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MedicX Fund

Interim Report
to 31 March 2017

Who we are

MedicX Fund Limited ("MXF", or the "Company", or together with its subsidiaries, the "Fund" or the "Group") is a specialist primary care infrastructure investor in modern, purpose-built primary healthcare properties in the United Kingdom & Republic of Ireland, and is listed on the London Stock Exchange, premium segment. It has committed investment of £628.6 million and a portfolio of 157 properties to date.

The Investment Adviser to the Fund is Octopus Healthcare Adviser Ltd, which is part of Octopus Healthcare, a specialist investor, developer and manager of healthcare properties with 45 people operating across the UK. Octopus Healthcare invests in and develops properties as well as creating partnerships to deliver innovative healthcare buildings to improve the health, wealth and wellbeing of the UK. Octopus Healthcare Adviser Ltd currently manages over £1 billion of healthcare investments across a number of platforms, with a focus on GP surgeries, care homes, special education schools, retirement housing and private hospitals. Octopus Healthcare Adviser Ltd is authorised and regulated by the Financial Conduct Authority.

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What we do

The Fund works with its various stakeholders to own and maintain a high quality portfolio of mainly modern, purpose-built primary healthcare properties fit to deliver primary healthcare services over the long term.

At inception, the properties are typically let for 20 to 25 years directly to the NHS, HSE or to GPs subject to NHS rent reimbursement. The Fund seeks to put in place low cost fixed rate long term debt thereby locking into a spread between the property yield and financing cost. As the portfolio grows, economies of scale will improve shareholder returns as will annual rental increases which are typically achieved on a three yearly rent review cycle. This business model supports the Fund's key investment objective of achieving rising rental income and capital growth to support a progressive dividend.

Name: **Hirwaun Medical Centre**
Location: Hirwaun, Mid Glamorgan

Financial Highlights

Unadjusted performance measures

	2017	2016	
Earnings per Ordinary Share (pence)[1,4]	**3.1**	2.9	+6.9%
Net Asset Value per Ordinary Share (pence)[2,4]	**72.7**	71.7	+1.4%
Dividends paid during the period[1] (pence per share)	**2.9875**	2.9625	+0.8%
Total Shareholder Return[1]	**3.7%**	16.9%	
Property valuation[2] (£m)	**660.3**	612.3	+7.8%
Weighted average debt term[2] (years)	**13.2**	14.0	-5.7%
Rent receivable[1] (£m)	**18.6**	17.7	+5.1%

Adjusted performance measures

	2017	2016	
EPRA earnings per Ordinary Share (pence)[1]	**1.75**	1.83	-4.4%
EPRA NAV per share (pence)[2]	**74.4**	73.2	+1.6%
Dividend cover[1,3]	**59%**	63%	
Underlying dividend cover[3]	**70%**	71%	
Total return on EPRA NAV[1,5]	**5.7%**	4.7%	

The Directors believe that presenting the above adjusted performance measures assists readers of the accounts in understanding and analysing the performance and position of the Group, as well as providing industry standard measures for benchmarking against other companies. In particular, the Company has published adjusted performance measures recommended by the European Public Real Estate Association ("EPRA") which provide meaningful key performance indicators and are widely adopted by listed real estate companies.

Underlying dividend cover shows the expected outcome once all properties under construction are completed from existing resources and generating rental income.

The Directors have considered the above performance measures in light of the Company's anticipated conversion to a Real Estate Investment Trust ("REIT"). UK REITs commonly publish EPRA measures and therefore no changes to measures disclosed in the year end financial statements have been made.

Financial results

- Rent receivable for the six month period to 31 March 2017 has increased by 5.1% to £18.6 million. This is due to the annualised rent roll increasing by £1.9 million to £39.1 million of which 89.7% is directly from or reimbursed by the National Health Service ("NHS"), Irish GPs or the Health Service Executive ("HSE")
- 6.9% increase in Earnings per Ordinary Share from 2.9p per share to 3.1p per share
- Quarterly dividend of 1.5p per share announced in April 2017[6]; total dividends of 6.0p per Ordinary Share expected for the year or 6.7% dividend yield (2016: total dividends of 5.95p per Ordinary Share; 6.7% dividend yield)[7]
- Total return on EPRA NAV for the six month period was 5.7% (2016: 4.7%)[1] and Total Shareholder Return was 3.7% (2016: 16.9%)[1]

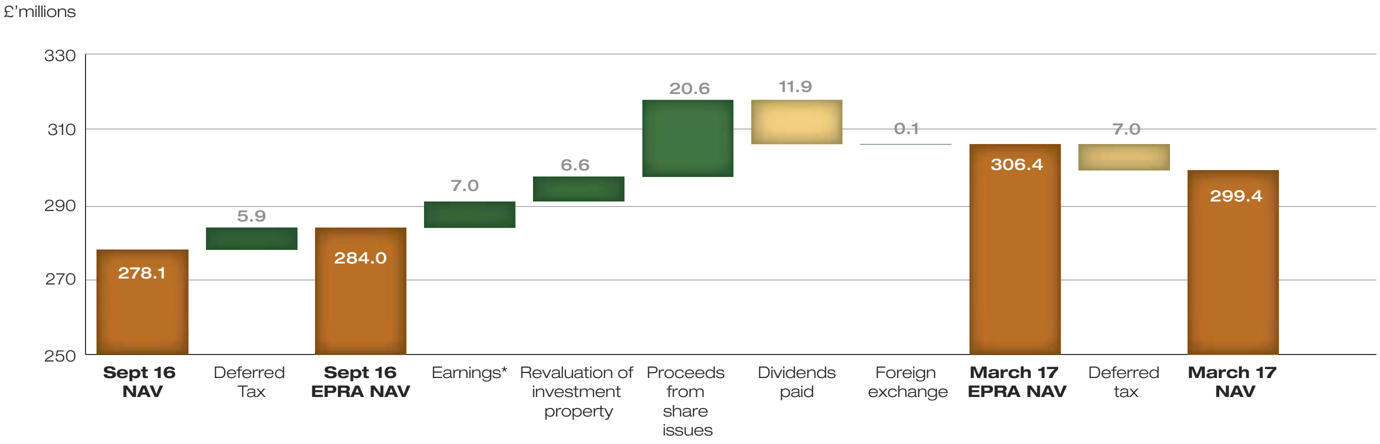
Investments

- New committed investments since 1 October 2016[8] of £48.8 million with an average cash yield of 5.28%
- The value of the portfolio has increased by 7.8% in the period to £660.3 million. This is as a result of £42.2 million of capital investment to acquire standing let properties and fund developments through forward funding schemes and a net valuation gain of £6.6 million
- Strong pipeline of approximately £110 million of acquisition opportunities[8]

Funding

- Market capitalisation £366.6 million following share price appreciation and £20.2 million net proceeds raised from 23.25 million shares issued between 1 October 2016 and 31 March 2017 at an average issue price of 87.7 pence per share. The significant premium above NAV is accretive to existing shareholders
- Total drawn debt facilities of £346.3 million with an average all-in fixed rate cost of debt of 4.38% and an average unexpired term of 13.2 years, close to the average unexpired lease term of the investment properties of 14.3 years and compared with 4.45% and 14.0 years as at 30 September 2016
- Net debt of £337.0 million equating to 50.4% adjusted gearing[9] at 31 March 2017 (30 September 2016: £315.3 million; 50.8%)

EPRA NAV movement for 6 months ended 31 March 2017



* Earnings comprise of net rental income less total expenses and net finance costs

EPRA NAV calculation

	31 March 2017 £'000	30 September 2016 £'000	Movement £'000	Movement %
Investment properties	**660,284**	612,264	48,020	7.8%
Cash	**9,347**	20,968	(11,621)	(55.4%)
Trade and other receivables	**7,411**	8,519	(1,108)	(13.0%)
Borrowings	**(346,372)**	(336,290)	(10,082)	3.00%
Trade and other payables	**(24,230)**	(21,413)	(2,817)	13.1%
EPRA NAV	**306,440**	284,048	22,392	7.8%
Deferred tax liability	**(6,959)**	(5,887)	(1,072)	18.2%
Unadjusted NAV	**299,481**	278,161	21,320	7.6%

1 Comparative for the 6 months ended 31 March 2016
2 Comparative as at 30 September 2016
3 Dividend cover excludes revaluation gains, performance fee and fair value on reset of loans. Underlying dividend cover includes impact of properties under construction treated as completed properties
4 As disclosed in note 7 to the financial statements
5 Movement on EPRA NAV per share between 01 October 2016 and 31 March 2017 and dividends paid during the period, divided by opening EPRA NAV per share
6 Ex-dividend date 18 May 2017, record date 19 May 2017, payment date 30 June 2017
7 Total dividends declared for the year ended 30 September 2016 divided by share price at 30 September 2016
8 As at 23 May 2017
9 Adjusted gearing is the ratio of net debt to gross assets excluding cash

Chairman's Statement

The demand for new modern primary care infrastructure is higher than ever in both the UK and Republic of Ireland as their respective populations age and a wider range of clinical services is sought to be delivered over longer hours by GPs in their local communities.

Transformation is ongoing, being led by the HSE strategy in the Republic of Ireland, and by GPs, commissioners and the NHS and local councils in England, through the 44 Sustainability & Transformation Plans (STPs) which are beginning to provide clarity on premises requirements as healthcare becomes more integrated and the health budget is shifted proportionately towards primary care.

The long awaited independent report on NHS Property and Estates by Sir Robert Naylor has been published which has made a number of recommendations that the Secretary of State is now considering. Some of the recommendations have already been implemented including setting up a powerful new NHS Property Board. The report clearly highlights the importance of the NHS Property Board in supporting the visions of the NHS Five Year Forward View and STPs in helping the commissioners create affordable, efficient estates. The report highlights the importance of the private sector and how it can play an important role in driving forward the strategic aims of the Forward View.

In supporting this transformation, the Fund continues to work with its strategic development partners, engage with provider groups and work with its tenants to deliver new schemes and premises improvements.

Highlights

At the Annual General Meeting held on 9 February 2017, all proposed ordinary and special resolutions were passed almost unanimously by those shareholders who voted.

In March, the Company announced its plans to convert to a Real Estate Investment Trust ("REIT") with effect from 1 October 2017. To benefit from her wealth of knowledge and experience, the Board appointed Helen Mahy as non-executive, independent director on 1 April 2017. This appointment reflects good governance and the Company's commitment to diversity, as well as facilitating the future relocation of the Board to the UK. Helen is chairman of The Renewables Infrastructure Group Limited, a FTSE 250 investment company, as well as being a non-executive director of SSE plc and of SVG Capital plc, both also listed on the London Stock Exchange.

The Company announced on 26 January 2017 that it had entered into a joint venture agreement with General Practice Investment Corporation Limited ("GPIC"). A new company, jointly controlled by the two parties, will invest in UK primary healthcare properties, let to GPs or directly to the NHS, which either have asset management needs or where it is expected that by partnering with the tenants looking to relocate, new development opportunities will arise. GPIC will provide development expertise and MXF will provide finance in the first instance for a preferred 8% compounded return. The joint venture has approved its first investment subject to due diligence. At the same time as agreeing the joint venture, the framework agreement with GPIC, who have delivered c.£77 million of assets to the Fund since 2012, has been extended for a further five years.

During the six month period, progress has been made in the Republic of Ireland. The Fund's first scheme in Mullingar reached practical completion on 3 February 2017 and started delivering services to its local community shortly thereafter. The Fund's second scheme in Crumlin, in the outskirts of Dublin, is progressing well and is expected to complete within the next three months. The Fund has also invested in two other schemes in Dublin. At the first in Rialto, the developer is tendering the build contract and looking to start on site within the next three months and, at the second, in Tallaght, the Fund has purchased an existing office building which is currently being refurbished for the HSE, GPs and a pharmacy.

On 6 March, the Fund entered into a new facility agreement for up to €29.1 million with the Bank of Ireland which initially provides development finance, followed by a five year term loan once the four Irish secured assets reach practical completion. The margin on the new facility is 4% over EURIBOR during the development phase, stepping down to 3% once practical completion and rent commences at each scheme. The Fund drew down funds under this facility on 10 April 2017. This facility provides a natural part hedge against the Group's Euro denominated properties and once drawn, together with the revolving credit facility, would reduce the Group's average cost of debt to 4.27% from 4.45% with an average term of 12.6 years.

Results and outlook

The financial highlights reflect another solid period for the Fund, with increases in the rent roll of 5.1% to £39.1 million driven by rent reviews and deployment of £42.2 million over the last six months. Gearing has remained on target and stood at 50.4% at 31 March 2017. Funding over the period was provided through drawing down £11 million of the Group's revolving credit facility on 30 March 2017, and the Company's programme of share issuance.

Demand for the Fund's shares remained high during the period and on 27 February 2017 the Company put in place an additional block listing of 17.8 million shares. The Company has raised £20.2 million net proceeds through the issue of 23.25 million new shares at a premium of approximately 20% to the Company's EPRA NAV. This has contributed to the Company's total return on EPRA NAV for the six month period of 5.7%, through payment of dividends of 2.9875 pence per share and EPRA NAV growth of 1.2 pence per share. Upon conversion to a REIT, anticipated to be on 1 October 2017, the basic NAV will benefit from an uplift from extinguishing the majority of deferred tax liabilities.

The Company's share price has remained resilient and stable throughout the period, trading in a narrow a range between 87.5 and 92.25 pence per share since the beginning of 2017.

The Company increased its dividend under its progressive policy during the period, with total dividends declared of 3.0p per Ordinary Share in respect of the six month period ended 31 March 2017, an increase of 0.8% compared to 2.975p per Ordinary Share in the prior period to 31 March 2016. The Directors expect that the Company will declare dividends totalling 6.0 pence per share for the financial year ending 30 September 2017.

Dividend cover measured against EPRA earnings was 59% for the six month period to 31 March 2017 (31 March 2016: 63%), the reduction resulting from the significant share issues in the period causing the Company's dividend commitment to grow more quickly than its earnings whilst funds raised were deployed into assets currently generating no income. In particular, at 31 March 2017, £20.7 million had been invested into four such assets in the Republic of Ireland. At that time, this investment had been solely funded through equity which had the effect of reducing dividend cover by 3.2%. During the next six months the Company will draw down debt financing to forward fund the Irish assets. Once these assets are completed their combined expected rents of €3.4 million per annum will have the effect of increasing dividend cover.

In spite of the recent decrease in dividend cover, the Company remains committed to increasing dividend cover over time and is currently focusing on measures to grow EPRA earnings at a faster pace than the dividend. However, the reported cover at any one time will show fluctuating progress depending on the balance between debt and equity capital and the number of assets under construction, not generating rental income.

The Fund's focus on its portfolio quality together with healthcare transformation driven demand for modern purpose-built healthcare property places the Company in a strong position for further sustainable growth. The pipeline of exciting investment opportunities and possibilities to partner with tenants, new provider groups and a wide range of financiers strengthens the Company and provides the solid foundations for continued shareholder returns.

David Staples
Chairman

25 May 2017

Investment Adviser's Report

The need for new modern primary care infrastructure is increasing in both the UK and Republic of Ireland as a wider range of clinical services are required to respond to demographics and society's demand for comprehensive local services available at convenient times.

Politically, cross-party support remains in place for primary care and its front line pivotal role in providing care. Transforming the NHS through improved access to services, better working efficiency and implementing new ways of working are expected to remain as government priorities, which will require investment in new, more efficient and sustainable premises.

Market

Transformation of healthcare is being led by the HSE strategy in the Republic of Ireland, and by GPs, commissioners, the NHS and local councils in England. The 44 Sustainability & Transformation Plans (STPs) provide some clarity on premises requirements as healthcare becomes more integrated and the health budget is shifted proportionately towards primary care.

The Government has provided an additional £325m to the NHS where STPs have made the biggest progress in putting in place clear clinical strategies across health and social care, which will deliver better outcomes for patients. In addition, they have identified a number of STP areas where potential Accountable Care Systems are evolving which will lead to a locally integrated health system. In addition to this initial tranche of money there is a promise of more in the Autumn budget.

As well as rising clinical demand and transformation from Government and the NHS, it has been well publicised that pressures on GPs from increased regulation and a need for more GP numbers to deliver longer hours of service are making an impact. The pace of change is accelerating with GPs working more collaboratively with more Federations, Provider Groups and Super Practices emerging which is another driver for new premises, fit to deliver services for larger patient numbers.

In the Republic of Ireland, although the market is less mature, similar demographics and political desire are enabling the HSE to drive forward its programme of putting in place a modern purpose-built estate to deliver provision of world class healthcare. The Fund, with three schemes underway and a fourth site acquired, has built strong relationships with various developers, funders and advisers to lead the estate growth.

Overall, the primary care investment sector has continued to see further yield compression during the period due to investor demand and limited supply, further reinforcing the attractiveness of the asset class. Decreasing yields together with positive rent reviews and an appreciation of the quality of the Fund's portfolio has reflected positively on the property valuation gains achieved by the Fund.

Market rental growth has continued to remain challenging for the sector due to a lack of new schemes to set new rental evidence. The increasing demand for improved GPs premises for the reasons described above is expected to drive forward approvals for new schemes, which in turn, will help drive rental growth. In addition, UK RPI inflation increased 3.5% over the twelve months to 30 April 2017 providing another strong indication of upward pressure on market rents.

The Fund continues to look to invest in best in class properties that meet the requirements of the STPs' underlying estates strategies and which will also generate long term returns for shareholders. The Fund is well positioned to deliver new schemes needed by working closely with its preferred developers and provider groups of the future to help the commissioners transform the provision of primary healthcare.

Portfolio update

The UK market has remained highly competitive with relatively high values being paid for assets of mixed quality. In the six months to 31 March 2017, the Group has remained disciplined in committing new investment of £35.7 million and growing the portfolio to a value of £660.3 million across 156 properties, of which 5 are under construction (30 September 2016: £612.3 million across 152 properties; 6 under construction).

In March 2017 MSCI published their primary care benchmark report. The Fund has recorded a consistent total property return of 9.1%, 9.8% and 9.7% over 1, 3 and 5 years comparing well with the primary healthcare benchmark of 9.1%, 9.6% and 8.7% over the same time periods.

The annualised rent roll of the property portfolio was £39.1 million, increased from £37.2 million at 30 September 2016, providing good economies of scale and a stable platform to its operations.

The valuation of the portfolio undertaken by Jones Lang LaSalle Limited, independent valuers to the Group, stood at £663.8 million as at 31 March 2017 on the basis that all properties were complete, reflecting a UK net initial yield of 5.17% (5.25% as at 30 September 2016). The carrying value of £660.3 million reflects the cost to complete the assets currently under development and includes three sites valued at cost which is a strong proxy for their fair value.

At 31 March 2017, the property portfolio had an average age of 8.5 years, remaining average unexpired lease length of 14.3 years and an average property value of £4.3 million (30 September 2016: 8 years; 14.5 years; and £4.1 million). At 31 March 2017 the rents profile was as follows: 86.2% were from UK government-funded doctors and the NHS, 3.4% from the HSE and Irish GPs, 8.7% from pharmacies and 1.7% from other tenants.

During the six month period ended 31 March 2017, the Fund acquired a total of five properties to complement the existing portfolio, representing a total commitment of £35.7 million. In addition, during the six month period, successful completions were achieved for three properties previously under construction at Benllech, Brynhyfryd and Mullingar. All completed projects, with a combined value of £17.4 million, were delivered within budget under fixed price contracts.

Construction continued on the existing projects at Streatham, Crumlin and Rialto. Projects commenced at Brynmawr and Cromer. The outstanding commitment on these five properties at 31 March 2017 was £17.2 million, with all properties expected to complete within the next 12 months.

The Fund has a pipeline of identified investment opportunities of approximately £60 million in the UK and the equivalent of £50 million in the Republic of Ireland. Of these opportunities, £35 million of assets are undergoing legal due diligence. The majority of these investment opportunities are forward funding opportunities. They will be sourced from best in class developers and tailored specifically to the needs of the GPs and other care service providers to facilitate the best possible end product.

Despite only one small disposal during the year, the Fund will continue to look to sell properties which no longer meet its long term investment criteria or have been identified within the CCG's estates strategy as less likely to be used for delivery of primary care beyond their existing lease term.

The net initial valuation yield on UK investments was 5.17% compared with the Group's weighted average fixed rate debt of 4.38% and a benchmark 20-year gilt rate of 1.83% at 31 March 2017. Assuming the revolving credit facility was utilised and the new Bank of Ireland facility is drawn down, the Group's average cost of debt would be 4.27% which will enhance future returns. The spread being achieved for Irish assets is significantly wider than seen in the UK market. At 31 March 2017 the Group had £46 million of unencumbered assets and negotiations are underway to use these as collateral for a new loan facility.

Rent review performance

During the period to 31 March 2017, the Fund averaged an overall uplift of 3.23%, equating to 1.08% per annum on its rent reviews. A total of 51 rent reviews have been concluded during the six months to the end of March, with a combined rental value of £5.3 million. Of these reviews, 0.53% per annum was achieved on open market reviews, 1.65% per annum was achieved on RPI based reviews and 2.35% per annum on fixed uplift reviews.

Outstanding rent reviews of £22.8 million of passing rent are currently under negotiation as at 31 March 2017.

Asset management

The Investment Adviser, on behalf of the Fund frequently reviews its portfolio for asset management opportunities and has identified a number of opportunities to enhance the portfolio mainly through extensions, new pharmacy opportunities and lease re-gearing. The Investment Adviser is engaging with CCGs to identify further asset management opportunities and is monitoring closely how GP federations, new provider groups and 'Super Practices' are forming in each locality. One extension and lease re-gear was completed in the period and two other extensions were in progress at 31 March 2017.

Financing

As described in the Chairman's Statement, the Fund entered into a new facility agreement on 6 March 2017 for up to €29.1 million with the Bank of Ireland.

The weighted average unexpired term of all drawn debt at 31 March 2017 was 13.2 years, closely matching the average remaining unexpired lease term of 14.3 years of the Fund's portfolio. The debt strategy remains to try to pick the optimal time to put in place the best available debt facilities with the most favourable terms whilst ensuring adherence to the Company's gearing target.

The adjusted gearing as at 31 March 2017 was 50.4% which is in line with target and marginally decreased from 50.8% as at 30 September 2016. The Directors will continue to target borrowings of approximately 50% on average over time but not exceeding 65% of the Company's total assets.

The covenants on all debt facilities were complied with, within the period and since the period end.

Discounted cash flow valuation of assets

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

At 31 March 2017, the DCF valuation was 98.4 pence per share compared with 96.6 pence per share at 30 September 2016, the increase resulting primarily from the property acquisitions made in the period.

In order to provide a consistent approach the assumptions applied in previous periods remain unchanged. 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 7.04% and this represented a 5.21% risk premium to the 20 year gilt rate at 31 March 2017 of 1.83%.

Investment Adviser's Report (continued)

The discounted cash flows assume an average 2.5% per annum increase in individual property rents at their respective review dates and also assume the level of gearing and cost of debt are maintained at current levels. 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).

For the discounted cash flow net asset value to equate to the share price as at 31 March 2017 of 89.0 pence per share, the discounted cash flow calculation would have to assume a 0.8% increase in rents per annum, or a weighted average discount rate of 8.1% or no capital growth.

Net asset value and sensitivity

The Fund's progress and performance has been positive with unadjusted NAV at 31 March 2017, having increased 1.4% to 72.7 pence per share (30 September 2016: 71.7 pence per share). EPRA Net Asset Value ("EPRA NAV") as at 31 March 2017 increased by 7.9% to £306.4 million or by 1.6% to 74.4 pence per share (30 September 2016: £284.0 million or 73.2 pence per share).

A review of sensitivities has been carried out in relation to the valuation of properties. If valuation yields firmed by 0.25% to a net initial yield of 4.92%, the EPRA NAV would increase by approximately 8.5 pence per share to 82.9 pence per share and the EPRA NNNAV would increase to 70.7 pence per share. However, if valuation yields widened by 0.25% to a net initial yield of 5.42%, the EPRA NAV would decrease by approximately 8.5 pence per share to 65.9 pence per share and the EPRA NNNAV would decrease to 53.7 pence per share.

Pipeline and investment opportunity

The spread between the yields at which the Fund can acquire properties and the cost of long term debt and government gilts remains significant. The Investment Adviser has continued to successfully source properties both through Octopus Healthcare's development arm, Octopus Healthcare Property Ltd, 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 estimated to be worth approximately £110 million in value when fully developed.

Interest in voting rights of the Company

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

	March 2017	September 2016
Octopus Healthcare Adviser Ltd	**2,222,570**	**2,149,537**

The number of shares held by Octopus Healthcare Adviser Ltd as at the date of this report is 2,222,570, equivalent to 0.54% of the issued share capital of the Company.

During the period the Investment Adviser received dividends on its holding in the Company in addition to fees received for services. With the Scrip Dividend Scheme in place, the Investment Adviser received its dividends in the form of new Ordinary Shares. The cash equivalent of the dividends received by the Investment Adviser was £64,754 compared with £56,546 in the period ended 31 March 2016.

Mike Adams Chief
Executive Officer

Octopus Healthcare Adviser Ltd

Risk Management

The principal risks and uncertainties relating to the Group are regularly reviewed by the Board along with the internal controls and risk management processes that are used to mitigate these risks. The principal risks and management of those risks are described below:

	Risks & impacts	Key mitigation factors
Government policy	Changes to the NHS funding model for the primary healthcare sector could lead to a reduction in development opportunities available to the Company. The NHS currently reimburses GP's rental costs for premises used for providing primary healthcare. In the event of a change to this mechanism, the Company may not receive rental income when due and/or the total income received may be lower than due under the current contract. A change in the tax status or residency of the Company or a change in tax legislation could adversely affect returns. A change in political policies as a result of the referendum vote for the UK to exit the EU is likely to cause uncertainty in the economic environment and create volatility in prices, interest rates, investment yields and inflation.	The Investment Adviser provides an update on any expected changes in NHS provision at each Board meeting for consideration by the Board. The current government has stated that one of its policy objectives is to increase the provision of primary healthcare services in the community so a reduction in funding or support in this sector is considered unlikely. The GPs have contracts with the NHS to cover the length of their lease (on average 14.3 years on properties held by the Company) and so a change to this reimbursement policy would be expected to have little impact in the immediate future. The Company maintains a tax forecast and receives regular reports from its tax advisers and the Investment Adviser. This includes the impact of the planned REIT conversion. The Board monitors the economic environment on a regular basis with input from its advisors. There is no exposure to primary care outside the UK and Republic of Ireland.
Property yields	A significant reduction in property yields could result in them falling below the cost of capital, or not being available with an acceptable rate of return. A property recession could materially adversely affect the value of properties which could put financial covenants under pressure (see below).	For existing properties contractual cash flows are fixed over the long-term so have little impact on EPRA returns. The Board regularly reviews the Company's budget and five year forecast and completes a risk assessment and a long-term viability assessment which incorporate the Company Weighted Average Cost of Capital ("WACC") and dividend policy and thereby sets the minimum property yield boundaries for future acquisitions.
Financing and debt management	A significant reduction in the availability of financing could affect the Company's ability to source new funding for both refinancing purposes and to use for future acquisitions.	The Company mainly holds long-term facilities which greatly reduce the refinancing risk. The Company maintains relationships with a number of potential financing sources ensuring a range of financing options. The Investment Adviser also regularly monitors and manages the debt facilities and reports on a regular basis to the Board.
Covenants	A significant reduction in property valuations or income could result in a breach of loan covenants.	Covenants are measured and monitored on a monthly basis by the Investment Adviser, with results reported to the Board for consideration. The impact of potential property de-valuations on the covenants are considered by the Investment Adviser and discussed by the Board at quarterly Board meetings.
Cyber security	There are a number of risks related to cyber security which include the risk of having the internal systems infiltrated, information corrupted or information stolen.	The security of the systems are internally monitored and regularly reviewed. Training is provided to employees of the Investment Adviser on cyber security matters to increase awareness and vigilance. Incident management is used to establish incident and disaster recovery responses. The review of suppliers to the Company includes an assessment of the quality of their cyber security systems and processes.

Further details of the Audit Committee's risk monitoring activities may be found in the Report of the directors on page 19, the Report of the audit committee on page 22 and the corporate governance statement on page 24 of MedicX Fund Limited's Annual Report and Financial Statements for the year ended 30 September 2016.

Statement of Directors' Responsibilities

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

The half-yearly financial report includes a fair review of the information required by:

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

The list of Directors and their information is available in either the Company's 30 September 2016 year end financial statements or on the Company's website, www.medicxfund.com

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

By order of the Board:

Shelagh Mason
Director

25 May 2017

Name: **Lytham Primary Care Centre**
Location: Lytham, Lancashire

Name: **Grangetown Medical Practice**
Location: Wales

Name: **Rhymney Integrated Health and Social Care Centre**
Location: Wales

Independent Review Report

to MedicX Fund Limited

Introduction

We have been engaged by the Company to review the accompanying condensed set of financial statements of MedicX Fund Limited for the six months ended 31 March 2017 which comprises the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows and the related explanatory notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with the terms of our engagement to assist the Company in meeting the requirements of the Disclosure and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA"). Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this report and for no other purposes. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company for our review work, for this report, or for the conclusions we have reached.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FCA.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the EU. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU.

Our responsibility

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

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31 March 2017 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FCA.

Bill Holland
for and on behalf of KPMG LLP
Chartered Accountants
15 Canada Square
London
E14 5GL

25 May 2017

Consolidated Statement of Comprehensive Income

For the six months ended 31 March 2017

	Notes	Six months ended 31 March 2017 £'000	Six months ended 31 March 2016 £'000
Income			
Rent receivable		**18,591**	17,746
Other income		**98**	148
Total income		**18,689**	17,894
Direct property expenses		**(838)**	(508)
Net rental income		**17,851**	17,386
Realised and unrealised valuation movements			
Net valuation gain on investment properties	8	**6,583**	4,064
(Loss)/profit on disposal of investment properties		**(25)**	31
		6,558	4,095
Expenses			
Investment advisory fee	16	**1,941**	1,968
Property management fee	16	**452**	440
Administrative fees		**57**	66
Audit fees		**79**	88
Professional fees		**203**	181
Directors' fees		**72**	72
Other expenses		**151**	160
Total expenses		**(2,955)**	(2,975)
Profit before interest and tax		**21,454**	18,506
Finance costs	4	**(7,905)**	(7,948)
Finance income	5	**46**	393
Net finance costs		**(7,859)**	**(7,555)**
Profit before tax		**13,595**	10,951
Taxation	6	**(1,072)**	(151)
Profit attributable to equity holders of the parent		**12,523**	10,800
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss:			
Foreign currency translation differences – foreign operations		**57**	–
Total comprehensive income attributable to equity holders of the parent		**12,580**	10,800
Earnings per Ordinary Share			
Basic and diluted	7	**3.1p**	2.9p

The presentation of the comparative period has been updated to show direct property expenses as a deduction in arriving at net rental income.

Consolidated Statement of Financial Position

As at 31 March 2017

	Notes	31 March 2017 £'000	30 September 2016 £'000
Non-current assets			
Investment properties	8	**660,284**	612,264
Total non-current assets		**660,284**	612,264
Current assets			
Trade and other receivables		**7,411**	8,519
Cash and cash equivalents	13	**9,347**	20,968
Total current assets		**16,758**	29,487
Total assets		**677,042**	641,751
Current liabilities			
Trade and other payables		**22,743**	19,923
Loans due within one year	9	**2,036**	1,983
Total current liabilities		**24,779**	21,906
Non-current liabilities			
Loans due after one year	9	**344,336**	334,307
Head lease liabilities	10	**1,427**	1,430
Rental deposits		**60**	60
Deferred tax liability	6	**6,959**	5,887
Total non-current liabilities		**352,782**	341,684
Total liabilities		**377,561**	363,590
Net assets		**299,481**	278,161
Equity			
Share capital	11	**–**	–
Share premium	11	**255,043**	234,846
Treasury shares	11	**(6,363)**	(6,835)
Other reserves		**50,801**	50,150
Total attributable to equity holders of the parent		**299,481**	278,161
Net asset value per share			
Basic and diluted	7	**72.7p**	71.7p

The financial statements were approved and authorised for issue by the Board of Directors on 25 May 2017 and were signed on its behalf by:

Shelagh Mason
Director

Consolidated Statement of Changes in Equity

For the period ended 31 March 2017

	Notes	Share Premium £'000	Treasury Shares £'000	Other Reserve £'000	Total Equity £'000
Balance at 30 September 2015		**232,770**	**(24,321)**	**45,648**	**254,097**
Shares sold from treasury		145	8,350	–	8,495
Scrip issue of shares from treasury		7	291	–	298
Share issue costs		(96)	–	–	(96)
Dividends paid	14	–	–	(10,924)	(10,924)
Transactions with owners		56	8,641	(10,924)	(2,227)
Profit attributable to equity holders of the parent		–	–	10,800	10,800
Total comprehensive income for the period		–	–	10,800	10,800
Balance at 31 March 2016		**232,826**	**(15,680)**	**45,524**	**262,670**
Shares issued from block listing		1,763	–	–	1,763
Shares sold from treasury		358	8,559	–	8,917
Scrip issue of shares from treasury		19	286	–	305
Share issue costs		(120)	–	–	(120)
Dividends paid		–	–	(11,258)	(11,258)
Transactions with owners		2,020	8,845	(11,258)	(393)
Profit attributable to equity holders of the parent		–	–	15,831	15,831
Other comprehensive income					
Foreign currency translation differences		–	–	53	53
Total comprehensive income for the period		–	–	15,884	15,884
Balance at 30 September 2016		**234,846**	**(6,835)**	**50,150**	**278,161**
Shares issued from block listing		20,387	–	–	20,387
Scrip issue of shares from treasury		31	472	–	503
Share issue costs		(221)	–	–	(221)
Dividends paid	14	–	–	(11,929)	(11,929)
Transactions with owners		20,197	472	(11,929)	8,740
Profit attributable to equity holders of the parent		–	–	12,523	12,523
Other comprehensive income					
Foreign currency translation differences		–	–	57	57
Total comprehensive income for the period		–	–	12,580	12,580
Balance at 31 March 2017		**255,043**	**(6,363)**	**50,801**	**299,481**

Consolidated Statement of Cash Flows

For the period ended 31 March 2017

	Notes	**Six months ended 31 March 2017 £'000**	Six months ended 31 March 2016 £'000
Operating activities			
Profit before tax		**13,595**	10,951
Adjustments for:			
Net valuation gain on investment properties	8	**(6,583)**	(4,064)
Loss/(profit) on disposal of investment properties		**25**	(31)
Financial income receivable	5	**(46)**	(393)
Finance costs payable and similar charges	4	**7,905**	7,948
		14,896	14,411
Decrease in trade and other receivables		**1,108**	61
Increase/(decrease) in trade and other payables		**2,979**	(3,799)
Interest paid		**(7,627)**	(7,435)
Interest received		**47**	31
Net cash inflow from operating activities		**11,403**	3,269
Investing activities			
Acquisitions net of cash acquired		**–**	(6,631)
Additions to investment properties and properties under construction		**(42,558)**	(24,511)
Proceeds from sale of investment properties		**812**	120
Net cash outflow from investing activities		**(41,746)**	(31,022)
Financing activities			
Net proceeds from issue of share capital		**20,166**	8,399
New loan facilities drawn	9	**11,000**	–
Repayment of long-term borrowings	9	**(981)**	(937)
Loan issue costs paid	9	**(36)**	(200)
Dividends paid	14	**(11,426)**	(10,626)
Net cash inflow/(outflow) from financing activities		**18,723**	(3,364)
Decrease in cash and cash equivalents		**(11,620)**	(31,117)
Effects of currency translation cash and cash equivalents		**(1)**	–
Opening cash and cash equivalents		**20,968**	56,910
Closing cash and cash equivalents	13	**9,347**	25,793

Notes to the Financial Statements

For the six months ended 31 March 2017

1. General information

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

The Company has a premium listing on the London Stock Exchange.

The condensed consolidated interim financial information does not constitute the statutory financial statements of the Group within the meaning of section 245 of The Companies (Guernsey) Law, 2008. The Board of Directors approved the statutory financial statements for the year ended 30 September 2016 on 12 December 2016. The report of the auditor on those financial statements was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 263 of The Companies (Guernsey) Law, 2008.

The condensed consolidated interim financial statements for the six months ended 31 March 2017 have been presented in pounds sterling, which is the functional and presentational currency of the Group, and rounded to the nearest thousand pounds. The condensed consolidated interim financial information has been reviewed, not audited, and was approved and authorised for issue by the Board of Directors on 25 May 2017.

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 and Republic of Ireland.

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

2. Basis of preparation

The condensed consolidated interim financial information for the six months ended 31 March 2017 has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and with IAS 34 'Interim financial reporting' as adopted by the European Union. The condensed consolidated interim financial information should be read in conjunction with the financial statements for the year ended 30 September 2016, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union.

Going concern

The Directors have performed an assessment of the pertinent information to satisfy themselves that the Group has the ability to settle its liabilities as they fall due, for the foreseeable future, and that it therefore remains appropriate to adopt the going concern basis of accounting.

The assessment considered the political and economic environment, the current position of the Company and its commitments and acquisition pipeline as well as its available sources of funding.

At 31 March 2017 the Group had net assets of £299.5 million, cash of £9.3 million and net current liabilities of £8.0 million. The Company also had £9.0 million of committed funding immediately available from its revolving credit facility.

At the date of this report and since 31 March 2017, the Company has issued 15.5 million shares raising net proceeds of £13.5 million, has agreed an increase of the revolving credit facility by £10 million and €10.3 million has been drawn under a new facility agreed with the Bank of Ireland. As a result of this funding activity, the directors believe that the Company now has net current assets and sufficient facilities available to it to meet its obligations as they fall due, to the extent that these liabilities exceed the future expected cash inflows from the Group's long term leases.

In addition the Company has received indicative offers of terms for a new long term facility and continues to see demand for its shares. Accordingly, the Directors consider it likely that they will be able to raise any funds required should they continue to invest in any of the pipeline opportunities identified to date.

The Group's financial forecasts show that it can remain within its lending facilities and meet its financial obligations as they fall due for at least the next twelve months. The Directors also believe that the Group is well placed to manage its business risks successfully in the current economic environment. Accordingly, they continue to adopt the going concern basis of accounting in preparing these interim financial statements.

Notes to the Financial Statements (continued)

For the six months ended 31 March 2017

3. Accounting policies

The accounting policies and presentation of figures are consistent with those of the annual financial statements for the year ended 30 September 2016, as described in those annual financial statements, except as disclosed below:

Taxation

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

Use of estimates

In the process of applying the Group's accounting policies described within the financial statements for the year ended 30 September 2016, the Directors are required to make certain judgements and estimates to arrive at the carrying value for its assets and liabilities.

Significant areas requiring judgement in the preparation of these financial statements include the valuation of properties, the estimated expected uplift in rent reviews past their review dates, the recognition of deferred tax assets and the investment advisory performance fee accrual. The significant areas requiring judgement are consistent with those reported within the financial statements for the year ended 30 September 2016, with the exception of the investment advisory performance fee accrual, which is known at the year end and as such does not require significant judgement as it does in these interim financial statements.

4. Finance costs

	Six months ended 31 March 2017 £'000	Six months ended 31 March 2016 £'000
Interest payable on long-term loans	**7,676**	7,792
Amortisation of loan issue costs	**557**	682
Amortisation of fair value of acquired loans	**(453)**	(466)
	7,780	8,008
Interest capitalised on properties under construction	**(183)**	(60)
Foreign exchange loss	**308**	–
	7,905	7,948

During the period interest costs on funding attributable to investment properties under construction were capitalised at an effective interest rate of 4.38% (31 March 2016: 4.81%). The funding was sourced from the Aviva £100.0 million loan facility which has an effective interest rate of 5.008%, the Aviva £50.0 million loan facility which has an effective interest rate of 4.37%, the Aviva PMPI £62.5 million loan facility which has an effective interest rate of 4.45%, the Aviva GPG £34.6 million loan facility which has an effective interest rate of 4.47%, and private placement loan notes totalling £100.0 million which together have an effective interest rate of 3.91%. No properties under construction were secured against any specific loan for the period.

5. Finance income

	Six months ended 31 March 2017 £'000	Six months ended 31 March 2016 £'000
Bank interest receivable	**46**	31
Foreign exchange gain	**–**	362
	46	393

6. Taxation

	Six months ended 31 March 2017 £'000	Six months ended 31 March 2016 £'000
Deferred tax		
Charge for the period	**1,072**	151
Total tax charge	**1,072**	151

6. Taxation (continued)

The Board has estimated the Group does not have any profits chargeable to tax in jurisdictions in the UK or elsewhere outside of Guernsey in this period.

The Company has obtained exempt company status in Guernsey under the terms of the 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 £1,200 per annum. The Directors intend to conduct the Group's affairs such that the Company continues to remain eligible for the exemption. Guernsey subsidiary companies are subject to UK taxation on UK net rental income. During the period no tax arose in respect of the income of any of the Guernsey companies. The Group's UK subsidiaries are subject to United Kingdom corporation tax on their taxable profits.

A reconciliation of the tax charge to the notional tax charge applying the average standard rate of UK corporation tax of 20% (2016: 20%) is set out below:

	Six months ended 31 March 2017 £'000	Six months ended 31 March 2016 £'000
Profit before tax	**13,595**	10,951
Profit multiplied by the average standard rate of corporation tax in the UK of 20% (2016: 20%)	**2,719**	2,190
Net income/expenses not taxable/deductible for tax purposes	**(358)**	(610)
Adjustments in respect of prior periods	**9**	–
Losses/profits not subject to UK taxation	**(1,216)**	(1,077)
Movement in unrecognised deferred tax	**(82)**	(352)
Total tax charge	**1,072**	151

A breakdown of the deferred tax liability/(asset) is set out below:

	Fair value gains £'000	**Accelerated capital allowances £'000**	**Unrelieved management expenses £'000**	**Total £'000**
At 30 September 2015	**770**	**6,085**	**(2,524)**	**4,331**
Provided in year	178	531	847	1,556
At 30 September 2016	**948**	**6,616**	**(1,677)**	**5,887**
Provided in period	136	689	247	1,072
At 31 March 2017	**1,084**	**7,305**	**(1,430)**	**6,959**

As required by IAS 12 "Income taxes", full provision has been made for the temporary differences arising on the fair value gains 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 significantly crystallise as, in common with practice in the sector, the Group would most likely sell the companies holding the property portfolio rather than sell all properties individually.

On 26 October 2015 the Finance No.2 Bill 2015 was substantively enacted, reducing corporation tax rates to 19% from 1 April 2017 and 18% from 1 April 2020. On 15 September 2016 the Finance Bill 2016 was substantially enacted further reducing the corporation tax rate to 17% from 1 April 2020. The deferred tax liabilities of the Group have been calculated using a theoretical rate of 17%.

The Group's subsidiary undertakings have gross unrelieved management expenses of £11.1 million (2016: £12.5 million) which after the IAS 12 recognition exemption leaves the Group with unrelieved management expenses of £7.3 million (2016: £8.9 million) which gave rise to a recognised deferred tax asset of £1.4 million (2015: £1.7 million) at an average rate of 19.2% (2016: 19.2%) which reflects the future UK corporation tax rate of 17% and the UK income tax rate of 20%. The deferred tax assets are netted off the deferred tax liabilities where they may be offset in future against the same components of tax.

As a result of the deferred tax recognition exemption for asset acquisitions, deferred tax liabilities of £8.9 million (30 September 2016: £9.2 million) in respect of fair value gains and £2.3 million (30 September 2016: £2.3 million) in respect of capital allowances, and deferred tax assets of £0.7 million (30 September 2016: £0.7 million) in respect of unrelieved management expenses, have not been recognised in the group financial statements.

Notes to the Financial Statements (continued)

For the six months ended 31 March 2017

7. Earnings and Net Asset Value per Ordinary Share

Basic and diluted earnings and net asset value per share

The basic and diluted earnings per Ordinary Share are based on the profit for the period attributable to Ordinary Shares of £12,523,000 (2016: £10,800,000) and on 400,184,956 (2016: £372,305,925) Ordinary Shares, being the weighted average aggregate of Ordinary Shares in issue calculated over the period, excluding shares held in treasury. This gives rise to a basic and diluted earnings per Ordinary Share of 3.1 pence (2016: 2.9 pence).

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 £299,481,000 (30 September 2016: £278,161,000) and on 411,882,289 (30 September 2016: 388,066,844) Ordinary Shares being the aggregate of Ordinary Shares in issue, excluding amounts held in treasury, at the period end. This gives rise to a basic and diluted net asset value per Ordinary Share of 72.7 pence per Ordinary Share (30 September 2016: 71.7 pence per Ordinary Share).

EPRA earnings per share and net asset value per share

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

	Six months ended 31 March 2017 £'000	Six months ended 31 March 2016 £'000
Profit attributable to equity holders of the parent	**12,523**	10,800
Adjusted for:		
Deferred tax charge	**1,072**	151
Revaluation gain	**(6,583)**	(4,064)
Fair value gain on acquired loans	**–**	(56)
EPRA earnings	**7,012**	6,831
EPRA EPS	**1.75p**	1.83p
Weighted average number of Ordinary Shares	**400,184,956**	372,305,925

	31 March 2017 £'000	31 September 2016 £'000
Net assets	**299,481**	278,161
Adjusted for:		
Deferred tax liability	**6,959**	5,887
EPRA net assets	**306,440**	284,048
EPRA net asset value per Ordinary Share – basic and diluted	**74.4p**	73.2p

	31 March 2017 £'000	31 September 2016 £'000
Net assets	**299,481**	278,161
Adjusted for:		
Fair value of debt	**(43,222)**	(59,134)
EPRA NNNAV	**256,259**	219,027
EPRA NNNAV per Ordinary Share – basic and diluted	**62.2p**	56.4p
Ordinary Shares in issue at the period/year end	**411,882,289**	388,066,844

8. Investment properties

	Completed investment properties £'000	Properties under construction £'000	Total investment properties £'000
Fair value 1 October 2015	**544,490**	**8,989**	**553,479**
Additions	22,527	20,825	43,352
Disposals	(90)	–	(90)
Transfer to completed properties	14,928	(14,928)	–
Revaluation	15,555	(32)	15,523
Fair value 30 September 2016	**597,410**	**14,854**	**612,264**
Additions	29,166	13,222	42,388
Disposals	(835)	–	(835)
Transfer to completed properties	14,779	(14,779)	–
Revaluation	7,162	(579)	6,583
Foreign exchange movement	–	(116)	(116)
Fair value 31 March 2017	**647,682**	**12,602**	**660,284**

	Total investment properties £'000
Fair value per JLL UK valuation report	**603,380**
Fair value per JLL Ireland	**18,366**
Sites purchased for forward funding schemes	2,339
Ground rents recognised as finance leases	1,430
Rent incentives	(1,513)
Cost to complete properties under construction	(11,738)
Fair value 30 September 2016	**612,264**
Fair value per JLL valuation report	**645,598**
Fair value per JLL Ireland	**18,176**
Sites purchased for forward funding schemes	7,781
Ground rents recognised as finance leases	1,427
Rent incentives	(1,929)
Cost to complete properties under construction	(10,769)
Fair value 31 March 2017	**660,284**

Investment properties are initially recognised at cost and then subsequently measured at fair value, which is determined based on the market valuations performed by Jones Lang LaSalle Limited ("JLL") for the properties held within the United Kingdom and the Republic of Ireland as at 31 March 2017. The valuation takes account of the rental yield and the fact that a purchaser's offer price to the Group would be net of purchaser's costs (which are estimated at 6.26% (2016: 6.15%) of what would otherwise be the purchase price).

Investment properties completed and under construction located in the Republic of Ireland have been valued by JLL, Dublin office in December 2016. This valuation was prepared for a lender and was at market value assuming each property was completed with the expected tenants in place. JLL have confirmed that they do not consider there to be a material difference to the market value at 31 March 2017. The properties have been valued in line with the approach taken within the UK outlined below although purchasers' costs are lower since Irish stamp duty is generally charged at a rate of 2% (Notional purchasers costs of 4.46% were therefore assumed).

The sites purchased for forward funding schemes were valued by JLL as part of the acquisition due diligence. At 31 March 2017 a total of three sites are recorded at cost which is regarded as their fair value.

The freehold and long leasehold interests in the property investments of the Group were valued at an aggregate of £663,774,190 as at 31 March 2017 by JLL. This valuation assumes that all properties, including those under construction, are complete and includes the value of assets under construction translated at an exchange rate of £0.85 per €1 for those assets located in the Republic of Ireland. The difference between the total valuation and the carrying value is the cost to complete those properties under construction and adjustments for the fair value of ground rents and lease incentive adjustments as at 31 March 2017.

The valuer's opinion of market value was derived using valuation techniques and comparable recent market transactions on arm's length terms. JLL has valued the Group's properties for reporting purposes since 31 March 2008.

Notes to the Financial Statements (continued)

For the six months ended 31 March 2017

8. Investment properties (continued)

The market 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.

The net initial yield applied to the UK portfolio at 31 March 2017 was 5.17% (30 September 2016: 5.25%). Properties in the Republic of Ireland represent approximately 4% of the portfolio and are valued based on a significantly higher yield.

The fair value of investment properties is considered to be based on a number of significant assumptions. If the valuation yield were to shift by 0.25% on each property, this would result in an impact on the valuation of the properties of approximately £34.9 million.

Some of the investment properties are security for the long-term loans as disclosed in note 9. Of the completed investment properties £148,199,000 (30 September 2016: £141,823,000) are long leasehold properties.

On 14 December 2016 one investment property was sold for cash of £812,000. The sale price was close to net book value and after deducting sale costs a loss on disposal of £25,000 was recorded.

During the period a portion of the loans disclosed in note 4 were utilised to partly fund development work on investment properties under construction. Interest costs of £182,000 (2016: £60,000) attributable to development work in progress were capitalised.

9. Loans

	31 March 2017 £'000	30 September 2016 £'000
Total facilities drawn down	**346,670**	336,705
Loan issue costs	**(14,691)**	(14,662)
Amortisation of loan issue costs	**5,234**	4,683
Fair value arising on acquisition of subsidiaries	**11,645**	11,645
Amortisation of fair value adjustment on acquisition	**(4,522)**	(4,064)
	344,336	334,307
Loans due within one year	**2,036**	1,983
	346,372	336,290

The Group has six primary debt facilities drawn and a smaller loan facility for a single property. On 6 March 2017 the Group completed a seventh debt facility with a new lender, the Bank of Ireland, for up to €29.1 million. At 31 March 2017 no balances were drawn down under this new facility however amounts have been drawn in April as described in note 18.

The group also has a revolving loan facility with RBS which consists of a £20 million commitment and £10 million extension subject to approval. Included in the total facilities drawn down above, is an amount of £11.0 million drawn under the RBS facility at 31 March 2017. This is shown as falling due between two and five years below, however it is the intension to refinance and repay this facility in the short term.

Repayments of the loans listed above fall due as follows:

	31 March 2017 £'000	30 September 2016 £'000
Due within one year	**2,036**	1,983
Between one and two years	**2,533**	2,288
Between two and five years	**19,832**	8,403
Over five years	**321,971**	323,616
Due after one year	**344,336**	334,307
	346,372	336,290

Covenants

All of the covenants on the loan facilities were complied with during the financial period and subsequently.

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. The amortised fair value increase of the outstanding acquired Aviva PMPI loans was £7,121,000 as at 31 March 2017 (30 September 2016: £7,581,000).

9. Loans (continued)

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 lenders, 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 or liability is calculated as the difference between the present values of the debt cash flows at the two rates over the remaining term of the loans, discounting the cash flows at the prevailing LIBOR rate. The approximate mark to market liability of the total fixed rate debt to the Group was £43,222,000 at 31 March 2017 (30 September 2016 liability: £59,134,000).

Cash flow movements

	Six months ended 31 March 2017 £'000	Six months ended 31 March 2016 £'000
Draw down of revolving credit facility	**11,000**	–
New facilities drawn	**11,000**	–
Repayment of mortgage principal	**(86)**	(33)
Repayment of Aviva PMPI loan facility	**(655)**	(626)
Repayment of Aviva GPG loan facilities	**(240)**	(278)
Net repayment of long-term borrowings	**(981)**	(937)
Standard Life loan facility costs	**(8)**	(145)
Aviva GPG loan facility costs	**–**	(40)
Aviva £100m loan facility costs	**(12)**	–
Aviva Fakenham loan facility costs	**–**	(13)
RBS loan facility costs	**(2)**	(5)
Loan note facility	**–**	3
Bank of Ireland facility	**(14)**	–
Loan issue costs	**(36)**	(200)

Any directly attributable costs incurred relating to the loans are added to the loan issue costs and amortised over the remaining life of the specific loan facility.

10. Head lease liabilities

	31 March 2017		30 September 2016	
	Present value £'000	**Minimum lease payments £'000**	Present value £'000	Minimum lease payments £'000
Due within one year	**93**	**102**	93	102
Between one and five years	**297**	**407**	299	407
Over five years	**1,037**	**7,797**	1,038	7,806
	1,427	**8,306**	1,430	8,315
Less future interest costs	**–**	**(6,879)**	–	(6,885)
	1,427	**1,427**	1,430	1,430

The Group holds certain long leasehold properties which are classified as investment properties. The head leases are accounted for as finance leases. These leases typically have lease terms between 32 and 999 years and fixed ground rent.

Notes to the Financial Statements (continued)

For the six months ended 31 March 2017

11. 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 2016	**396,252,182**	
Shares issued under Company's Block listing facility:		
4 October 2016	3,000,000	88.50p
20 October 2016	1,250,000	88.00p
26 October 2016	1,500,000	87.50p
17 November 2016	1,000,000	87.25p
18 November 2016	1,000,000	87.25p
28 November 2016	1,150,000	87.75p
19 December 2016	1,000,000	87.25p
5 January 2017	2,750,000	88.00p
27 January 2017	1,600,000	88.00p
9 February 2017	2,000,000	87.50p
17 February 2017	5,000,000	87.50p
21 March 2017	2,000,000	87.00p
Total shares issued as at 31 March 2017	**419,502,182**	
Shares held in treasury (see below)	(7,619,893)	
Total voting rights in issue as at 31 March 2017	**411,882,289**	

Demand for shares remained strong throughout the period and in order to satisfy the demand the Group made a further application to the UK Listing Authority for a block listing of 17,769,108 Ordinary Shares of no par value on 28 February 2017. At 31 March 2017, 16,500,217 (30 September 2016: 21,981,109) Ordinary Shares remain available for issue under the block listing.

Treasury shares were utilised to satisfy demand for shares in lieu of cash for dividends elected under the Company' scrip dividend scheme. The transactions and relevant price per share are shown below:

	Number of shares	Issue price per share
Total shares held in treasury as at 30 September 2016	**8,185,338**	
Shares utilised in lieu of cash payment of dividends:		
31 December 2016	(402,011)	89.30p
31 March 2017	(163,434)	88.05p
Total shares held in treasury as at 31 March 2017	**7,619,893**	

The closing value of shares held in treasury issued at 83.50 pence per share is £6,362,610 (30 September 2016: £6,834,924).

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

12. Other reserves

The movement in other reserves is set out in the Consolidated Statement of Changes in Equity.

The other reserves are freely distributable with no restrictions other than under Guernsey law and subject to ongoing solvency. In addition, distributions from the share premium account do not require the sanction of the court. The Directors may authorise a distribution at any time from share premium or accumulated gains 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 Articles of Incorporation.

The Company's other reserve is used to accumulate annual profits or losses for each year, other comprehensive income comprising of foreign exchange differences created on consolidation of foreign operations less dividends declared and paid.

13. Cash and cash equivalents

	31 March 2017 £'000	30 September 2016 £'000
Cash and balances with banks	**9,347**	20,968

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 £100,000 (31 September 2016: £100,000). These amounts will be made available when sufficient property has been secured against the facility and all documentation has been completed.

14. Dividends

	Six months ended 31 March 2017		Six month ended 31 March 2016	
	£'000	Dividend per share	£'000	Dividend per share
Quarterly dividend declared and paid 31 December	5,858	1.4875p	5,386	1.4750p
Quarterly dividend declared and paid 31 March	6,071	1.5000p	5,538	1.4875p
Total dividends declared and paid during the period	**11,929**		10,924	
Quarterly dividend declared after period end	6,180	1.5000p		
Cash flow impact of scrip dividends:				
Total dividend declared and paid during the period	11,929		10,924	
Total cash equivalent value of scrip shares issued	(503)		(298)	
Cash payments made for dividends declared and paid	**11,426**		10,626	

Dividends are scheduled for the end of March, June, September and December of each year, subject to Board approval and shareholder approval at the AGM of the dividend policy. On 28 April 2017, the Board approved a dividend of 1.5 pence per share, bringing the total dividend declared in respect of the period to 31 March 2017 to 3.0 pence per share. The record date for the dividend was 19 May 2017 and the payment date is 30 June 2017. The amount disclosed above is the cash equivalent of the declared dividend. The option to issue scrip dividends in lieu of cash dividends, with effect from the quarterly dividend paid in June 2010, was approved by a resolution of Shareholders at the Company's Annual General Meeting on 10 February 2010. On 24 May 2017 the Board announced an opportunity for qualifying Shareholders to receive the June 2017 dividend in new Ordinary Shares instead of cash.

15. Commitments

At 31 March 2017, the Group had commitments of £17.2million (30 September 2016: £21.2 million) to complete properties under construction.

16. Material contracts

Investment Adviser

Octopus Healthcare Adviser Ltd is appointed to provide investment advice under the terms of an agreement dated 17 October 2006 as subsequently amended on 20 March 2009, 17 February 2012, 24 September 2013 and 20 November 2015 (the "Investment Advisory Agreement" or "Agreement"). Fees payable under this agreement are:

(i) a tiered investment advisory fee set at 0.50% per annum on healthcare property assets up to £750 million, 0.40% per annum payable on assets between £750 million and £1 billion, and 0.30% per annum payable on assets over £1 billion subject to a total minimum annual fee of £3.878 million or, if lower, the fee that would have been payable under the former fee structure until the consolidated property asset value reaches £782 million after which no minimum fee shall apply;

(ii) a property management fee of 3% of gross rental income up to £25 million, and 1.5% property management fee on gross rental income over £25 million;

(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 period ended 31 March 2017 was 10% per annum (2016: 10%). The high watermark used for the calculation of the performance fee for the year to 30 September 2016 was the theoretical price which would have given a compounded 10% total shareholder return over the average share price during September 2016 (85.5 pence per share) with dividends reinvested. The current high watermark is set with reference to the hurdle share price during September 2016, being approximately 89.6 pence per share which now forms a base for measuring shareholder return over the current year for the purpose of assessing whether a performance fee is payable.

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). 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.

Notes to the Financial Statements (continued)

For the six months ended 31 March 2017

16. Material contracts (continued)

The Investment Advisory Agreement, operates as a rolling contract subject to the Company's ability to serve two years' notice at any time.

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

During the period, the agreements with Octopus Healthcare Adviser gave rise to £2,393,000 (2016: £2,476,000) of fees as follows:

	Six months ended 31 March 2017 £'000	Six months ended 31 March 2016 £'000
Expensed to the consolidated statement of comprehensive income:		
Investment advisory fee	**1,941**	1,968
Property management fee	**452**	440
Capitalised as part of property acquisition costs:		
Corporate acquisition fees	**–**	68
Total Fees	**2,393**	2,476

Of these fees, £962,000 (March 2016: £911,000) remained unbilled or outstanding at the end of the period. No investment advisory performance fee has been included above or is included in accruals at 31 March 2017.

Administrator

Each group company has 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 £69,000 (March 2016: £66,000) for the provision of corporate secretarial services to all group companies and other administrative services. Of these fees £22,000 (March 2016: £nil) remained unbilled or outstanding at the period end.

17. Related party transactions

During the period the Group entered into a joint venture agreement with General Practice Investment Corporation Limited through a company called GP Property Limited. The agreement states the Group will have joint control over the joint venture Company. No transactions have been completed by GP Property Limited since incorporation however its first investment has been approved subject to due diligence.

During the period, the Group continued its procurement of assets from General Practice Investment Corporation under existing arm's length agreements.

18. Post balance sheet events

On 3 April 2017 the Group made a stage payment of £2.3 million to complete the forward purchase of an asset in Streatham.

On 6 March 2017, the Fund entered into a new facility agreement for up to €29.1 million with the Bank of Ireland which initially provides development finance, followed by a five year term loan once the four Irish secured assets reach practical completion. The margin on the new facility is 4% over EURIBOR during the development phase, stepping down to 3% once practical completion and rent commences at each scheme. The Fund drew down funds of €10.3 million under this facility on 10 April 2017. Once fully drawn, the annual finance cost will be approximately €1.1 million per annum. Assuming the revolving credit facility of £20 million was also fully drawn, this would reduce the Group's average cost of debt from 4.45% to 4.27% with an average term of 12.6 years.

Since 1 April 2017 the Company has issued 15.5 million new Ordinary Shares under its block listing, raising net proceeds of £13.5 million.

On 16 May, RBS confirmed an increased commitment to the Company, from £20 million to £30 million, under the existing Revolving Credit Facility. This increase is on existing terms and is available for six months unless renewed.

On 23 May 2017, the Group committed to its fourth acquisition in the Republic of Ireland having contracted to acquire, by way of forward funding, a new primary healthcare medical centre in Tallaght, Dublin. Upon completion, the building will be let to a number of GPs, the Health Service Executive and a pharmacy operator. The GP and Health Service Executive leases will be for a term of 25 years from practical completion and the pharmacy term will be 15 years. The rent for all tenants is subject to five-yearly CPI reviews. The total acquisition cost of the property is approximately €15.5 million.

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