3% decrease in rents per annum, or a 1.2% capital reduction per annum, or a weighted average discount rate of 9.3%. These reductions in rents and capital values would need to take place every year until the expiry of individual property leases.

For the discounted cash flow net asset value to equate to the share price as at 4 December 2012 of 73.63p per share, the discounted cash flow calculation would have to assume a 0.7% decrease in rents per annum, or a 1.6% 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 64.3 pence per share and assumed purchaser costs of 8.6 pence per share, an implied net initial yield of 5.18% is required to get to the discounted cash flow net asset value of 91.9 pence.

A review of sensitivities has been carried out in relation to the valuation of properties. If valuation yields firmed by 0.5% to a net initial yield of 5.34%, the adjusted net asset value would increase by approximately 13.9 pence per share to 78.3 pence per share and the adjusted net asset value plus debt would increase to 78.2 pence per share.

Interest in voting rights of the Company

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

	2012	2011
MedicX Adviser Ltd	**1,445,618**	669,225

During the year the Investment Adviser received dividends on the holding in the Company in addition to fees received for services. With the Scrip Dividend Scheme in place, the Investment Adviser elected to receive their dividends in the form of new Ordinary Shares. The cash equivalent of the dividends received by the Investment Adviser was £57,479, compared with £35,045 in the year ended 30 September 2011.

Pipeline and investment opportunity

The spread between the yields the Fund can acquire properties at, the cost of long term debt that we can fix, and Government gilts remains significant. The Investment Adviser has continued to successfully source properties both through the MedicX Group's development arm, MedicX Property, and through its established relationships with investors, developers and agents in the sector. The Fund currently has access to a property pipeline, subject to contract, which is already estimated to be worth approximately £134 million in value when fully developed, and taking into account the current funding headroom, the Investment Adviser supports the Board's view that new equity raising should be considered in the New Year.

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

MedicX Adviser Ltd

1 Based on share price growth between 30 September 2011 and 30 September 2012 and dividends received during the year
2 Ex dividend date 15 November 2012, Record date 17 November 2012, Payment date 31 December 2012
3 As at 4 December 2012
4 Total dividends declared divided by share price at 4 December 2012 (2011: at 7 December 2011)
5 Excluding revaluation impact, performance fees, exceptional costs related to acquisitions, and deferred taxation
6 Dividend cover adjusted to include impact of properties under construction as completed properties
7 Adjusted to exclude goodwill, the impact of deferred tax not expected to crystallise, financial derivatives, and the post year-end impact of resetting debt interest costs
8 Estimated benefit of all fixed rate debt calculated following advice from the Group's lenders
9 Includes completed properties, properties under construction and committed investment

Board of directors

→ **David Staples**
Non-executive Chairman
David Staples (aged 55) is a Chartered Accountant and a Chartered Tax Adviser. He also holds the Institute of Directors' Diploma in Company Direction. For thirteen years until 2003, Mr. Staples was a partner with PwC and led the tax practice in the South East of England advising several well known family and owner-managed businesses. Mr. Staples is currently a non-executive director of five other listed companies and chairs their audit committees: Gottex Fund Management Holdings Limited, Signet Global Fixed Income Strategies Limited, Aberdeen Private Equity Fund Limited, Henderson Far East Income Limited and Duet Real Estate Finance Limited. His other appointments include non-executive directorships of certain private equity funds of Apax Partners and HSBC Private Bank (C.I.) Limited. Mr. Staples is resident in Guernsey.

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

→ **Christopher Bennett**
Non-executive director
Christopher Bennett (aged 47) is a member of the Royal Institution of Chartered Surveyors, and also has an MBA from Cranfield University and a BA in Law & Economics from Durham University. He is a Jersey resident and is Managing Director of DCG Real Estate, a real estate administration business which he co-founded in 2005. He was previously with Royal Bank of Scotland International in Jersey where he spent five years in real estate finance. Prior to working for Royal Bank of Scotland International he worked for Mutual Finance (a property finance advisory business) for 18 months, was a self employed property consultant for six years and spent three years in the residential agency sector. His property experience includes property management, development, appraisal, planning and agency in addition to finance, in both commercial and residential markets.

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

→ **Shelagh Mason**
Non-executive director
Shelagh Mason (aged 53) is an English property solicitor with 30 years' experience in commercial property. She is currently a Partner in Spicer and Partners Guernsey LLP specialising in English commercial property. Her last position in the United Kingdom was as a senior partner of Edge & Ellison (now part of Hammonds). For two years until 2001 she was Chief Executive of a property development company active throughout the United Kingdom and the Channel Islands. Mrs. Mason is a member of the board of directors of Standard Life Investment Property Income Trust, a property fund listed on the London Stock Exchange. She is also a non executive director of the Channel Islands Property Fund which is listed on the Channel Islands Stock Exchange and also holds other non-executive positions. She is a past Chairman of the Guernsey Branch of the Institute of Directors and a member of the Chamber of Commerce and the Guernsey International Legal Association.

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

→ **John Hearle**
Non-executive director
John Hearle (aged 59) is a fellow of the Royal Institution of Chartered Surveyors and a Member of the Chartered Institute of Arbitrators. He heads the Healthcare Division of Aitchison Raffety Limited based at St Albans but operating throughout the country. Mr. Hearle is also Group Chairman of Aitchison Raffety Limited and its subsidiaries with offices from London to Birmingham. After working for the District Valuers' Office, he joined Aitchisons in the late 1970s followed by TSB Property Services and then Aitchison Raffety. Mr. Hearle has undertaken various roles and responsibilities including for the Healthcare and the Residential Surveyors' groups (including responsibility for all TSB Property Services' surveyors) and was also responsible for its commercial estate agency and surveying operation. Mr. Hearle is recognised as an expert and an arbitrator by the President of the Royal Institution of Chartered Surveyors and regularly receives appointments for such roles. In addition, in respect of healthcare, he acts as Chairman of the RICS Working Party, and, on occasions, has undertaken a consultancy role to the British Medical Association. He was one of the founding members of the Primary Care Premises Forum and is now their joint Chairman. Mr. Hearle was appointed to the Board in September 2006.

Report of the directors

Principal activities

MedicX Fund Limited is a closed-ended investment company and was incorporated in Guernsey on 25 August 2006. The Ordinary Shares were admitted to the Official List on 2 November 2006. The Company is the holding company of a number of subsidiaries (together the "Group"). The Group invests in properties in accordance with the Company's investment objectives and policies.

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

Business review

A review of the business and future developments is contained in the Chairman's statement and Investment Adviser's report. The principal risks and uncertainties are detailed on page 27.

Results and dividend

The results for the year are shown on page 31. One quarterly dividend of 1.375p per Ordinary Share was paid in December 2011, and three quarterly dividends of 1.4p per Ordinary Share were paid in March, June and September 2012. The Directors have approved a further quarterly dividend of 1.4p per Ordinary Share to be paid on 31 December 2012.

The Company introduced a scrip dividend scheme with effect from the quarterly dividend paid in June 2010, whereby shareholders that qualify for a dividend have the opportunity to receive the dividend as new Ordinary Shares instead of cash, and as such all dividends paid during the year were subject to the scheme. The quarterly dividend to be paid on 31 December 2012 will also be subject to this scheme. The amounts disclosed for dividend payments are the cash equivalent values.

As at 30 September 2012, the Ordinary Share price was 76.00p.

Share issues

Ordinary Shares of no par value were issued for cash during the year and post year-end generating net proceeds of £48.7 million, excluding the impact of shares issued in lieu of dividends under the Scrip Dividend Scheme of £1.0 million, and net of £2.3 million for the shares repurchased and currently held in treasury. The issues are detailed below:

	Number of shares	Issue price per share
22 December 2011 (tap issue)	900,000	75.00 pence
30 December 2011 (scrip shares)	141,770	74.61 pence
27 February 2012 (placing and open offer)	70,000,000	72.00 pence

Immediately following the issue of shares pursuant to the placing and open offer on 27 February 2012, the Company repurchased 18.3 million of its own shares at 72.0 pence per share to hold in treasury. Subsequently, shares from treasury have been sold to satisfy demand for the Company's shares at the prevailing market price, and utilised to satisfy the demand for shares in lieu of cash payment of dividends.

The transactions and relevant price per share are noted below:

	Number of shares	Price per share
27 March 2012 (tap issue)	500,000	76.50 pence
29 March 2012 (tap issue)	750,000	76.75 pence
30 March 2012 (scrip shares)	332,337	72.25 pence
27 April 2012 (tap issue)	1,000,000	77.00 pence
3 May 2012 (tap issue)	2,000,000	79.00 pence
31 May 2012 (tap issue)	6,100,000	77.50 pence
13 June 2012 (tap issue)	600,000	77.50 pence
29 June 2012 (scrip shares)	238,099	78.45 pence
8 August 2012 (tap issue)	2,000,000	77.50 pence
13 August 2012 (tap issue)	1,000,000	77.50 pence
28 September 2012 (scrip shares)	553,503	76.55 pence

Financial instruments

The Group utilises financial instruments in its operations. The financial instruments of the Group at both 30 September 2012 and 30 September 2011 comprised trade receivables and payables, other debtors, cash and cash equivalents, non-current borrowings and current borrowings and financial derivatives. Other than its fixed interest rate debt facilities, for which a mark to market calculation is detailed in note 13, it is the Directors' opinion that the carrying value of all financial instruments on the statement of financial position is equal to their fair value.

On 25 November 2011 the first significant drawing was made of the Deutsche Postbank variable interest debt facility. Following the draw down a floating-to-fixed interest rate swap for the notional value of £7.5 million was entered into with the lender to fix the interest rate on terms matching the underlying transaction. Following completion of the draw down of the remaining facility on 28 September 2012, a second floating-to-fixed interest rate swap for the notional value of £23.7 million was entered into in October 2012. The swaps, which are the only swaps the Group has, were entered into following draw down and effectively fix the interest rate for the full term of the loan.

No other financial instruments of the Group were hedged during the year ended 30 September 2012. For a more detailed analysis of the Group's financial risk management please refer to note 18.

Taxation

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

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

Management

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

The Company has appointed MedicX Adviser Ltd as the Investment Adviser. This company is a specialist investor in, developer of and manager of primary healthcare properties. MedicX Adviser Ltd is incorporated in England and Wales and is authorised by the Financial Services Authority to carry out certain investment advisory activities. After an initial seven year period (which can be extended on a three year rolling basis), the agreement is terminable on a twelve month notice period. On 23 July 2012 the Company agreed to extend the appointment of the Investment Adviser by a further three years, commencing 2 November 2013, under the existing provisions of the Investment Adviser agreement.

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

The Investment Adviser receives a base fee of 1.5% of the Fund's gross assets excluding cash up to a gross asset value of £150 million (excluding cash), 0.65% of gross assets excluding cash between £300 million and £500 million, 0.5% of gross assets excluding cash between £500 million and £750 million, and 0.4% of gross assets excluding cash over £750 million. No fee is payable for gross assets excluding cash between £150 million and £300 million. In addition to this, the Investment Adviser is entitled to a property management fee of 3% of all passing rents of properties under management, a corporate acquisition fee of 1% of the assets acquired in any corporate transaction, and a performance fee of 15% of the total shareholder return in excess of 8% per annum compounded hurdle rate and subject to a high watermark. For the calculation of the performance fee, the average share price for the month of September is used to calculate the total shareholder return rather than the closing share price on the last day.

The Investment Adviser performance fee has been modified with effect from 1 October 2012 following the extension of the appointment of the Investment Adviser on 23 July 2012, with the hurdle rate used in the calculation increased from 8% to 10%.

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

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

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

The Administrator acts as administrator and secretary of the Company and its subsidiaries. The Administrator receives an aggregate annual fee of £72,000 for corporate secretarial services and administration services. It is also entitled to additional fees for the duties carried out during equity and debt raising activities, and a set fee of £1,000 for each corporate acquisition. The agreements are terminable on 90 days' notice.

The duties of the Administrator include the maintenance of all Company and subsidiary books and records, excluding those maintained by the Investment Adviser, compliance with all relevant rules and regulations, monitoring compliance with the Company's Articles of Incorporation and other administrative duties as required. In conjunction with the Investment Adviser, the Administrator is also responsible for monitoring adherence to the investment restrictions as set in the Company's investment policy on page 2.

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

Directors

The members of the Board are listed on page 17.

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

Report of the directors (continued)

Directors (continued)

The Board has assessed its performance using a third party facilitator, in accordance with the procedure described in the Corporate Governance report on page 21, which includes reviewing the structure, composition and size of the Board, plus the experience and independence of individual directors, and also includes an assessment of the Chairman. The Board are satisfied that the current structure is appropriate and meets the needs of the business, and that all Directors are independent.

The Directors have beneficial interests in the following number of shares in the Company at the date of this report:

	2012	2011
D Staples (Chairman)	**59,492**	44,403
S Mason	**16,969**	7,251
C Bennett (Audit Committee Chairman)	**9,063**	7,251
J Hearle	**19,430**	14,503
Total	**104,954**	73,408

No director is under a contract of service with the Company. Details of directors' remuneration are described in the Directors' remuneration report on page 26 and are also disclosed in note 2 to the financial statements.

Substantial shareholdings

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

	Number of Ordinary Shares	Percentage of Ordinary Shares in issue
Investec Wealth & Investment Limited	32,812,263	12.60%
CCLA Investment Management	23,801,249	9.14%
Brewin Dolphin Ltd	19,392,631	7.45%
Architas Multi Manager Limited	16,861,399	6.47%
East Riding of Yorkshire Council Pension Acct	11,000,000	4.22%
Rathbone Brothers PLC	8,466,765	3.25%

Auditor

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

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

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

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the results overview in the Chairman's statement. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Investment Adviser's report. In addition, notes 18 and 25 to the financial statements include the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

Full details of the loan facilities and associated covenants are contained within note 13 of the financial statements.

The Group has considerable financial resources together with long term leases across different geographic areas within the United Kingdom. The Directors have reviewed the Group's forecast commitments against the future funding availability, with particular reference to the utilisation and continued access to existing debt facilities and access to restricted cash balances, as well as the on going commitments to development projects and proposed acquisitions. The Directors have also reviewed the Group's compliance with covenants on lending facilities. The Group's financial forecasts show that the Group can remain within its lending facilities and meet its financial obligations as they fall due for the foreseeable future.

The Directors believe that the Group is well placed to manage its business risks successfully despite the current uncertainties in economic outlook. Accordingly, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

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

David Staples
Chairman
5 December 2012

Corporate governance statement

Introduction

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

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

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

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

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

The Board

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

There are no executive directors or employees of the Company. The Investment Adviser agreement establishes the areas of authority that have been delegated to the Investment Adviser, but remain under the supervision of the Board, and the limits on the Investment Adviser's scope of operation whereby Board approval must be sought. All other areas outside the agreement remain under Board authority. These areas include all strategy matters, investment and divestment policies and approvals, financing and dividend policies and corporate governance processes.

The appointment letter for each director requires them to retire and stand for re-appointment every three years. One third of the Directors will retire by rotation each year and present themselves for re-election.

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

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

The performance of the Board is assessed annually, and once every three years they intend to use the services of a third party facilitator following the principles outlined by the AIC. In particular the following areas are assessed:

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

The Company maintains a policy that the Board have a balance of skills that are complementary and assist in the efficient operating of the Board. This involves an assessment of the formulation of the Board and its committees, including the diversity and gender balance of the Board.

As part of the annual assessment, the performance of the Chairman is assessed by the Board, with the review led by the Chairman of the Audit Committee.

A third party facilitator was used to help conduct the review of the Board and the Chairman in 2012. The findings from the review were presented and discussed by the Board and it was agreed that the current composition of the Board and its committees is appropriate and that there are no areas where a significant lack of expertise exists. The Directors consider that the Board as a whole is functioning effectively and the structure of the Board is appropriate.

Corporate governance statement (continued)

The Board (continued)

Training and development for Directors includes all aspects of the business, and will incorporate such matters as environmental, social, financial, regulatory and governance issues as they affect the Company. There is a policy in place whereby new directors will receive an induction from the Chairman, Investment Adviser and Company Secretary on joining the Board and all directors receive relevant training as necessary.

Each member of the Board and audit committee is subject to removal without notice under the Articles. As each Director's letter of appointment allows for termination on three months' notice, in cases of poor performance the Chairman or shareholders could remove a director without the Company incurring a substantial compensation liability.

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

Committees of the Board

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

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

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

Similarly, all the Directors are party to remuneration reviews and are paid fees as set out in their letters of appointment, and any such discussion is led by the Chairman except in relation to his own fees whereupon the Audit Committee chairman leads. The Directors fees are set with regard to those of comparable investment companies and also take into account such factors as complexity, time requirements and responsibilities of the roles. For further information, refer to the Directors' remuneration report on page 26.

The numbers of scheduled and ad-hoc Board and Audit Committee meetings held during the year to 30 September 2012 along with the attendance of the Directors were:

	Board of Directors				Audit Committee			
	Scheduled		Ad hoc		Scheduled		Ad hoc	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
D Staples	5	5	16	11	3	3	1	1
C Bennett	5	5	16	8	3	3	1	1
S Mason	5	5	16	13	3	3	1	1
J Hearle[1]	5	5	16	4	3	3	1	1

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

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

Audit Committee

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

The Committee meet at least three times a year and meets the internal and external auditor at least annually without the Investment Adviser. The Committee review the performance and continued suitability of the Fund's external auditor on an annual basis. They assess the external auditor's independence, qualifications, relevant experience, and effectiveness of audit procedures as well as the robustness of their quality assurance procedures. In advance of each audit, the Committee obtains confirmation from the external auditor that they are independent and of the level of non-audit fees earned by them and their affiliates. The Board believe that it is appropriate for the external auditor to provide other services to the Group for a variety of reasons including cost effectiveness, depth of knowledge and the ongoing relationship between the Board and the external auditor. Where non-audit fee levels are considered significant, the Committee consider the appropriateness of the independence safeguards put in place by the auditor. Note 3 details the total fees paid to PKF (UK) LLP in the financial year to 30 September 2012. The Committee consider PKF (UK) LLP to be independent of the Company and the Group, and that the provision of non-audit services does not threaten the objectivity and independence of the audit.

Audit Committee (continued)

As part of its annual review procedures, the Committee obtained sufficient assurance on the quality of the external audit from its own evaluation, the audit feedback documentation and from correspondence and discussion with PKF (UK) LLP's audit partner. Based on the assurance obtained, the Committee recommended to the Board that PKF (UK) LLP is reappointed and that a resolution to this effect be proposed at the forthcoming AGM. PKF (UK) LLP, who succeeded PKF Guernsey, have held office as statutory auditor in respect of the Company's last five statutory reporting periods.

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

Internal control

The Audit Committee has in place a formal procedure for identifying, evaluating and monitoring the risks most likely to impact the Group, with the key risks identified on page 27 of this report. The Committee uses a matrix to record internal and external risks that are graded high, medium or low and the control processes used to mitigate those risks, setting out the parties responsible for the processes. At each Audit Committee meeting, the matrix is reviewed and updated for changes to the risk profile or processes. The Committee is provided with status updates from any actions raised in previous meetings.

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

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

The Company's internal control procedures are regularly monitored by the Board and are further enhanced by the continued appointment of Roffe Swayne, an independent firm of accountants as internal auditor during the year. The scope of the internal audit reviews are determined by the Audit Committee to ensure full coverage of key risk areas. The internal auditor continued its programme of rolling reviews during the year to 30 September 2012 and reported its findings to the Committee. No material weaknesses have been identified as the result of the work carried out to date.

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

Independence of Directors

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

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

All Directors are considered to be independent in character and judgement in general, and specifically of the Investment Adviser. In particular the status of Mr. Hearle has been reviewed given the nature of the relationship between the Investment Adviser and Aitchison Rafferty, a company of which he is Chairman, which is a supplier of professional services to both the Investment Adviser and the Company. The fees paid to Aitchison Raffety in the year were £65,000 (2011: £33,000), this represents less than 1% of the overall fees of Aitchison Raffety for the year. The Board are satisfied that Mr. Hearle is independent of the Investment Adviser despite this relationship as Mr Hearle is sufficiently removed from the team that performs the work for the Investment Adviser and Company, and there are several other suppliers of similar professional services currently engaged by the Investment Adviser. The Board is also satisfied that appropriate procedures are in place to deal with any conflicts of interest that may arise.

Corporate governance statement (continued)

Conflicts of interest

All Directors have a statutory responsibility to avoid situations where a conflict of interest exists, or may exist, between the Company and an entity that the director is either directly or indirectly involved with. The Board have procedures in place to identify potential conflicts and resolve any that should arise. In the case of a conflict of interest, the nature and extent of the conflict are assessed against the existing internal control structure, and the results of this assessment and actions taken to resolve the conflict are documented in the minutes of the relevant Board meeting. No conflicts of interest arose during the year, outside of those arising from Mr Hearle's position with Aitchison Raffety as noted above, which were handled appropriately.

Health and safety

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

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

Corporate responsibility

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

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

Business conduct

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

All our suppliers will be treated fairly and responsibly.

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

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

The Group anti-corruption policy is set out on page 28.

Governance

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

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

Supply chain

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

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

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

Transparency

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

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

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

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

Transparency (continued)

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

Communities

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

Relations with shareholders

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

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

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

Should any shareholders wish to raise any matter with the Board or Investment Adviser, they can write to the Company at its registered address as disclosed on page 56, or alternatively use one of the contact links on the Company's website (www.medicxfund.com/contact). The Annual General Meeting of the Company also provides a forum where shareholders may discuss issues with the Board and Investment Adviser.

By order of the Board

David Staples
Chairman
5 December 2012

Directors' remuneration report

The Board present their Directors' remuneration report in respect of the year ended 30 September 2012.

Remuneration policy

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

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

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

Company performance

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

The total shareholder return for the year ended 30 September 2012 was 9.0%, compared with 9.4% for the year ended 30 September 2011.

Directors' remuneration (audited)

The annual remuneration of the Directors is stipulated in the relevant letter of appointment. The Articles of Incorporation restrict the individual remuneration of each director to £75,000 per annum, excluding any amounts payable in accordance with the Articles for extra or special services over the usual non-executive director's duties. Aside from the additional fees paid in relation to the February 2012 fundraising noted below, there were no other payments for extra or special services in the year ended 30 September 2012.

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

	2012 £'000	2011 £'000
D Staples (Chairman)	**45**	45
S Mason	**32**	32
C Bennett (Audit Committee Chairman)	**36**	36
J Hearle	**32**	32
Total	**145**	145

Included in the fees noted above is an additional fee of £5,000 per Director (total of £20,000) which was paid in relation to the February 2012 fundraising, reflecting the additional time and duties involved in that exercise (2011: £20,000 total, £5,000 per director). The cost of this has been expensed against the share premium arising from the issue of new shares at the time of the fundraising.

During the year, the Directors received dividends on their holdings in the Company as disclosed on page 20. With the Scrip Dividend Scheme in place throughout the year, all the Board members with the exception of Christopher Bennett elected to receive their dividend in the form of new Ordinary Shares. The cash or cash equivalent value of the dividends received by each director is disclosed in the table below.

	2012 £	2011 £
D Staples (Chairman)	**2,865**	2,045
S Mason	**673**	194
C Bennett (Audit Committee Chairman)	**462**	194
J Hearle	**950**	388
Total	**4,950**	2,821

During the period, no salaries, bonuses, compensation or other payments for loss of office or other benefit were paid to any of the Directors or former directors of the Company. In addition, no reward was received by any director in a form other than cash. Directors are entitled to be reimbursed for reasonable expenses incurred in the performance of their duties.

The approval of this report by the shareholders of the Company is to be sought by ordinary resolution at the annual general meeting to be held on 20 February 2013.

By order of the Board

David Staples
Chairman
5 December 2012

Principal risks and uncertainties

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

- A property market recession could materially adversely affect the value of properties.
- Property and property related assets are inherently difficult to value and valuations are subject to uncertainty. There can be no assurance that the estimates resulting from the valuation process will reflect actual realisable sale prices.
- Rental income and the market value for properties are generally affected by overall conditions in the local economy, demographic trends, inflation and changes in interest rates, which in turn may impact upon the demand for properties. Movements in interest rates may also affect the cost of financing.
- Investments in property are relatively illiquid and usually more difficult to realise than listed equities or bonds.
- Any change in the tax status or tax residence of the Company or in tax legislation or practice (in Guernsey or the UK) may have an adverse effect on the returns available on an investment in the Company. Similarly, any changes under Guernsey company law may have an adverse impact on the Company's ability to pay dividends.
- The rental costs of premises used for the provision of primary healthcare are reimbursed to GPs (subject to the fulfilment of certain standard conditions) by the PCTs. In light of the Health and Social Care 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).

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

Further details of the Audit Committee's risk monitoring activities may be found in the Report of the directors on page 18, and Corporate governance statement on page 21.

Anti-corruption policy

Core expectations and code of ethics

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

All Directors and appointed advisers are expected to:

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

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

Application of this Policy

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

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

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

Statement of directors' responsibilities

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

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

In preparing these financial statements the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether the financial statements have been prepared in accordance with IFRSs as adopted by the European Union; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

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

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

The Directors confirm, to the best of their knowledge:

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

The names and functions of all the Directors are stated on page 17.

Report of the Independent Auditor

to the members of MedicX Fund Limited

We have audited the financial statements of MedicX Fund Limited for the year ended 30 September 2012 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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

Respective responsibilities of Directors and auditor

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

Scope of the audit of the financial statements

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

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's affairs as at 30 September 2012 and of its profit for the year then ended;
- are in accordance with IFRSs as adopted by the European Union; and
- comply with The Companies (Guernsey) Law, 2008.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under The Companies (Guernsey) Law, 2008 we are required to report to you if, in our opinion:

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

Under the Listing Rules we are required to review:

- the Directors' statement, set out on page 20, in relation to going concern; and
- the part of the corporate governance statement relating to compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to the shareholders by the Board on Directors' remuneration.

Rosemary Clarke
for and on behalf of PKF (UK) LLP, Recognised auditor
London, UK
5 December 2012

Consolidated Statement of Comprehensive Income

For the year ended 30 September 2012

	Notes	2012 £'000	2011 £'000
Income			
Rent receivable	1	**15,642**	11,768
Finance income	1	**127**	168
Other income	1	**991**	706
Total income		**16,760**	12,642
Valuation and impairment adjustments			
Net valuation gain on investment properties	10	**5,778**	3,409
Charge for impairment of goodwill	8	**(1,894)**	(514)
Total valuation and impairment adjustments		**3,884**	2,895
Expenses			
Loss on disposal of property	10	**131**	12
Direct property expenses		**283**	214
Investment advisory fee	20	**2,384**	2,250
Investment advisory performance fee	20	**515**	282
Property management fee	20	**436**	337
Administrative fees	20	**68**	51
Audit fees	3	**135**	74
Professional fees		**237**	198
Directors' fees	2	**125**	125
Other expenses		**271**	214
Finance costs	4	**7,265**	5,125
Total expenses before exceptional costs		**(11,850)**	(8,882)
Exceptional costs related to acquisitions			
Legal and professional fees	22	**1,986**	–
Goodwill written-off on acquisitions	22	**7,996**	–
Total expenses including acquisition costs		**(21,832)**	(8,882)
(Loss)/profit before tax		**(1,188)**	6,655
Taxation	6	**1,321**	665
Profit attributable to equity holders of the parent		**133**	7,320
Other comprehensive income			
Fair value loss on financial derivatives	5	**(125)**	–
Total comprehensive income attributable to equity holders of the parent		**8**	7,320
Earnings per ordinary share			
Basic and diluted	9	**0.0p**	4.3p

1. All items in the above statement are derived from continuing operations
2. Included in note 9 is an adjusted earnings per share calculation that adjusts for the impact of deferred tax and goodwill which, based on the expected manner of realisation of the carrying amount of investment properties, is unlikely to crystallise

The accompanying notes on pages 35 to 55 form an integral part of the financial statements.

Consolidated Statement of Financial Position

As at 30 September 2012

	Notes	2012 £'000	2011 £'000
Non-current assets			
Goodwill	8	**9,858**	6,410
Investment properties	10	**365,067**	213,603
Total non-current assets		**374,925**	220,013
Current assets			
Trade and other receivables	11	**6,358**	5,125
Cash and cash equivalents	16	**66,247**	18,112
Total current assets		**72,605**	23,237
Total assets		**447,530**	243,250
Current liabilities			
Trade and other payables	12	**16,088**	9,316
Non-current liabilities			
Long-term loans	13	**255,453**	100,443
Deferred tax liability	6	**11,870**	5,914
Provisions	7	**215**	–
Financial derivatives	5	**125**	–
Total non-current liabilities		**267,663**	106,357
Total liabilities		**283,751**	115,673
Net assets		**163,779**	127,577
Equity			
Share capital	14	**–**	–
Share premium	14	**131,328**	80,315
Treasury shares	14	**(2,323)**	–
Distributable reserves	15	**36,256**	48,752
Accumulated losses		**(1,482)**	(1,490)
Total attributable to equity holders of the parent		**163,779**	127,577
Net asset value per share			
Basic and diluted	9	**62.9p**	66.2p

The financial statements were approved and authorised for issue by the Board of Directors on 5 December 2012 and were signed on its behalf by

David Staples
Chairman

The accompanying notes on pages 35 to 55 form an integral part of the financial statements.

Consolidated Statement of Changes in Equity

For the year ended 30 September 2012

	Notes	Share Premium £'000	Treasury Shares £'000	Distributable Reserve £'000	Accumulated Losses £'000	Total £'000
Balance at 1 October 2010		**44,132**	**–**	**57,883**	**(8,810)**	**93,205**
Proceeds on issue of shares		37,077	–	–	–	37,077
Share issue costs		(894)	–	–	–	(894)
Total comprehensive income for the year		–	–	–	7,320	7,320
Dividends paid	17	–	–	(9,131)	–	(9,131)
Balance at 30 September 2011		**80,315**	**–**	**48,752**	**(1,490)**	**127,577**
Proceeds on issue of shares		62,857	–	–	–	62,857
Share issue costs		(991)	–	–	–	(991)
Shares repurchased and held in treasury		–	(13,176)	–	–	(13,176)
Shares sold from treasury		(10,853)	10,853	–	–	–
Total comprehensive income for the year		–	–	–	8	8
Dividends paid	17	–	–	(12,496)	–	(12,496)
Balance at 30 September 2012		**131,328**	**(2,323)**	**36,256**	**(1,482)**	**163,779**

The accompanying notes on pages 35 to 55 form an integral part of the financial statements.

Consolidated Statement of Cash Flows

For the year ended 30 September 2012

	Notes	2012 £'000	2011 £'000
Operating activities			
(Loss)/Profit before taxation		(1,188)	6,655
Adjustments for:			
Net valuation gain on investment properties	10	(5,778)	(3,409)
Goodwill impairment	8	1,894	514
Goodwill written-off on acquisitions	8	7,996	–
Loss on disposal of investment property		131	12
Financial income receivable		(127)	(168)
Finance costs payable and similar charges	4	7,265	5,125
		10,193	8,729
Increase in trade and other receivables		(792)	(2,613)
Increase in trade and other payables		2,835	2,763
Interest paid		(7,853)	(5,297)
Interest received		48	131
Early debt repayment fees	22	(1,929)	–
Net cash inflow from operating activities		**2,502**	3,713
Investing activities			
Acquisitions net of cash acquired	22	(13,319)	–
Proceeds from sale of investment properties	10	1,209	623
Additions to investment properties and properties under construction		(41,697)	(30,076)
Net cash outflow from investing activities		**(53,807)**	(29,453)
Financing activities			
Net proceeds from issue of share capital		48,300	35,779
New loan facilities drawn	13	80,700	–
Net repayment of long-term borrowings	13	(16,615)	(448)
Loan issue costs	13	(1,406)	(41)
Dividends paid	17	(11,539)	(8,727)
Net cash inflow from financing activities		**99,440**	26,563
Increase in cash and cash equivalents		**48,135**	823
Opening cash and cash equivalents		**18,112**	17,289
Closing cash and cash equivalents	16	**66,247**	18,112

The accompanying notes on pages 35 to 55 form an integral part of the financial statements.

Notes to the financial statements

For the year ended 30 September 2012

1. Principal accounting policies

Basis of preparation and statement of compliance

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

Impact of revision to International Financial Reporting Standards

The accounting policies applied and the presentation of figures are consistent with those of the annual financial statements for the year ended 30 September 2011.

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

International Accounting Standards (IAS/IFRS)		Effective date – periods beginning on or after
IAS 12	Recovery of underlying assets	1 January 2012
IAS 1	Presentation of financial statements	1 July 2012
IFRS 13	Fair value measurement	1 January 2013
IAS 19	Employee benefits	1 January 2013
IFRS 7	Financial Instruments: Disclosure	1 January 2013
IAS 27	Separate financial statements	1 January 2013
IAS 28	Investment in associates and joint ventures	1 January 2013
IFRS 1	Government loans	1 January 2013
IFRSs	Improvements 2009 – 2011	1 January 2013
IFRS 10	Consolidated financial statements	1 January 2014
IFRS 11	Joint arrangements	1 January 2014
IFRS 12	Disclosure of interests in other entities	1 January 2014
IAS 32	Financial instruments: Presentation	1 January 2014
IFRS, 10, 12 & IAS 27	Investment entities – amendment to current standards	1 January 2014
IFRS 9	Financial Instruments	1 January 2015

Only the amendments to IAS 19 and IAS 1 have been adopted by the European Union at the date of approval of these financial statements. The reason that the Board has not considered early adoption of the other listed standards is that they either do not apply to the Fund or have no material effect on the financial statements.

Basis of consolidation

The Group financial statements consolidate the financial statements of MedicX Fund Limited and entities controlled by the Company (its subsidiary undertakings) made up to 30 September 2012. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to benefit from its activities. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Goodwill

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

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

Segmental reporting

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

Revenue recognition

Rent receivable comprises rent for the year in relation to the Group's investment properties exclusive of value added tax. Rent is recognised on a straight line basis over the period invoiced. Rent is accrued for any outstanding rent reviews from the date that the review was due. Incentives offered to tenants to enter into lease agreements are amortised on a straight line basis over the remaining lease term. Any premium paid by tenants is recognised on a straight line basis over the full lease term.

Other income includes licence fee income, which is receivable on properties under construction, this being a mechanism to realise a rental return over the course of the development period. Licence fee income is recognised on an accruals basis exclusive of value added tax.

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

Expenses

All expenses are accounted for on an accruals basis.

Employees

The Group has no employees.

Notes to the financial statements (continued)

For the year ended 30 September 2012

1. Principal accounting policies (continued)

Cash and cash equivalents

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

Trade and other receivables

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

Trade and other payables

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

Finance costs

Borrowing costs are taken to the Consolidated Statement of Comprehensive Income in the year to which they relate on an accruals basis except where they relate to properties under construction when borrowing costs are capitalised.

Bank loans and borrowings

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

Bank loans that are acquired by means of a business combination are recognised at fair value as at the date of acquisition with the resulting fair value adjustment amortised against finance costs over the life of the loans.

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.

Investment properties

The Group's completed investment properties are held for long-term investment. Freehold properties acquired are initially recognised at cost, being fair value of consideration given including transaction costs associated with the property. After initial recognition, freehold properties are measured at fair value, with unrealised gains and losses recognised in the consolidated statement of comprehensive income. Both the base costs and valuations take account of core fixtures and fittings.

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

Investment properties under construction are initially recognised at cost and are revalued at the period end as determined by professionally qualified external valuers. Gains or losses arising from the changes in fair value of investment properties under construction are included in the consolidated statement of comprehensive income in the period in which they arise.

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

Costs of financing specific developments are capitalised and included in the cost of each development. During the year a portion of the Aviva £100m loan facility and a portion of the Deutsche Postbank loan facility as disclosed in note 13 were utilised to fund development work on investment properties under construction. Interest costs attributable to development work in progress of £602,000 (2011: £306,000) were capitalised.

Impairment of assets

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount an impairment loss is recognised immediately in the Consolidated Statement of Comprehensive Income.

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

1. Principal accounting policies (continued)

Taxation

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

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

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

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

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

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

Deferred tax assets and liabilities are not discounted.

Use of estimates

In the process of applying the Group's accounting policies, 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:

Valuation of investment property and freehold land and buildings

The Fund obtains valuations performed by external valuers in order to determine the fair value of its investment properties. These valuations are based upon assumptions including future rental income, anticipated maintenance costs, future development costs and the appropriate discount rate. The valuers also make reference to market evidence of transaction prices for similar properties. Further information in relation to the valuation of investment property is disclosed in note 10.

Impairment of goodwill

The Fund is required to test, on an annual basis, whether goodwill has suffered any impairment. The recoverable amount is determined based on the assessment of fair value less cost to sell and value in use calculations. The use of these methods requires estimation. Actual outcomes may vary. More information concerning the assessment of carrying value of goodwill is included in note 8.

Rent review accruals

The Fund estimates the amount recoverable for back dated rental increases on leases currently subject to rent reviews. The Fund obtains expert opinion from qualified surveyors to establish the potential uplift (if any) based on market evidence of rents agreed for comparative leases, and make allowances accordingly.

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 22. 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.

2. Directors' fees

	2012 £'000	2011 £'000
During the year each of the directors received the following fees:		
D Staples (Chairman)	**45**	45
S Mason	**32**	32
C Bennett (Audit Committee Chairman)	**36**	36
J Hearle	**32**	32
	145	145
Less additional fees paid in relation to fundraising	**(20)**	(20)
Total charged in the statement of comprehensive income	**125**	125

Those fees paid in relation to the fundraising, reflecting the additional time and duties involved in that exercise, have been expensed against the share premium arising from the issue of new shares at the time of the fundraising.

Notes to the financial statements (continued)

For the year ended 30 September 2012

3. Auditor's remuneration

The amount disclosed in the Consolidated Statement of Comprehensive Income relates to an accrual for audit fees for the year ending 30 September 2012, payable to PKF (UK) LLP.

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

	2012 £'000	2011 £'000
Audit fees for the current year	**135**	74
Total audit fees	**135**	74
Review of the interim report	**16**	16
Tax compliance	**27**	26
Other tax services	**13**	11
Reporting accountants in respect of the share issue	**30**	30
Due diligence and advisory work relating to acquisitions	**130**	–
Total audit and other fees	**351**	157

4. Finance costs

	2012 £'000	2011 £'000
Interest payable on long-term loans	**8,066**	5,431
Amortisation of Aviva PMPI loan fair value adjustment	**(199)**	–
Interest capitalised on properties under construction	**(602)**	(306)
	7,265	5,125

During the year interest costs on funding attributable to investment properties under construction were capitalised at an effective interest rate of 4.87%. The funding was sourced from the Aviva £100m loan facility which has an effective interest rate of 5.008%, and the Deutsche Postbank loan facility which has an effective interest rate of 3.14%.

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.

Fair value of interest rate swaps treated as cash flow hedges under IAS39 ("effective swaps"):	**30 September 2012 £'000**	30 September 2011 £'000
Non-current liabilities	**(125)**	–
	(125)	–

The movement in fair value of effective swaps is 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 draw down 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

	2012 £'000	2011 £'000
Deferred Tax		
Change in corporate tax rate	**731**	470
On fair value movement for the year	**590**	195
Total tax credited in the statement of comprehensive income	**1,321**	665

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

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 Group's affairs such that the Company continues to remain eligible for the exemption. Guernsey companies are subject to UK taxation on UK net rental income. During the year no tax arose in respect of the income of any of the Guernsey companies. The Company's UK subsidiaries are subject to United Kingdom corporation tax on their profits less losses.

A reconciliation of the current tax charge/credit to the notional tax charge/credit applying the Schedule A income tax rate of 20% (2011: 20%) and at the average standard rate of UK corporation tax of 25% (2011: 27%) where appropriate is set out below:

	2012 £'000	2011 £'000
(Loss)/profit on ordinary activities before tax	**(1,188)**	6,655
Profit on ordinary activities multiplied by the average standard rate of corporation tax in the UK of 25% (2011: 27%)	**(297)**	1,797
Additional taxable income – gains	**454**	–
Expenses not deductible for tax purposes	**1,106**	2,306
Profits not subject to UK taxation	**(5,913)**	(6,885)
Effect of change in tax rate on brought forward deferred tax liability	**(730)**	(470)
Effect of difference in deferred and corporation tax rates	**(47)**	(26)
Effect of different rates of tax on income	**–**	(1,013)
Current year losses carried forward	**4,106**	3,626
Total tax credit in the statement of comprehensive income	**(1,321)**	(665)

Deferred tax liability/(asset) in respect of:

	Fair value gain on acquisition £'000	Fair value gains of prior years £'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 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 tax rate	(671)	–	(249)	189	(731)
Acquired with subsidiaries	5,342		2,766	(831)	7,277
(Released)/provided in year	(465)	–	(115)	(10)	(590)
At 30 September 2012	**9,858**	**–**	**4,295**	**(2,283)**	**11,870**

As required by IAS 12 "Income taxes", full provision has been made for the temporary timing differences arising on the fair value gain of investment properties held by UK resident companies that have passed through the Group's Consolidated Statement of Comprehensive Income. In the opinion of the Directors, this provision is only required to ensure compliance with IAS 12. It is the Directors' view that the deferred tax attributable to the fair value gain on the Group's investment property portfolio is unlikely to crystallise as, in common with practice in the sector, the Group would most likely sell the company that holds the property portfolio rather than sell an individual property. Had the provision not been previously made, the Group's earnings for the year would be £1,136,000 lower (2011: £683,000 lower).

There are accumulated tax losses within MedicX Properties I Limited, MedicX Properties V Limited, MedicX Properties VI Limited and MedicX Properties VII Limited totalling £67.7 million (2011: £53.0 million) which are currently not recognised within the financial statements of the Group on the basis that there is uncertainty over whether these will be utilised in the future.

7. Provisions

Investment adviser fee provisions

	2012 £'000	2011 £'000
Brought forward	**–**	342
Provided in year	**515**	282
Payable at year end	**(515)**	(624)
At 30 September	**–**	–

No provision was required at 30 September 2012 for performance fees payable to the Investment Adviser that were in excess of 1.5% of gross assets (excluding cash) for the period and would be carried forward for payment in future years.

Notes to the financial statements (continued)

For the year ended 30 September 2012

7. Provisions (continued)

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

Other provisions

	2012 £'000	2011 £'000
Provisions acquired with subsidiaries	**215**	–
At 30 September	**215**	–

The Company has made provision for potential liabilities relating to compliance and employee related matters arising from transactions which occurred in MPVII Investments Ltd prior to 1 December 2010. MPVII Investments Ltd was acquired during the year, the details of which are disclosed in note 22. The provision made is based on the Directors' estimate of the amount that could be payable but it is subject to uncertainty with regards to both the amount and the timing of the likely payment.

8. Goodwill

	2012 £'000	2011 £'000
Brought forward	**6,410**	6,924
Goodwill on acquisition of subsidiaries	**13,338**	–
Goodwill on acquisition written-off	**(7,996)**	–
Impairment recognised in year	**(1,894)**	(514)
Carried forward	**9,858**	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. Further goodwill has arisen in the year as a result of the acquisitions of MPVII Investments Ltd and the CSPC Group as detailed in note 22. The recognition of goodwill has been 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 and the CSPC Group as detailed within note 22, including the recognition of deferred tax liabilities of £478,000 and £4,864,000 respectively relating to fair value gains to ensure compliance with IAS 12. 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 and the CSPC Group 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 in corporation tax rate from 26% to 23% 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 £671,000 which represents the change in the carrying value of deferred tax on fair value gain on acquisitions that is solely attributable to the tax rate change (refer to note 6).

Consequently when looking at the cash generating unit as a whole, goodwill is impaired to the extent of an amount equivalent to the change in the deferred tax liability attributed to those properties on acquisition caused by the change in the corporate tax rate.

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

9. Earnings and net asset value per Ordinary Share

Basic and diluted earnings and net asset value per share

The basic and diluted earnings per Ordinary Share are based on the profit for the year attributable to Ordinary Shares of £133,000 (2011: £7,320,000) and on 229,412,077 (2011: 170,516,709) Ordinary Shares, being the weighted average aggregate of Ordinary Shares in issue calculated over the year, excluding amounts held in treasury at the year end. This gives rise to a basic and diluted earnings per Ordinary Share of 0.0 pence (2011: 4.3 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 £163,779,000 (2011: £127,577,000) and on 260,419,719 (2011: 192,604,010) Ordinary Shares being the aggregate of Ordinary Shares in issue at the period end, excluding amounts held in treasury at the year end. This gives rise to a basic and diluted net asset value per Ordinary Share of 62.9 pence per ordinary share (2011: 66.2 pence per Ordinary Share).

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

Adjusted earnings per share and net asset value per share

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

	2012	2011
Adjusted earnings per Ordinary Share – basic and diluted	**4.7p**	4.2p
Adjusted net asset value per Ordinary Share – basic and diluted	**63.7p**	66.0p
Adjusted net asset value incl. reset of loan facility per Ordinary Share – basic and diluted	**64.4p**	N/A

The adjusted earnings per Ordinary Share is based on the profit for the year of £133,000 (2011: £7,320,000) attributable to Ordinary Shares, adjusted for the impact of the deferred tax credit of £1,321,000 (2011: £665,000), goodwill impairment of £1,894,000 (2011: £514,000), and exceptional costs from the acquisition of subsidiaries totalling £9,982,000 (2011: £nil) attributable to Ordinary Shares for the year of and, respectively, giving an adjusted earnings profit of £10,688,000 (2011: £7,169,000) and on 229,412,077 (2011: 170,516,709) Ordinary Shares being the weighted average number of Ordinary Shares in issue in the year.

The adjusted net asset value per Ordinary Share is based on the net asset position attributable to Ordinary Shares at the period end of £163,779,000 (2011: £127,577,000) as adjusted for deferred tax of £11,870,000 (2011: £5,914,000), goodwill of £9,858,000 (2011: £6,410,000) and financial derivatives of £125,000 (2011: £nil), giving an adjusted net assets figure of £165,916,000 (2011: £127,081,000) and on 260,419,719 (2011: 192,604,010) Ordinary Shares, being the aggregate of Ordinary Shares in issue at the period end.

In light of the resetting of the Aviva PMPI loan facility interest rate on 5 December 2012, the Directors believe that it is appropriate to disclose the adjusted net asset value reflecting the impact of the interest rate reset to allow proper comparison to future periods. The impact of the reset will result in the debt fair value adjustment currently recognised in the financial statements of £12,143,000 being released and offset against the cost of the reset of £10,341,000. The adjusted net asset value reflecting this post year-end impact of the debt reset as if it had occurred at the year end is £167,718,000, or 64.4 pence per share based on 260,419,719 Ordinary Shares, being the aggregate of Ordinary Shares in issue at the period end.

In common with practice in the sector, the Group would most likely sell the UK company or companies that hold the properties rather than sell an individual property. Consequently, it is the Directors' view that the liability represented by the deferred tax provision is unlikely to crystallise. The goodwill arose on prior period acquisitions and was due to the requirement to recognise deferred tax on fair value gains on acquisition (refer to note 8).

10. Investment properties

Investment properties are initially recognised at cost, being fair value of consideration given including transaction costs associated with the property. After initial recognition, investment properties are measured at fair value, which has been determined based on valuations performed by Jones Lang LaSalle LLP as at 30 September 2012. In accordance with industry standards, the valuation is net of purchaser costs which are estimated at 5.8% (2011: 5.8%) of purchase price.

Investment properties under construction are initially recognised at cost, and are subsequently measured at fair value as at the year end. The fair value has been determined based on valuations performed by Jones Lang LaSalle LLP as at 30 September 2012. In accordance with industry standards, the valuation is the net of the completed property value less the remaining costs to complete the property.

The freehold and long leasehold interests in the property investments of the Group were valued at an aggregate of £385,215,000 as at 30 September 2012 by Jones Lang LaSalle LLP. This valuation assumes that all properties, including those under construction, are complete. The difference between the total valuation and the carrying value is the cost to complete those properties under construction and other fair value adjustments as at 30 September 2012.

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

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

Notes to the financial statements (continued)

For the year ended 30 September 2012

10. Investment properties (continued)

If the valuation yield were to shift by 0.25%, this would result in an impact on the valuation of the properties of approximately £16,141,000.

	Completed investment properties £'000	Properties under construction £'000	Total investment properties £'000
Fair value/cost 30 September 2010	**176,225**	**4,222**	**180,447**
Additions	6,436	24,096	30,532
Adjustment to base cost	(150)	–	(150)
Disposals at valuation	(635)	–	(635)
Transfer to completed properties	11,509	(11,509)	–
Fair value revaluation	2,204	1,205	3,409
Fair value/cost 30 September 2011	**195,589**	**18,014**	**213,603**
Additions	310	41,946	42,256
Additions from business combinations	104,727	–	104,727
Adjustment to base cost	43	–	43
Disposals at valuation	(1,340)	–	(1,340)
Transfer to completed properties	32,289	(32,289)	–
Fair value revaluation	6,235	(457)	5,778
Fair value 30 September 2012	**337,853**	**27,214**	**365,067**

Some of the investment properties are security for the long-term loans as disclosed in note 13. Of the completed investment properties £70,208,000 (2011: £43,670,000) are long-leasehold properties.

In April 2012 the Churchside medical centre investment property in Mansfield, Nottinghamshire was sold for £1,240,000 being below its valuation of £1,340,000. The loss on the disposal of £131,000 recognised in the Consolidated Statement of Comprehensive Income relates to the difference between proceeds and carrying value in the accounts, less agency commissions and other conveyancing costs. Aitchison Raffety acted as the estate agent on behalf of the Company, and their commission is included in the amounts disclosed within note 20.

During the year a portion of the Aviva £100m loan facility and the Deutsche Postbank loan facility disclosed in note 13 were utilised to fund development work on investment properties under construction. Interest costs attributable to development work in progress of £602,000 (2011: £306,000) were capitalised.

11. Trade and other receivables

	2012 £'000	2011 £'000
Rent receivable	**2,930**	1,325
VAT recoverable	**168**	2,137
Other debtors and prepayments	**3,260**	1,663
	6,358	5,125

12. Trade and other payables

	2012 £'000	2011 £'000
Mortgage	**55**	52
Loans due within one year	**741**	–
Trade creditors	**4,100**	1,810
Deferred rental income	**5,177**	2,794
Interest payable and similar charges	**2,153**	1,111
Accruals	**3,024**	2,840
Other creditors	**838**	709
	16,088	9,316

The mortgage is secured on one investment property and has a remaining term of 9 years.

The current portion of long term loans relates to the amount due in the next twelve months on the Aviva PMPI loan facility; the terms of this loan are disclosed in note 13.

13. Long-term loans

	2012 £'000	2011 £'000
Total facilities drawn down	**245,163**	101,241
Loan issue costs	**(2,140)**	(915)
Amortisation of loan issue costs	**287**	117
Fair value arising on acquisition of subsidiaries	**12,342**	–
Amortisation of fair value adjustment on acquisition	**(199)**	–
	255,453	100,443

The Group has four primary debt facilities, being the Aviva £100m loan, the Deutsche Postbank loan, the Aviva £50m loan and the Aviva PMPI loan, with a smaller loan facility for a single property. Details of each facility are disclosed below. Repayments of the loans listed above, including amounts due within one year shown in note 12, fall due as follows:

	2012 £'000	2011 £'000
Due within one year	**796**	52
Between one and two years	**848**	55
Between two and five years	**3,840**	239
Over five years	**250,765**	100,149
	256,249	100,495

	2012 £'000	2011 £'000
Aviva £100m loan facility		
Amount drawn down	**100,000**	99,600
Loan issue costs	**(450)**	(403)
Amortisation of loan issue costs	**68**	54
	99,618	99,251

In November 2006 the Group entered into an agreement with the Aviva Commercial Finance ("Aviva"), formerly the General Practice Finance Corporation Limited, for a £100 million loan facility at a fixed rate of 5.008% on an interest only basis. The facility was fully drawn down on 1 December 2006, with the cash held on deposit to meet future investment requirements. This loan is due for repayment in its entirety on 1 December 2036. In a prior year the original loan facility was split into four loans held by subsidiary companies: MedicX Properties I Limited: £30,000,000, MedicX Properties II Ltd: £33,000,000, MedicX Properties III Ltd: £9,000,000 and MedicX Properties IV Ltd: £28,000,000.

Under the terms of the Aviva £100m loan facility, further charges are incurred when properties are secured or released from charge under the facility. Any costs incurred are added to the loan issue costs and amortised over the remaining life of the facility.

The value of the loan, including amounts available to be drawn, on an amortised cost basis at 30 September 2012 was £99,618,000 (2011: £99,651,000).

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 £151,831,000. As at 30 September 2012, the Group had cash of £0.2 million (30 September 2011: £0.6 million) on deposit secured against the loan.

	2012 £'000	2011 £'000
Deutsche Postbank ("DPB") facility		
Amount drawn down	**31,200**	500
Loan issue costs	**(930)**	(512)
Amortisation of loan issue costs	**205**	63
	30,475	51

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. Draw downs against the facility could not exceed 65% of the market value of the mortgaged property. Interest is payable on the first draw down 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 draw downs could not exceed 62.5% of the market value of the mortgaged property. The facility has a five year term, expiring in April 2015.

Notes to the financial statements (continued)

For the year ended 30 September 2012

13. Long-term loans (continued)

The first significant draw down of the facility was made on 25 November 2011 for £7,000,000. The interest rate was fixed at an all-in rate, including margin, of 3.14%. Further draw downs of £3,700,000 and £20,000,000 were made in July and September respectively, and these amounts were fixed at an all in interest rate of 2.62% in October 2012. After considering the other facilities acquired in the year ended 30 September 2012, the Group allowed the remaining facility of £5,900,000 to lapse and this is no longer available.

The facility is secured against the ten investment properties held by MedicX Properties VI Limited. The value of the property provided as security is £53,100,000.

	2012 £'000	2011 £'000
Aviva £50m loan facility		
Amount drawn down	50,000	–
Loan issue costs	(624)	–
Amortisation of loan issue costs	12	–
	49,388	–

On 4 February 2012 the Group entered into an agreement for a £50 million loan facility with Aviva. The facility is 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.

Draw downs must not exceed the lower of 65% of the market value of the property secured against the facility or 50% of the expected market value of the property at the time the facility expires.

The value of the loan, including amounts available to be drawn, on an amortised cost basis at 30 September 2012 was £49,388,000 (2011: £nil).

The value of properties provided as security for this facility is £22,460,000. As at 30 September 2012, the Group had cash of £40,550,000 on deposit secured against the loan. These cash deposits are restricted until such time as sufficient properties are secured to meet the loan draw down covenants mentioned above. Sufficient properties must be secured against the facility by 2 February 2013 to fully release any amounts available under the facility. These releases may occur after 2 February 2013.

	2012 £'000	2011 £'000
Aviva PMPI loan facility		
Amount drawn down	62,876	–
Fair value arising on acquisition of subsidiaries	12,342	–
Amortisation of fair value adjustment	(199)	
Loan issue costs	(136)	–
Amortisation of loan issue costs	2	–
	74,885	–

On 20 July 2012 the Fund acquired the CSPC Group as detailed in note 22. Included within the acquired group is the Aviva PMPI loan facility of £62.9m, which is comprised of three separate facilities all on largely similar terms. The facilities start as interest only and then amortise over their remaining life with a residual amount payable on expiry. The major facility of £54,597,000 expires in February 2027 and is secured at an all-in fixed interest rate of 6.35%. The smaller facilities of £8,000,000 and £279,000 expire in November 2032 and October 2031. These facilities are also secured at an all-in fixed interest rate of 5.60% and 6.82% respectively.

The major facility and the smallest facility are currently amortising, while the other facility is currently interest only and will begin to amortise from January 2015. The residual payment for the major facility is £28,650,000, with the residual payments for the smallest facility being £81,000 and £2,890,000 on the other facility.

A fair value adjustment was recognised on acquisition of the CSPC Group in accordance with accounting standards. The fair value adjustment will be amortised over the remaining life of the loan facility, and the amount recognised above represents the amortisation since acquisition. This fair value adjustment has been released after the year end as a result of resetting the interest rates to 4.45% on 5 December 2012.

The Aviva PMPI loan facility is secured on the Group's investment properties that were acquired in the corporate transaction. The value of properties provided as security for this facility is £85,761,000. Additionally, £646,000 is held in a restricted deposit account with Aviva to provide security for and ensure compliance with the interest cover covenant on the £8,000,000 facility. Amounts held in this deposit will be released against future payments of the facility.

13. Long-term loans (continued)

	2012 £'000	2011 £'000
Aviva Verwood loan facility		
Amounts due after more than one year	**1,087**	1,141

A 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%.

Covenants
All of the covenants on the loan facilities were complied with in the year. A summary of the covenants for each facility is described in the table below:

Facility	Covenant Type	Description	30 Sep 2012
Aviva £100m	Interest cover	Rental income from secured properties in the immediately preceding period must be 140% or greater of interest payable	196.9%
	Loan to value	The loan must not be more than 75% of the market value of properties secured against the facility	64.5%
	Source of Income	Unless otherwise agreed by the lender, 90% of the rental income of the property secured against the facility must be reimbursable by the NHS or other approved tenants	91.0%
	Draw down limit	65% of the market value of the property secured against the facility	N/A
DPB facility	Interest cover	Rental income from secured properties in the immediately preceding quarter and following twelve months must be 140% or greater of interest payable	555%
	Loan to value	The loan must not be more than 70% of the market value of properties secured against the facility	62.5%
	Draw down limit	62.5% of the market value of the property secured against the facility	62.5%
	Withdrawal of properties	The loan to value on properties after a disposal must be 60% or lower before surplus proceeds can be released to the borrower	N/A
Aviva £50m	Interest cover	FRI-equivalent rental income must be 110% or greater of interest payable	N/A
	Loan to value	The loan must not be more than 50% of the estimated exit value of properties secured against the facility	47.1%
	Draw down limit	The lower of 65% of the market value of the property secured against the facility, or 50% of the expected market value of properties at the time the facility expires	47.1%
Aviva PMPI	Interest cover	Interest payable must not exceed 95% of rental income receivable in the prior period	34.8%
	Interest cover*	FRI-equivalent rental income in the preceding period is 103% or higher of the aggregate interest and amortised capital repayment	119.3%
	Draw down limit	65% of the market value of the property secured against the facility	N/A
Aviva Verwood	Interest cover	Rental income in the preceding period is 100% or higher of the aggregate interest and amortised capital repayment	138.9%

* Specific covenants for the £8 million loan in the Aviva PMPI loan facility

Mark to market of fixed rate debt

The Group does not mark to market its fixed interest debt in its financial statements, other than the recognition of a fair value adjustment on the acquisition of debt facilities in a corporate acquisition or other business combination. 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 cost of the total fixed rate debt to the Group is £211,000 as at 30 September 2012 (30 September 2011 benefit: £3,966,000).

Notes to the financial statements (continued)

For the year ended 30 September 2012

13. Long-term loans (continued)

Cash flow movements

	Year ended 30 September 2012 £'000	Year ended 30 September 2011 £'000
Draw down of DPB loan facility	**30,700**	–
Draw down of Aviva £50m facility	**50,000**	–
Repayment of mortgage principal	**(52)**	(48)
Repayment of Aviva PMPI loan facility	**(178)**	–
Repayment of Aviva £100m loan facility	**–**	(400)
Repayment of loans acquired	**(16,385)**	–
Net proceeds of long-term borrowings	**64,085**	(448)
Aviva £50m facility arrangement fee	**(624)**	–
Aviva PMPI loan facility costs	**(152)**	
DPB loan facility draw down fees	**(418)**	–
Aviva £100m loan facility costs	**(47)**	–
Other costs	**(165)**	(41)
Loan issue costs	**(1,406)**	(41)

14. Share capital

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

	Number of shares	Issue price per share
Total shares issued as at 30 September 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 30 September 2012	**263,645,780**	
Shares held in treasury (see below)	(3,226,061)	
Total voting rights in issue as at 30 September 2012	**260,419,719**	

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.

A Further 141,770 shares were issued on 30 December 2011 in lieu of cash payments of dividends as a result of the scrip dividend scheme introduced at 5 May 2010. These shares were issued at a price of 74.61 pence per share.

14. Share capital (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 from 30 March 2012 onwards. 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
27 April 2012	(1,000,000)	77.00 pence
3 May 2012	(2,000,000)	79.00 pence
31 May 2012	(6,100,000)	77.50 pence
13 June 2012	(600,000)	77.50 pence
8 August 2012	(2,000,000)	77.50 pence
13 August 2012	(1,000,000)	77.50 pence
Shares utilised in lieu of cash payment of dividends:		
30 March 2012	(332,337)	72.25 pence
29 June 2012	(238,099)	78.45 pence
28 September 2012	(553,503)	76.55 pence
Total shares held in treasury as at 30 September 2012	**3,226,061**	72.00 pence

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

Share premium	2012 £'000	2011 £'000
At 1 October	**80,315**	44,132
Net proceeds arising on issue of Ordinary Shares for placing and offer	**49,543**	33,480
Net proceeds arising on issue of Ordinary Shares	**–**	1,157
Net proceeds arising on issue of Ordinary Shares pursuant to block listing	**668**	1,180
Value of Ordinary Shares issued in lieu of dividends	**97**	366
Net excess consideration on sale of treasury shares	**673**	–
Net excess of consideration arising on utilising Ordinary Shares from treasury in lieu of dividends	**32**	–
Share premium at 30 September	**131,328**	80,315

The above proceeds are net of issue costs totalling £991,000 (2011: £894,000) and exclude the cost of shares issued from treasury.

15. Distributable reserve

The movement in distributable reserves is set out in the Statement of Changes in Equity on page 33.

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

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

Notes to the financial statements (continued)

For the year ended 30 September 2012

16. Cash and cash equivalents

	2012 £'000	2011 £'000
Cash in hand and balances with banks	**66,247**	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.

Included in the above amounts are balances that are held in restricted accounts which are not immediately available for use by the Group of £41,396,000 (2011: £200,000). These amounts will be made available when sufficient property has been secured against the facility in accordance with the draw down covenants detailed in note 13.

17. Dividends

	2012		2011	
	£'000	**Dividend per share**	£'000	Dividend per share
Quarterly dividend declared and paid during the year	**2,648**	**1.375p**	1,908	1.350p
Quarterly dividend declared and paid during the year	**2,711**	**1.400p**	1,960	1.375p
Quarterly dividend declared and paid during the year	**3,499**	**1.400p**	2,617	1.375p
Quarterly dividend declared and paid during the year	**3,638**	**1.400p**	2,646	1.375p
Total dividends declared and paid during the year	**12,496**		9,131	
Quarterly dividend declared after year end	**3,646**	**1.400p**	2,648	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	
Cash equivalent value of scrip shares issued on quarterly dividend	**187**		121	
Cash equivalent value of scrip shares issued on quarterly dividend	**424**		104	
Total cash equivalent value of scrip shares issued	**957**		404	
Cash payments made for dividends declared and paid	**11,539**		8,727	

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

On 30 October 2012, the Board approved a dividend of 1.4 pence per share, bringing the total dividend declared in respect of the year to 30 September 2012 to 5.6 pence per share. The record date for the dividend was 16 November 2012 and the payment date is 31 December 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 30 October 2012 the Board announced an opportunity for qualifying Shareholders to receive the December 2012 dividend in new Ordinary Shares instead of cash.

18. Financial instruments risk management

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

The financial instruments of the Group at both 30 September 2012 and 30 September 2011 comprised trade receivables and payables, other debtors, cash and cash equivalents, non-current borrowings and current borrowings. It is the Directors' opinion that, with the exception of the mark to market cost set out in note 13, the carrying value of all financial instruments in the statement of financial position is equal to their fair value.

Credit risk

The Group invests some of its surplus funds in high quality liquid market instruments. Such investments have a maturity of no greater than six months. To reduce the risk of counterparty default the Group deposits the remainder of its surplus funds subject to immediate cash flow requirements in AA rated (or better) banks.

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

18. Financial instruments risk management (continued)

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

	2012 £'000	2011 £'000
Financial assets		
Trade receivables	**2,930**	1,325
Other current assets	**3,260**	1,663
Cash and cash equivalents	**66,247**	18,112

It is the Group's policy to assess debtors for recoverability on an individual basis and to make provision where it is considered necessary. Of the Group's trade receivables balance £2,517,000 (2011: £895,000) is neither impaired nor past due. £413,000 (2011: £430,000) is past due and of this £304,000 (2011: £344,000) is more than 120 days past due. The Board takes active steps to recover all amounts and has assessed that a provision of £57,000 (2011: £76,000) against trade receivables is appropriate.

All financial assets are categorised as loans and receivables.

Market risk

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

Interest rate risk

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

The Group's Aviva borrowing facilities of £100,000,000 (2011: £100,000,000), £50,000,000 (2011: £nil) and £63,617,000 (2011: £nil) were negotiated at a fixed rate of interest of 5.008%, 4.37% and 6.26% respectively.

The Group's Deutsche Postbank loan facility of £31,200,000 (2011: £500,000) has a variable rate of LIBOR plus 2%. At the year end £7.5m of this facility was fixed at 3.14%, by way of an interest rate swap, as disclosed in note 5. The interest rate for the remaining £23,700,000 was fixed by way of an interest rate swap post year end, as disclosed in note 26. These swaps, which are the only swaps the Group has, are matched to the terms of the facility and effectively fix the interest rate for the full term of the loan.

These facilities represent 99% of the borrowing facilities at the year end. The Directors consider interest rate risk on borrowings to be immaterial and do not consider it appropriate to perform sensitivity analysis on these items. The Group holds excess monies in deposit accounts until the funds are required, with no amounts held in deposit at the end of the year (2011: £12,000,000). This does not include any balances held in restricted accounts. The term of these deposits ranges between 28 days and three months at an average interest rate of nil% (2011: 0.83%). Because of the current low interest rates and variation in amounts held on deposit during the year, the Directors consider interest rate risk on deposits to be immaterial and do not consider it appropriate to perform a sensitivity analysis on these items. Of the restricted cash balances held at the yearend £40,600,000 is held in an Aviva deposit account, this facility is AA+ rated with an average interest rate of 0.5%.

Notes to the financial statements (continued)

For the year ended 30 September 2012

18. Financial instruments risk management (continued)

Liquidity risk

Liquidity risk is the risk that the Group will encounter in realising assets or otherwise raising funds to meet financial commitments. The Directors regularly review the Company's forecast commitments against the future funding availability, with particular reference to the utilisation of and continued access to existing debt facilities and access to restricted cash balances and the ongoing commitments to development projects and proposed acquisitions. The Directors also review the Company's compliance with covenants on lending facilities.

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

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

	Due or due less than one month £'000	Due between 1 and 3 months £'000	Due between 3 months and 1 year £'000	Due between 1 and 5 years £'000	Due after 5 years £'000	Total £'000
Trade and other payables	4,100	–	–	–	–	4,100
Accruals	2,151	693	–	–	–	2,844
Non-current borrowings						
Principal	–	–	–	4,688	250,765	255,453
Interest payments	2,376	805	9,031	45,766	161,951	219,929
	2,376	805	9,031	50,454	412,716	475,382
Current portion of non-current borrowings						
Principal	64	130	602	–	–	796
Interest payments	337	674	3,020	–	–	4,031
	401	804	3,622	–	–	4,827
Liabilities at 30 September 2012	***6,315***	***823***	***602***	***4,688***	***250,765***	***263,193***
Future costs of non-current borrowings	***2,713***	***1,479***	***12,051***	***45,766***	***161,951***	***223,960***
Balances at 30 September 2012	**9,028**	**2,302**	**12,653**	**50,454**	**412,716**	**487,153**

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

19. Commitments

At 30 September 2012, the Group had commitments of £19.6 million (2011: £27.7 million) to complete properties under construction.

20. Material contracts

Investment Adviser

MedicX Adviser Ltd is appointed to provide investment advice under the terms of an agreement dated 17 October 2006 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 a compound hurdle rate calculated from the 69.0 pence issue price at 8 April 2009, subject to a high watermark. If in any year the total shareholder return falls short of this hurdle, the deficit in the total shareholder return has to be made up in subsequent years before any performance fee can be earned. The compounding of the hurdle rate is adjusted upwards to compound from the high watermark level at which the performance fee was last earned.

The hurdle rate applied in the year ended 30 September 2012 was 8% per annum (2011: 8%). The high watermark used for the calculation of the performance fee for the year to 30 September 2012 was set with reference to the share price at 30 September 2011, of 75.00 pence per share. The current high watermark is set with reference to the average share price during September 2012, being 76.45 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 has been earned by the Investment Adviser in respect of the financial year ended 30 September 2012 was 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.

On 23 July 2012 the Fund announced that the Investment Adviser had agreed to the renewal of the Investment Advisory Agreement, with the Investment Adviser continuing to advise the Fund for a further 3 year term, commencing 2 November 2013, and had at the same time agreed, effective 1 October 2012, to increase the hurdle for its performance fee from 8%. to 10%. such that the Investment Adviser will only earn a performance fee if the total return to Shareholders in terms of share price growth and cumulative dividends received exceeds 10%. (rather than 8%. previously) per annum.

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

During the year, the agreements with MedicX Adviser gave rise to £4,384,000 (2011: £2,869,000) of fees as follows:

	2012 £'000	2011 £'000
Expensed to the consolidated statement of comprehensive income:		
Investment advisory fee	**2,384**	2,250
Investment advisory performance fee	**515**	282
Property management fees	**436**	337
Corporate Acquisition fees	**1,049**	–
Total Fees	**4,384**	2,869

Of these fees, £1,364,000 (2011: £844,000) remained unbilled or outstanding at the end of the year. This excludes the performance fee which was billed after the year end and is included within accruals and provisions due within one year.

Notes to the financial statements (continued)

For the year ended 30 September 2012

20. Material contracts (continued)

During the year property development costs of £24,867,000 (2011: £12,103,000) were paid to MedicX Property Ltd, a member of the same group of companies as MedicX Adviser Ltd. At the year end there was a total of £2,292,000 that remained unbilled or outstanding (2011: £811,000). In addition, licence fee income of £946,000 (2011: £568,000) was recognised on properties under construction by MedicX Property Ltd during the year. At 30 September 2012 licence fees totalling £564,000 (2011: £396,000) 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 for the provision of administrative services. Under these agreements fees were incurred totalling £68,000 (2011: £63,000) for the provision of corporate secretarial services to all Group companies and other administrative services.

During the year, the agreements with International Administration Group (Guernsey) Limited gave rise to the following fees, of which £12,000 (2011: £12,000) remained unbilled or outstanding at the year end.

21. Related party transactions

During the year fees of £65,000 (2011: £33,000) were paid to Aitchison Raffety Limited, of which £nil (2011: £10,000) remained unbilled or outstanding at the year end. John Hearle is Group Chairman of Aitchison Raffety Limited.

22. Business combinations

MedicX Properties VII Limited

On 6 December 2011 a new wholly owned subsidiary company was incorporated in Guernsey for property investment purposes.

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 was 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 provided an opportunity to add five further primary healthcare properties to the portfolio that meet the Fund's investment criteria. 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	–	(215)
Deferred tax liability	(225)	(856)
Total identifiable net assets	**2,877**	**440**
Goodwill arising on acquisition		1,306
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 £828,000 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 £364,000 were incurred in the completion of the acquisition, and these have been expensed during the period.

22. Business combinations (continued)

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 £746,000 and a loss of £687,000 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 30 September 2012 as the acquired entity had a different reporting period to MedicX Fund Limited and analysis was not available.

CSPC Group

On 20 July 2012 the Fund acquired a group of three companies by purchasing 100% of the Ordinary Share Capital of CSPC 3PD Limited, a private property company registered in England and Wales. CSPC 3PD Limited had two active 100% owned subsidiary companies, Primary Medical Property Limited and Primary Medical Property Investments Limited, and two further dormant 100% owned subsidiary companies, INHOCO 4129 Limited and DK Properties (Woolston) Limited, on the date of purchase. Together these companies are referred to as the "CSPC Group".

The group companies are involved in property investment and development and own thirty one completed properties that the group had previously acquired. This acquisition enabled the Group to significantly expand the portfolio with the addition of these high quality assets, some with good asset management opportunities. The consideration of £14,446,000 was satisfied in cash as shown below.

The values of the identifiable assets and liabilities of the CSPC group as at the date of acquisition were:

	Book Value £'000	Fair Value £'000
Investment properties	84,086	84,884
Trade and other receivables	(146)	333
Cash and cash equivalents	2,228	2,228
Trade and other payables	(2,444)	(2,608)
Long term loan	(63,660)	(76,002)
Deferred tax liability	(1,050)	(6,421)
Total identifiable net assets	**19,014**	**2,414**
Goodwill arising on acquisition		12,032
Total purchase consideration transferred		**14,446**

Purchase consideration:	
Cash paid	14,460
Amounts receivable	(14)
Total purchase consideration transferred	**14,446**

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 £4,864,000, goodwill is considered to be impaired at the date of acquisition. The valuation of the latent gains element of deferred tax is currently based on a best estimate provided by professional tax advisers. This amount is therefore provisional pending receipt of additional information from the vendors. The excess value of £7,168,000 has been expensed in the period.

The fair value of trade and other receivables at the time of acquisition is £333,000. The gross value of trade and other receivables is £361,000, and the Directors do not consider that there is any impairment in the carrying value of trade and other receivables.

Professional fees of £1,622,000 were incurred in the completion of the acquisition, and these have been expensed during the period.

The debt acquired in the purchase comprised three separate loans from Aviva secured against the investment properties. The weighted average interest rate was 6.26% with an average remaining term of 12.8 years.

Income of £1,493,000 and a loss before tax of £472,000, has been included in the Statement of Comprehensive Income in respect of the acquired subsidiary for the period since acquisition. If the acquisition had occurred on 1 October 2011, group revenue would have been £21,370,000 and group loss before tax for the period would have been £716,000.

Notes to the financial statements (continued)

For the year ended 30 September 2012

23. Operating leases

At 30 September 2012 the Group had entered into leases in respect of investment properties for the following rental income, excluding any future rent reviews:

	2012 £'000	2011 £'000
Amounts receivable under leases		
Within one year	**21,745**	12,383
Between one and five years	**86,558**	54,584
After more than five years	**255,495**	147,365
Total	**363,798**	214,332

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

24. Subsidiary companies

The following were the subsidiary companies in the Group at 30 September 2012:

Name	Country of incorporation	Principal activity	Ownership percentage	Nominal value of shares in issue	Type of share held
Held directly:					
MedicX Properties I Limited	Guernsey	Property Investment	100%	2	Ordinary
MedicX Properties II Ltd	England & Wales	Property Investment	100%	2	Ordinary
MedicX Properties III Ltd	England & Wales	Property Investment	100%	1,000	Ordinary
MedicX Properties IV Ltd	England & Wales	Property Investment	100%	25,000	Ordinary
MedicX Properties V Limited	Guernsey	Property Investment	100%	2	Ordinary
MedicX Properties VI Limited	Guernsey	Property Investment	100%	Nil	Ordinary
MedicX Properties VII Limited	Guernsey	Property Investment	100%	nil	Ordinary
Held indirectly:					
MedicX (Verwood) Ltd	England & Wales	Property Investment	100%	1,000	Ordinary
MedicX (Istead Rise) Ltd (in liquidation)*	England & Wales	Property Investment	100%	1,000	Ordinary
MPVII Investments Ltd	England & Wales	Property Investment	100%	1	Ordinary
Community Solutions Primary Care (3PD) Ltd	England & Wales	Holding company	100%	552	Ordinary
Primary Medical Properties Ltd	England & Wales	Property Investment	100%	8,420	Ordinary
Primary Medical Property Investments Ltd	England & Wales	Property Investment	100%	1,000	Ordinary
DK Properties (Woolston) Ltd*	England & Wales	Property Investment	100%	1,000	Ordinary

* Dormant companies

25. Capital management

The Group's objectives when managing capital are:

- To safeguard the Group's ability to continue as a going concern, and continue to provide returns for shareholders and benefits for other stakeholders; and
- To provide an adequate return to shareholders by sourcing appropriate investment properties and securing long term debt at attractive rates commensurate with the level of risk.

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

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

The adjusted gearing ratios at 30 September 2012 and 30 September 2011 were as follows:

	2012 £'000	2011 £'000
Total debt	**256,249**	100,495
Less: cash and cash equivalents	**(66,247)**	(18,112)
Net debt	**190,002**	82,383
Total assets	**447,530**	243,250
Less: cash and cash equivalents	**(66,247)**	(18,112)
Less: goodwill	**(9,858)**	(6,410)
Adjusted capital	**371,425**	218,728
Adjusted gearing ratio	**0.51:1**	0.38:1

26. Post year end events

On 4 October 2012 the Company entered into an interest rate swap agreement to fix the interest rate on the £23.7 million drawn under the Deutsche Postbank loan facility in the last quarter of the 2012 financial year. This floating-to-fixed interest rate swap fixed the all-in interest rate at 2.62%. This has resulted in the weighted average fixed interest rate of the facility moving to 2.75%. This swap is for a notional amount of £23.7 million and is matched to the terms of the facility and effectively fixes the interest rate for the full term of the loan.

On 5 December 2012 the Group entered into an agreement to reset the Aviva PMPI loan facility interest rate to current market levels, resulting in the interest rate reducing from 6.26% to 4.45%. The cost of resetting this debt was £10,341,000 which has been offset by the releasing of the fair value adjustment made on acquisition of the Aviva PMPI loan facility, net of subsequent amortisation, of £12,143,000. This results in an improvement to reported net asset value of £1,802,000 or 0.7 pence per share.

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 Limited
88 Wood Street
London
EC2V 7QR

Auditor
PKF (UK) LLP
Farringdon Place
20 Farringdon Road
London
EC1M 3AP

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

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

Deloitte LLP
Athene Place
66 Shoe Lane
London
EC4A 3BQ

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
Mont Crevelt House
Bulwer Avenue
St Sampson
Guernsey
GY2 4LH

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

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