MedicX Fund

Building a brighter future for primary healthcare investment

MEDICX FUND LIMITED
Annual Report and Financial Statements 2018

Visit us online
www.medicxfund.com

We selectively invest in modern, purpose-built primary healthcare infrastructure in the United Kingdom and the Republic of Ireland, creating an ideal care environment for practitioners and patients.

Investing in the future of primary healthcare

MedicX Fund Limited ("MedicX", "MXF" or the "Company", or together with its subsidiaries, the "Fund" or the "Group") is a specialist primary healthcare infrastructure investor in modern, purpose-built primary healthcare properties in the United Kingdom & Republic of Ireland. It is a Real Estate Investment Trust ("REIT") traded on the premium segment of the main market of the London Stock Exchange.

Number of properties
(As at 30 September 2018)

166

Selectively investing in high quality assets

Weighted average
unexpired lease length

14.2yrs

Government
backed rent

89.4%

Average property age

9.3yrs

Creating a modern care environment for practitioners

Number of tenancies
(As at 30 September 2018)

425

Average property value

£4.8m

Patients served from our properties

2.1m

Transforming patient access to treatments

Our investment supports the transformation of the primary healthcare estate in the United Kingdom and Republic of Ireland. It is essential that infrastructure can cope with the needs of an ageing population with increasingly complex care needs.

BREEAM rated 'Good' or 'Excellent'

94.4%

Pipeline value

£144m

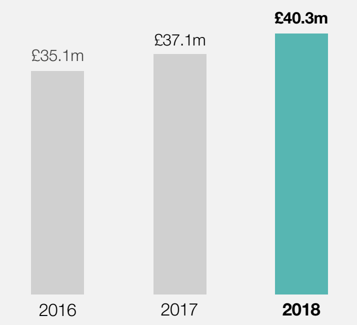
FINANCIAL HIGHLIGHTS AND KEY ACHIEVEMENTS

Supporting estate transformation in primary healthcare

Rent receivable (£40.3m)

+8.6%

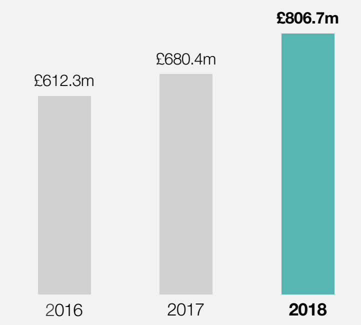
(2017: £37.1m)



Investment property (£806.7m)

+18.6%

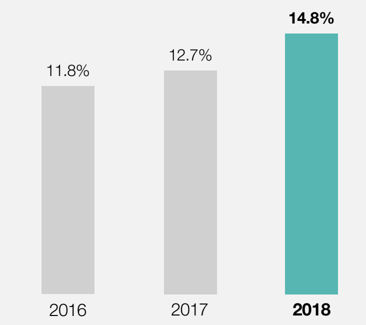
(2017: £680.4m)



Total return on EPRA NAV (14.8%)

+2.1 percentage points

(2017: 12.7%)



ANOTHER YEAR OF STRONG PERFORMANCE, REFLECTING PROGRESS AND ACHIEVING NOTABLE MILESTONES.

Financial results

- 11.4% increase in EPRA[13] earnings per Ordinary Share, from 3.5p per share to 3.9p per share;
- 14.8% total return on EPRA NAV[2] for the financial year (2017: 12.7%);
- 6.9% increase in EPRA NAV per share, from 76.5p per share to 81.8 pence per share;
- Continued increase in rent receivable, up 8.6% to £40.3 million (2017: £37.1 million);
- Profit before tax was £49.1 million for the year; 47.4% higher than 2017 (£33.3 million);
- 10.0% increase in annualised rent roll[1,14] from £40.0 million to £44.0 million;
- 89.4% (2017: 89.7%) of rent roll was directly from or reimbursed by the NHS[11], Irish GPs or HSE[12];
- EPRA cost ratios reduced year on year to 18.4% from 19.8% with the investment adviser fee reduction due to reduce this further; and
- Independent expert determination of March 2015 rent review at Clapham increase of 35% (equating to a compounded 10.54% per annum increase over the applicable 3 year rent review period).

Investments

- 18.6% increase in the value of the property portfolio to £806.7 million[1,4]. This is as a result of £99.2 million of capital investment to acquire standing let properties and fund developments through forward funding schemes, less £5.3 million of disposals and a £32.3 million net valuation gain;
- Net Initial Yield of UK assets 4.85% at 30 September 2018 (2017: 5.08%);
- £80.3 million of new committed investments in UK and Republic of Ireland, since 1 October 2017, with a weighted average cash yield of 4.63% together with the acquisition of three sites for £5.3 million in anticipation of new schemes;
- Completed £63.8 million corporate portfolio acquisition of 12 fully let primary care centres with 10 of the properties having an average age of 5.5 years, WAULT of 14.2 years and an average lot size of £5.3m; and
- Strong pipeline of approximately £144 million (2017: £175 million) of further acquisition opportunities including projects with a value of £69 million in solicitors' hands[1] (2017: £100 million).

Investment Adviser fee reduction

- The Investment Adviser has agreed a reduction in its fees to reflect the change in the Company's dividend policy and to reduce its costs. Effective from 1 October 2018, the performance fee was abolished, and the investment adviser fee will be £0.5 million per annum lower until the portfolio reaches £1 billion with tapering savings between £1 billion and £1.25 billion. This immediately increases next year's earnings by 0.113 pence per share.

Capital management

- Quarterly dividend of 1.51p per share announced on 1 November 2018[5]; total dividends of 6.04p per Ordinary Share for the year or 7.4% dividend yield on a share price of 82.0 pence per share at 30 September 2018[6] (2017: total dividends of 6.0p per Ordinary Share; 6.6% dividend yield);
- Total drawn debt facilities of £446.1 million with a weighted average fixed rate cost of debt of 4.26% and an average unexpired term of 12.3 years, compared with 4.29% and 12.7 years for the prior year; and
- Net debt of £430.0 million equating to 52.6% adjusted gearing at 30 September 2018 (30 September 2017: £340.7 million; 49.5%)[1,7].

Unadjusted performance measures

	2018	2017	
Rent receivable (£m)	**40.3**	37.1	+8.6%
Profit before tax (£m)	**49.1**	33.3	+47.4%
Earnings per Ordinary Share (pence)[1]	**10.7**	9.4	+13.8%
Dividend cover[8]	**64.0%**	59.2%	+4.8[10]
Property valuation (£m)[4]	**806.7**	680.4	+18.6%
Weighted average debt term (years)	**12.3**	12.7	-0.4
Net Asset Value per Ordinary Share (pence)[1]	**81.0**	76.3	+6.2%
Share Price Total Return[3]	**-3.1%**	9.6%	-12.7[10]

Adjusted performance measures

	2018	2017	
EPRA earnings per Ordinary Share (pence)[9]	**3.9**	3.5	+11.4%
EPRA Net Asset Value per Ordinary Share (pence)[9]	**81.8**	76.5	+6.9%
Total return on EPRA Net Asset Value[2]	**14.8%**	12.7%	2.1[10]

The Directors believe that presenting the above adjusted performance measures assists readers of the financial statements 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 Directors believe EPRA measures provide meaningful industry standard key performance indicators.

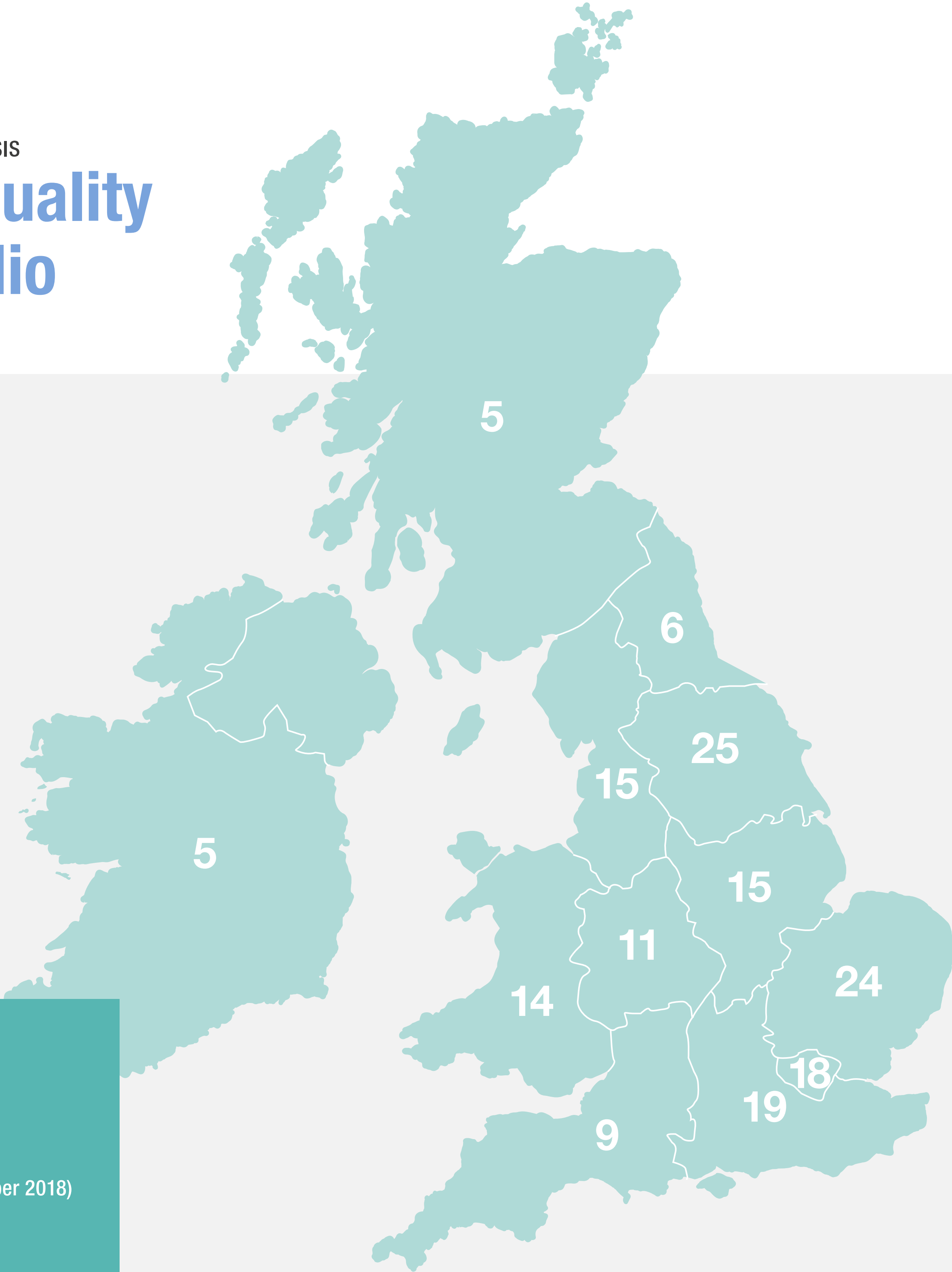
1 As at the financial year end of 30 September 2018
2 Movement on EPRA NAV per share between 30 September 2017 and 30 September 2018 and dividends paid during the year, divided by opening EPRA NAV per share
3 Based on share price movement between 30 September 2017 and 30 September 2018 and dividends paid and reinvested during the year
4 As shown in note 8 to the financial statements
5 Ex-dividend date 15 November 2018, record date 16 November 2018, payment date 31 December 2018
6 Total dividends declared for the year divided by share price at 30 September
7 As shown in note 24 to the financial statements
8 Dividend cover is EPRA earning per share divided by dividend per share paid in the financial year
9 As disclosed in note 7 to the financial statements
10 Percentage point change
11 NHS is the National Health Service (The national healthcare system in the UK)
12 HSE is Health Service Executive (The body responsible for health and social care in the Republic of Ireland)
13 EPRA is the European Public Real Estate Association
14 Rent roll is the contracted rents reserved under completed properties and properties under construction

UPDATE ON DIVIDEND POLICY

- As announced in May 2018, the Company intends to declare a fully covered dividend for the 2019 financial year onwards.
- This new policy of paying a fully covered dividend is intended to free up additional funds for the Group to invest in attractive opportunities, and enable it to deliver superior capital growth over time from a sector which continues to demonstrate attractive growth prospects.
- Going forward, the Company intends to continue to pay shareholders the dividend on a quarterly basis, in March, June, September and December of each financial year and on a growing covered basis.
- Subject to unforeseen circumstances and based on the current performance, the Directors are targeting dividends of 3.80p per share for the financial year ended 30 September 2019.
- Further details of the dividend policy are set out in the Chairman's statement on page 14.

PORTFOLIO ANALYSIS

High quality portfolio



Total properties
(As at 30 September 2018)

166

Wales & Scotland

Number of properties	**19**
Number of tenancies	50
Floor area (m^2)	23,826
Rent roll £'000	4,402
Capital value £'000	78,467

North West

Number of properties	**15**
Number of tenancies	43
Floor area (m^2)	27,328
Rent roll £'000	5,677
Capital value £'000	104,880

North East

Number of properties	**6**
Number of tenancies	16
Floor area (m^2)	6,674
Rent roll £'000	1,192
Capital value £'000	21,593

Ireland

Number of properties	**5**
Number of tenancies	20
Floor area (m^2)	12,887
Rent roll £'000	3,197
Capital value £'000	56,775

Yorks & Humber

Number of properties	**25**
Number of tenancies	85
Floor area (m^2)	35,125
Rent roll £'000	6,692
Capital value £'000	113,363

West Midlands

Number of properties	**11**
Number of tenancies	23
Floor area (m^2)	17,635
Rent roll £'000	3,411
Capital value £'000	69,298

Completed properties
163

Properties under development
3

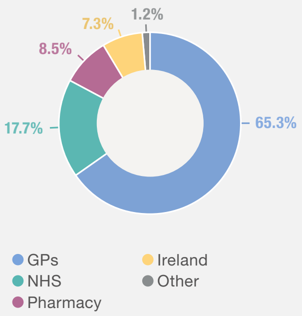
Average unexpired lease terms
14.2yrs
(2017: 14.1 yrs)

Average age
9.3yrs
(2017: 8.7 yrs)

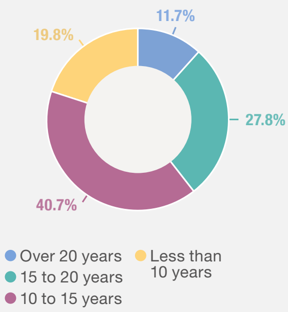
Average value
£4.8m
(2017: £4.4m)

PORTFOLIO REVIEW

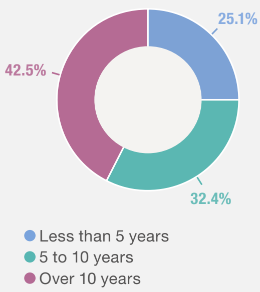
Security of income by tenant type



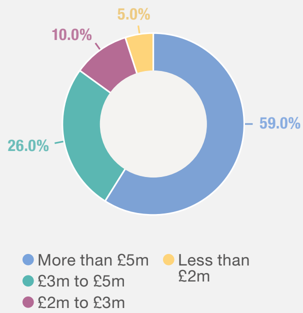
Security of income by lease expiry



Age of assets



Value per property



Analysis of property portfolio – 10 largest investments

Property	Year ended 30 September 2018 Valuation £'000	Year ended 30 September 2018 Percentage of total	Year ended 30 September 2017 Valuation £'000	Year ended 30 September 2017 Percentage of total
Moorgate Primary Care Centre, Bury	**19,450**	**2.41%**	18,230	2.68%
Kilnamanagh Tymon Primary Care Centre, Ireland	**16,020**	**1.99%**	–	–
Lytham Primary Care Centre, Lytham	**15,300**	**1.90%**	14,570	2.14%
Princeway Health Centre, Frodsham	**14,920**	**1.85%**	12,509	1.84%
Mullingar Primary Healthcare Centre, Ireland	**14,596**	**1.81%**	12,605	1.85%
Osborne House, Handsworth	**13,023**	**1.61%**	12,063	1.77%
Mowbray Square Medical Centre, Harrogate	**12,003**	**1.49%**	–	–
Caerphilly Integrated Resources Centre, Caerphilly	**11,110**	**1.38%**	10,550	1.55%
Evesham Health Centre, Evesham	**11,050**	**1.37%**	9,660	1.42%
Bathgate Primary Health Centre, Bathgate	**10,800**	**1.34%**	10,490	1.54%
Kingsway Medical Centre, Ossett	**–**	**–**	10,390	1.53%
Cobham Hospital, Cobham	**–**	**–**	9,930	1.46%
10 largest completed properties	**138,272**	**17.14%**	120,997	17.78%
Other properties	**668,470**	**82.86%**	559,358	82.22%
	806,742	**100.00%**	680,355	100.00%

South West

Number of properties	**9**
Number of tenancies	13
Floor area (m²)	8,012
Rent roll £'000	1,474
Capital value £'000	24,617

London

Number of properties	**18**
Number of tenancies	37
Floor area (m²)	18,008
Rent roll £'000	4,379
Capital value £'000	84,802

South East

Number of properties	**19**
Number of tenancies	50
Floor area (m²)	22,719
Rent roll £'000	4,701
Capital value £'000	86,749

East Midlands

Number of properties	**15**
Number of tenancies	27
Floor area (m²)	18,412
Rent roll £'000	3,317
Capital value £'000	64,301

Eastern

Number of properties	**24**
Number of tenancies	61
Floor area (m²)	29,071
Rent roll £'000	5,597
Capital value £'000	101,897

Total

Number of properties	**166**
Number of tenancies	425
Floor area (m²)	219,697
Rent roll £'000	44,039
Capital value £'000	806,742

A compelling investment proposition with a track record of delivering returns

ATTRACTIVE MARKET DYNAMICS

The demand for new modern primary care infrastructure continues to be strong as the population ages and grows, with more complex health needs. The Government and NHS have a clear strategy for GP practices to deliver services at greater scale and offering access to services seven days per week 8am-8pm.

The drivers of portfolio like-for-like growth are yield compression, rent review uplifts and asset management initiatives. Yields have been driven downwards by investor appetite – accepting a lower return in exchange for secure government backed income.

The Sir Robert Naylor report on the NHS estate published in March 2017, reinforced the importance of primary healthcare and its premises as part of the delivery of the NHS Five Year Forward View policy. The report also highlighted that private sector funding and expertise has a strong part to play in the transformation of the primary healthcare estate.

The UK population of over 85 year olds will double to 3.2 million over the next 25 years

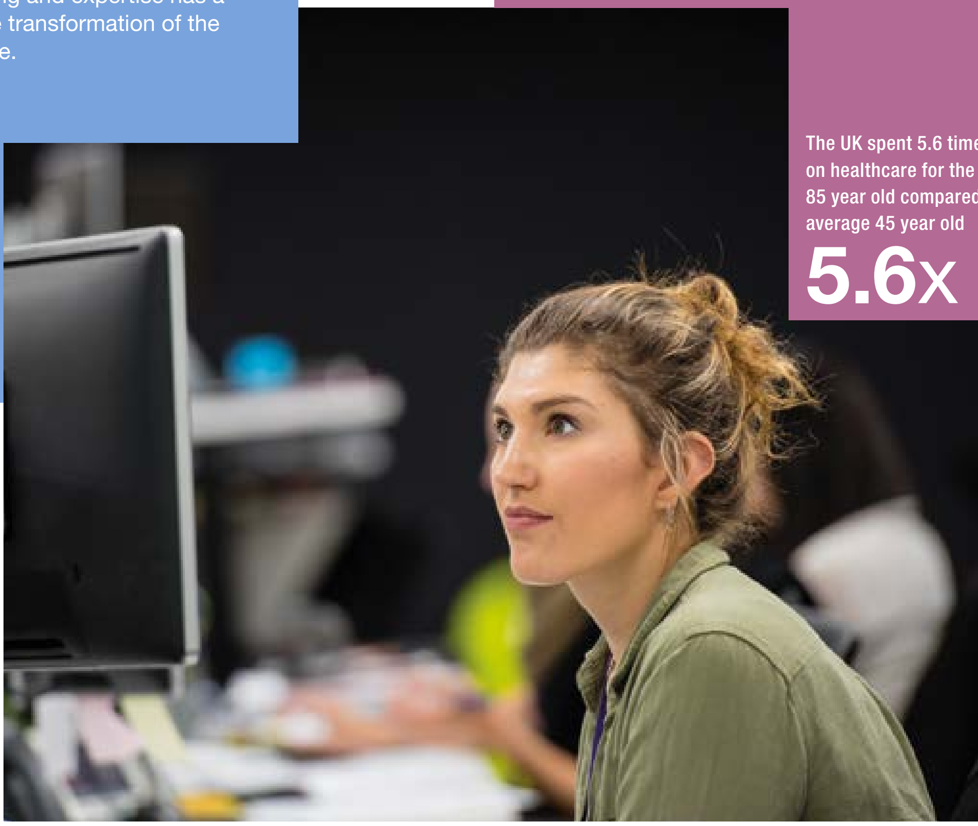
3.2m

EXPERIENCED INVESTMENT ADVISER

Octopus Healthcare Adviser is a multi-disciplined investment manager with a dedicated team of over 20 of its 59 people focusing exclusively on the Fund's portfolio and sourcing new investment opportunities. The Investment Adviser has excellent relationships with the NHS, Clinical Commissioning Groups and leading GP organisations, as well as agents, rent review surveyors and developers across the health infrastructure sector.

The UK spent 5.6 times more on healthcare for the average 85 year old compared to the average 45 year old

5.6x



SMART
ASSET MANAGEMENT

Octopus Healthcare Adviser continuously reviews the Fund's portfolio, regularly visiting its properties and meeting with its tenants to ensure that each asset is meeting local healthcare needs as well as identifying opportunities for value enhancing growth from rent reviews, extensions, re-configuring space, re-gearing leases and achieving operating cost reductions. MedicX utilises proprietary mapping and data systems to help understand the primary healthcare landscape in each locality to facilitate prudent and timely asset management decisions as the portfolio matures and the market evolves.

MedicX continues to sell assets which are generally older, below the average lot size or where the Investment Adviser considers it is less certain medical services will be continued to be delivered from the asset at the end of the lease term.

GP appointment numbers increased 7.5% over two years to June 2017

7.5%

OUR APPROACH
SELECTIVE INVESTMENT

MedicX continues to selectively buy and forward fund modern, purpose-built and locally dominant assets. It focuses on maintaining and improving portfolio quality across the key metrics of weighted average unexpired lease term ("WAULT"), age of building and lot size. It sources its off-market forward funding opportunities through framework agreements with a range of experienced primary care developers in both the UK and Republic of Ireland, including its Investment Adviser, Octopus Healthcare.

With the NHS's clear direction of travel towards fewer but larger primary care practices and buildings, understanding the local healthcare environment has become increasingly important to investment decision making. The Investment Adviser uses its bespoke mapping and data systems and meets with both GP providers and commissioners to ensure that the assets it acquires will be used for the delivery of primary care and sustainable income beyond the term of the current leases.

The average UK GP sees 41 patients per day

41

Strategic report

Fourth completed primary care centre in the Republic of Ireland

Kilnamanagh Tymon Primary Care Centre (KTPCC) in Dublin completed construction in May 2018. The project comprised the renovation of an empty 62,000 sq. ft. office building and now has a capital value in excess of €17m. This is one of five assets in Ireland MedicX owns as part of the strategy to grow the primary care portfolio and support the Health Service Executive's estate transformation in the Republic of Ireland.

Capital value
€17m

Strategic report

Dynamics

- Underlying demand drivers still increasing – ageing population with greater health needs
- GP practices merging and operating at greater scale – smaller/single-handed practices combining
- Primary care estate improvement part of the 44 Sustainability and Transformation Plans (STPs)
- NHS Primary care funding to increase by £2.4 billion per annum by 2020/21
- 250 GP practice closures and mergers in the last 12 months

Opportunities

- Government strategy can't be delivered from existing primary care infrastructure
- Third Party Development ("3PD") model provides cost effective buildings on easy to understand basis
- Rent reviews improving as new schemes at higher rents approved by District Valuers
- Asset management initiatives to improve existing buildings

Challenges

- Maturing asset class
- Increasing land and build costs
- Strong competition for assets driving yields downwards
- Government spending still restrained – although easing

The demand for new modern primary care infrastructure continues to be strong as the population ages and grows, with more complex health needs. The Government and NHS have a clear strategy for GP practices to deliver services at greater scale and offer access to services seven days per week 8am-8pm.

United Kingdom

Primary Care Services

The NHS celebrated its 70th anniversary in 2018. In this landmark year, the NHS launched a programme to ensure a stronger, more sustainable future for General Practice that will be appropriate for a growing and increasingly elderly population.

The new long-term plan identifies potential improvements in primary care through the reformation of GP contracts, a review of the Quality Outcomes Framework ("QOF" provides a payment structure based on quality outcomes) and the revision of payments to support a fair and increasing roll-out of digital systems across primary care. NHS England has finished a public consultation seeking the views of healthcare professionals, General Practitioners and patients to provide feedback on these topics. National Director of Strategy and Innovation for NHS England, Ian Dodge, stated: "2019 starts the most substantial discussion of the GP contract since 2004. This calls for more intensive joint working between NHS England and our partners, particularly the BMA."

Primary Care Estates Strategy

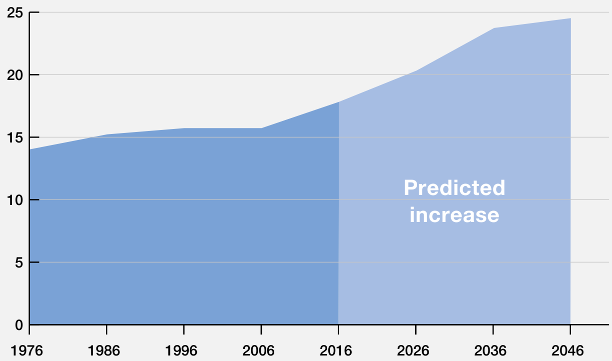
NHS England launched a General Practice Premises Policy review which called for submissions by September 2018. MedicX and the Investment Adviser contributed to submissions by the Primary Care Premises Forum which represents the sector, as well as the Health Committee of the British Property Federation.

All Sustainability and Transformation Partnerships ("STPs") have now submitted draft bid documentation for new infrastructure funding which are being reviewed by NHS England/NHS Improvement with feedback and agreed priority schemes expected in Q1 or Q2 2019.

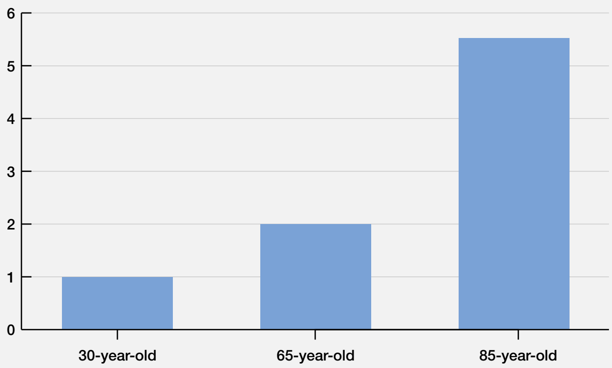
Third Party Development ("3PD") continues to be a cost effective solution for commissioners to use, partnering with investors to create new modern purpose-built infrastructure.

The NHS's challenge

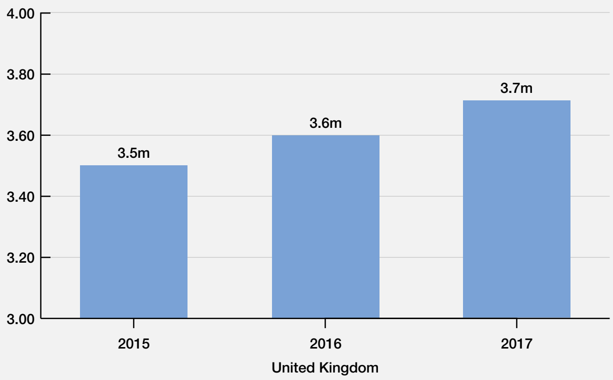
The UK's ageing population
% population aged 65 and over



Comparing NHS spending on people by age
Relative cost in £s



Diabetes prevalence in the UK
People diagnosed in millions



Republic of Ireland

In the Republic of Ireland there are similar demographic pressures requiring new primary care infrastructure and the Irish Government continues to support their Primary Care Centre strategy delivering modern purpose-built centres serving the local community.

Pricing and rents

The primary care investment sector has continued to see further yield compression during the year due to investor demand, reinforcing the attractiveness of the asset class. Market rental growth remains below inflation but is improving as a result of a number of new development schemes setting new rental evidence. In addition, UK RPI inflation increased to 3.3% over the twelve months to 30 September 2018 providing another strong indication of upward pressure on market rents.

Creating value for shareholders, tenants, patients and society

Our business model creates value for shareholders, tenants, patients and society. We invest in high quality, sustainable primary healthcare properties. We work with our tenants, development partners and other health providers to drive transformation of the primary healthcare estate, growing MedicX and transforming patient outcomes.

How we create value

The business model supports the Company's key objective of increasing net income over time to support a growing covered dividend and capital growth.

The Company initially raises equity finance to invest in high quality modern purpose-built investment properties with long secure government backed income. The Group then seeks to put in place low cost, fixed rate, long-term debt, thereby locking into a spread between the property yield and financing cost. The proceeds of the long-term debt are then used to invest in standing let investment properties or to forward fund new schemes, both of which are sourced from preferred developers or in the open market. As the portfolio grows, economies of scale will enhance shareholder returns, as will rental increases which are typically achieved on a three-yearly basis with 26% being inflation linked. As the portfolio grows and matures, MedicX increasingly works with its tenants to identify and facilitate value adding asset management projects which accelerate the pace of growth and returns.

Our investment objectives

1 Build a sustainable investment portfolio

2 Enhance portfolio value through active asset management

Selectively invest

The key investment criteria for MedicX is unexpired lease term, property age, lot size and the strategic importance of the practice in its locality.

Source

MedicX selectively buys high quality dominant assets or forward funds new schemes under framework agreements with a range of experienced developers in both the UK and the Republic of Ireland. Acquisitions are of freehold or long leasehold interests. Properties are typically let for 20-25 years directly to the NHS, HSE or to GPs.

Manage assets

The Investment Adviser continually reviews the Group's portfolio, regularly visiting its properties and meeting its tenants.

The Investment Adviser understands the changing primary care landscape and engages with local commissioners to ensure that the property portfolio is meeting local healthcare needs.

The Investment Adviser identifies opportunities for value enhancement through active asset management including extensions, re-configuring space, re-gearing leases and achieving operating cost reductions.

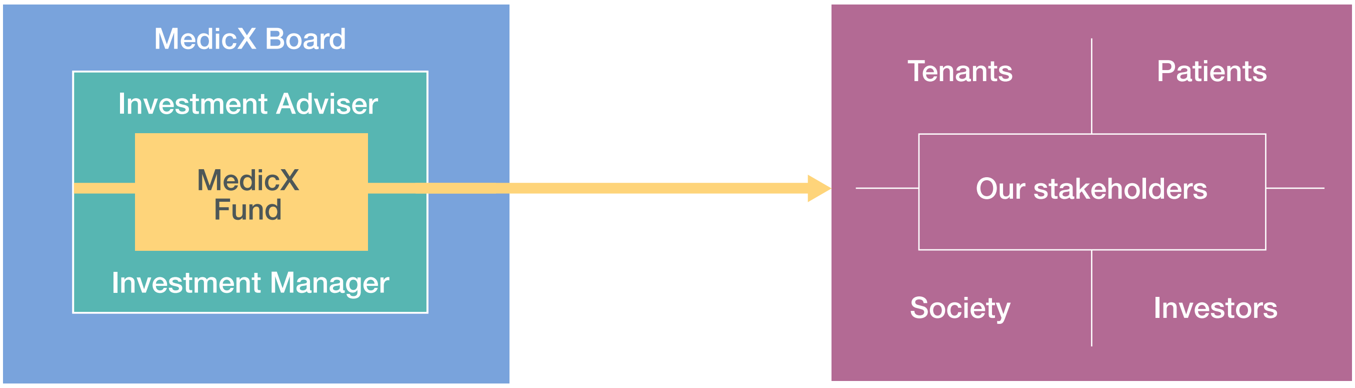
Key strengths

Specialisation

Specialisation in an attractive sector, underpinned by rising demand from ageing populations with more complex health needs resulting in infrastructure with government backed long-term leases.

More information on pages 6 and 10

Our structure



3 Create value for all our stakeholders

Mitigate risks

Investment risks are mitigated by investing in a diversified portfolio of primary healthcare properties across the UK and the Republic of Ireland, and by applying explicit policies in relation to portfolio asset allocation and restrictions on borrowings.

More information on page 28

Tenants

Deliver clinical services from purpose-built, state-of-the-art facilities, designed to offer integrated services within the local community.

Patients and communities

Convenient, accessible and integrated healthcare, offering a broader range of choice and services available in the local community.

Society

Reduced pressure on general district hospitals. Reduced environmental impact from delivery of healthcare services within the community, from modern sustainable premises meeting high Building Research Establishment Environmental Assessment Method ("BREEAM") standards.

Investors

Sustainable government backed rental income driving dividends and capital growth over the medium to longer term.
Total return on EPRA NAV of 13.1% per annum over three years ended 30 September 2018.

Reputation

Strong track record of property returns driving total shareholder return built on long-term relationships with developers, tenants and investors.

More information on page 22

Environmental, Social & Governance

Social and environmental impact are key investment criteria.

More information on page 30

Well-positioned for growth

Helen Mahy CBE
Chairman

MedicX has continued to execute its strategy of selectively buying and forward funding new, high quality medical centres. We also agreed a fee reduction with our Investment Adviser and we continue to believe our focus on larger, strategically important premises will deliver secure, sustainable long-term growth.

Following my appointment as Chairman in February, I am pleased to present my first, and the Company's twelfth, annual report, on behalf of the Board.

Introduction

The last twelve months have continued a period of important transformation for MedicX as it entered the UK REIT regime. It has restructured over £235 million of long-term, fixed rate debt, and announced a move to a fully-covered dividend policy from 2019. The Company also continued to improve the quality of its portfolio through £99.2 million of new investment, whilst completing the sale of five smaller non-core assets.

The strong financial results for the year (EPRA NAV up 6.9% and EPRA earnings per share up 11.4%) reinforce the benefits of MedicX's disciplined investment approach and commitment to creating and maintaining a market-leading portfolio of modern, purpose-built assets, which are aligned to the priorities of the NHS (and the HSE in Ireland) and demographic needs.

Over the year, MedicX's share price premium to Net Asset Value reduced in line with the REIT sector generally, as commentators highlighted domestic and global political uncertainty, market volatility and an increasing likelihood of rising interest rates in the near future.

In light of current market conditions, I am pleased to report that we have agreed with our Investment Adviser that their investment advisory fee will be reduced, with effect from 1 October 2018, immediately saving the Company £0.5 million per annum until the portfolio reaches £1 billion, with tapering savings between £1 billion and £1.25 billion. In addition, the performance fee will be abolished. This fee reduction will improve our cost ratios, increase EPRA earnings by 0.113 pence per share in the next year and will therefore enable us to set a higher dividend than would otherwise be the case.

Portfolio growth

During the financial year, MedicX deployed almost £100 million into thirteen completed, income-generating assets and seven development properties, four of which reached completion. We also completed the sale of five smaller assets at above their book value for almost £5.6 million earlier this year. Overall, the portfolio grew by 18.6% to £806.7 million, including a £32.2 million revaluation gain.

Earnings growth and dividend policy

The financial results reflect another year of solid performance. Rent receivable increased 8.6% from £37.1 million to £40.3 million and profit before tax was £49.1 million for the year, 47.4% higher than the profit before tax for 2017 of £33.3 million. The rent is set to further increase in 2019 when the full year's benefit of the portfolio acquisition is seen. The income growth exceeded the increase in costs and therefore earnings per share grew 13.8% to 10.7 pence from 9.4 pence. It was also pleasing that earnings grew significantly on an EPRA basis, which eliminates the contribution of the unrealised revaluation gain as well as the small profit on disposal. EPRA earnings per share ("EPRA EPS") increased 11.4% from 3.5 to 3.9 pence per share.

As announced in my interim report, in response to the macro environment and the increased market focus on dividend cover for those companies with real illiquid assets, we conducted a thorough strategic review. This review considered a wide range of matters including our expected levels of return, our capital structure, investment policy, dividend policy and the Company's appeal to a wider range of investors, all with the overarching aim of enabling the Company to grow sustainably over the long-term.

Following this strategic review and a consultation with a number of our major shareholders, the Board made the difficult decision to rebase the Company's dividend distribution policy for 2019 onwards. This means that MedicX can better align its dividend distributions with its cash flows and continue to evolve and take advantage of acquisition opportunities and strengthen its capital structure.

The dividend rebasing was announced in May, following a good set of first half results and notice of an exclusive acquisition opportunity, which would deliver improving economies of scale. I am therefore pleased that MedicX completed the off-market acquisition of a portfolio of 12 operational and fully let primary care medical centres in June 2018 for a price of £63.8 million, adding 8.9% to the Group's portfolio value at that time.

During this period of transition to a fully covered dividend, the Company maintained its previous dividend guidance and declared dividends totalling 6.04 pence per share for the 2018 financial year, with the final quarterly payment of 1.51 pence per share due to be paid on 31 December 2018.

The Board previously expressed its intention that the Company would declare and pay a fully covered rising dividend from 2019 based on paying out 95% of EPRA EPS. On the basis of the results for the year ended 30 September 2018, this would imply setting a dividend on an annualised basis at 3.70 pence per share. However, the Board are keen to maintain as high a dividend as possible and reserve the flexibility to increase the quarterly dividend when earnings increase. In light of the investment advisory fee reduction saving £500,000 per annum until our portfolio reaches £1 billion, subject to unforeseen circumstances and based on current performance, the Board are targeting a dividend of 3.80 pence per share for the financial year ending 30 September 2019 but will increase this where circumstances permit. It remains the intention that dividends will continue to be paid quarterly and a scrip alternative will be offered.

Based on the share price at 5 December 2018 of 75.80 pence, the covered dividend yield would be 5.01% per annum.

Funding

In September, we completed the £264.5 million refinancing of Aviva Investors debt facilities which included an increase of £30.8 million drawn on an interest only basis for 10 years with a fixed interest rate of 3.05% per annum. MedicX benefited from resetting the Loan to Value secured thereby releasing £25 million of property collateral, providing flexibility to undertake asset management projects identified at those locations as well as increasing unencumbered collateral to negotiate future facilities at current market rates. The refinancing, which was conducted without incurring break fees on the refinanced loan facilities, combined forty-six tranches across twenty legacy loan agreements, into two tranches under one new loan agreement. Therefore, as well as providing financing flexibility from the additional collateral, the new loan arrangements will improve operational efficiency.

Gearing has remained within set parameters but marginally increased from 49.5% at 30 September 2017 to 52.6% at 30 September 2018. This was a consequence of equity issuance being less attractive at a low premium, or discount, to NAV. The Company therefore utilised its Revolving Credit Facility over a short period, bridging to the 10 year new fixed rate loan put in place in September 2018.

When announcing the dividend rebase in May, the Board also expressed the intention, that subject to market conditions, the Company would issue up to 42.8 million new Ordinary Shares (being the number of shares which the Company had shareholder authority to issue non-pre-emptively) at a premium to EPRA NAV after costs. Although immediately following the announcement, there was insufficient demand for the whole issuance, the Company did successfully issue 9.7 million shares from its block listing facility at 81.25 pence per share. The proceeds of this tap issue together with extension and utilisation of the Company's Revolving Credit Facility enabled us to complete the corporate acquisition outlined above.

In light of the attractive opportunities available to the Company, we are considering various sources of funding to secure the pipeline but at this stage of the cycle we remain highly selective and do not intend the Company's gearing to rise above 55%.

Corporate governance

At the Annual General Meeting ("AGM") held on 8 February 2018, all proposed ordinary and special resolutions were passed with a majority of more than 99%, including a resolution to authorise the non-pre-emptive issue of up to 42.8 million Ordinary Shares at a price equal to or greater than the prevailing EPRA NAV per share. David Staples, the Company's former Chairman, who had served since October 2008, chose not to stand for re-election and I was appointed to succeed David.

Board composition and diversity

Succession planning is regularly discussed at Board meetings. Following the changes in Board composition during 2017/18 on REIT conversation and relocation of control and management to the UK and the retirement of David Staples, the Board has remained settled since February 2018 when I assumed the role of Company Chairman.

At the current time the Board consists of four members, one is resident in Guernsey, with three resident in the UK. The Board has members who have professionally qualified in accountancy, law, property and taxation and is made up of two male and two female members. The Board assesses its performance and composition annually and is of the view that it functions effectively and has an appropriate mix of skills to perform its responsibilities.

John Hearle, having been with the Company since launch, has served on the Board for twelve years and is standing again for re-appointment as director at the forthcoming AGM. John, who has over 40 years of experience in primary healthcare property, is widely recognised within the industry as a leading figure through his previous and current roles with Aitchison Raffety, RICS, the Primary Care Premises Forum and from acting as an expert witness and arbitrator. His experience of the asset class is an enormous benefit to the Board, and to me particularly, and its ability to constructively challenge the Investment Adviser. These are the reasons that, despite his length of service, the Board is fully supportive of John's reappointment and believes he remains independent.

Sustainability

The Board is committed to adopting responsible Environmental, Social and Governance policies. In support of these policies, the Company has invited its members to register for electronic communications which will reduce the number of communications sent by post resulting in cost savings to the Company, whilst reducing the impact that the unnecessary printing and distribution of reports has on the environment. It is the Board's preference to provide, as far as possible, all documents via the Company's website to all shareholders who have not specifically elected to receive the information in hard copy.

Brexit and market outlook

At the time of writing my report, the terms on which the UK is expected to leave the European Union remain uncertain with the House of Commons yet to vote on the proposals.

MedicX however invests in a sector with ever increasing demand driven by growing, ageing populations. Therefore, independently of the macro-economic factors, and to a certain extent politics, the assets that MedicX invests in will remain important and in demand.
It is therefore unlikely that the Brexit permutations will have a significant direct effect on the Company since it does not rely on EU trade arrangements or staff from EU overseas countries but there could be some indirect consequences driven by macro-economics. The Fund has reviewed its leases and facility agreements in relation to expected changes in legislation resulting from Brexit and no significant issues have been identified.

Global political factors are also creating economic volatility and uncertainty in the bond and equity markets which means MedicX must remain adaptable. In the UK the NHS is being affected by EU citizens looking to repatriate although the NHS is looking to attract GPs from commonwealth countries such as Australia. There will undoubtedly be some indirect effects on the Fund through volatility in the Sterling/Euro exchange rate, inflation, interest rates and new tax and regulatory legislation as Brexit unfolds one way or another which will be monitored by the Fund.

We believe the Company has an important role to play in delivering value for money for the taxpayer as an investor in modern purpose-built primary healthcare properties. The Fund's focus on its portfolio quality together with healthcare transformation driven from modern purpose-built healthcare property places the Company in a strong position for further sustainable growth.

MedicX has a new sustainable dividend policy and a strong pipeline of investment opportunities and a track record of partnering with primary healthcare providers to deliver high quality services and a better patient experience through investment in modern purpose-built properties.

In light of the strong pipelines in both the UK and Ireland as well as the positive experience of large purpose-built high quality assets in Ireland, the Board are of the view that the Fund is well positioned for growth.

Helen Mahy CBE
Chairman

10 December 2018

Q&A WITH HELEN MAHY

Following her appointment as Chairman in February 2018, Helen took time to discuss with Octopus Healthcare her vision for the future of MedicX and her experience of primary healthcare.

Q Who is Helen Mahy?

A *I joined the MedicX Fund Board on 1 April 2017 and became non-executive Chairman earlier this year on 8 February 2018 following the departure of David Staples, who had served as Chairman for nine years.*

I am also Chairman of The Renewables Infrastructure Group Limited ("TRIG"), which is a listed FTSE 250 investment company, and a non-executive director of SSE plc and of Bonheur ASA, listed respectively on the London and Oslo Stock Exchanges. This year I also became an Equality and Human Rights Commissioner. I am a lawyer by background and was Group Company Secretary and General Counsel at National Grid plc from 2003 until I left in early 2013.

Q What inspired you to join MedicX?

A *I place a high level of importance on an organisation's potential to contribute to society's needs and its ability to demonstrate corporate social responsibility – both are key ingredients for a successful and sustainable business.*

MedicX's focus on delivering high quality healthcare buildings which benefit patients, the medical professionals who work in them, and their wider communities was hugely attractive to me, and I believe that we can play a crucial role in meeting the ever-increasing societal health and social care needs.

Q What are your ambitions for MedicX over the medium term?

A *I want MedicX to continue to execute our strategy of buying best-in-class medical centres and working with the NHS, HSE (in Ireland) and social care agencies in order to improve the health and social care estate.*

It is vital that we grow our business – we selectively focus on larger and strategically important premises which deliver primary care services for the long-term. I believe our careful focus on disciplined acquisitions will deliver sustainable, long-term income and a better healthcare estate.

Addressing the need for modern purpose-built primary healthcare premises remains a priority for the UK and Irish health systems. I want MedicX to be a leader in providing value for money solutions that help the NHS achieve their five year forward view and the HSE transform the Irish health infrastructure.

Q What are your reflections after eight months as Chairman?

A *The market has shown significant volatility over the past few months with global political factors and Brexit causing uncertainty among investors. With long leases and government backed income, MedicX remains invested in a more defensive asset class than some other real estate companies. Our investments in Ireland also provide some diversity away from the UK, which may be beneficial in a disorderly Brexit scenario.*

MedicX has made great progress over the last year, converting to a REIT, committing to £80.3 million of new investments (including a £64 million portfolio acquisition) and restructuring over £230 million of legacy debt. These last two milestones were completed following the announcement in May 2018 that we would rebase the Company's dividend so that it will be covered by earnings going forward.

This decision aligns the dividend with the Company's cashflows and therefore reduces the risk of running with increasing levels of gearing while allowing us to grow our portfolio and benefit from increasing economies of scale.

Q How are you growing MedicX?

A *As populations grow and age, the case for new health infrastructure is as compelling as ever. This means that MedicX can have a great influence on the sector as we continue to invest and grow.*

I am also pleased that the Investment Adviser fee will be reduced to make us more competitive.

The Company has a strong pipeline, including a proprietary development pipeline from our investment adviser, Octopus Healthcare.

We recognise the importance of carefully selecting acquisitions to maintain portfolio quality and average lease lengths, as well as ensuring that we receive a fair market rent from our investments.

We are also increasing our focus on organic growth through working with our tenants on asset management projects. This has the double effect of increasing value whilst improving the healthcare estate in a cost-effective way.

Q What is the long-term strategy and what do you wish for MedicX?

A *Following the Review of NHS Estates by Sir Robert Naylor, I want MedicX to apply our knowledge and expertise by investing in best-in-class primary care centres. I want MedicX to maintain our current portfolio to the highest standards and to continually look to improve our assets.*

I want MedicX to navigate the political uncertainties, improve our economies of scale and reduce gearing and our cost of debt.

I want MedicX to be a strong partner to all our stakeholders and to help improve the provision of healthcare in the UK and Ireland.

We are targeting long-term returns

How we are structured

MedicX Fund Limited is a UK REIT with an external Investment Adviser and Manager. The Company's day-to-day management and administrative functions are outsourced to third parties. As a result, the Company has no Executive Directors or employees.

What we and our partners do

The Fund works with various stakeholders to own and maintain a high quality portfolio of mainly modern, purpose-built primary healthcare properties in the UK and the Republic of Ireland. Properties are let principally to the NHS, HSE or to GPs subject to NHS rent reimbursement.

Investment Objective

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 and rising cash flow.

The key objective of MedicX 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, re-gearing leases 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

MedicX Fund's investment policy is to acquire freehold or long leasehold interests in mainly modern, purpose-built primary healthcare properties, some of which may have the potential for enhancement. Assets meeting the Company's strict investment criteria will be sourced in the open market by the Investment Adviser or through framework agreements with a range of best in class experienced developers.

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 primarily across the UK and the Republic of Ireland.

In addition, MedicX Fund 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. UK sourced rents receivable from National Health Service ("NHS") reimbursable sources, together with Irish sourced rents receivable from Irish GPs and the Health Service Executive ("HSE"), 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;
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; and
5. At the time of investment, no more than 20% by value of the properties held shall be properties located in the Republic of Ireland. However, the Directors do not expect to exceed a limit of approximately 15% by value of properties located in the Republic of Ireland, at the time of acquisition, relative to the Company's total value of investment properties.

Restrictions on borrowing

6. 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%, and not exceeding 65%, of the Company's total assets attributable to the Ordinary Shares.

DIVIDEND POLICY

New dividend policy

The Company followed its planned dividend policy for the financial year ended 30 September 2018, with total dividends declared of 6.04p (2017: 6.00p) per Ordinary Share representing a dividend yield of 7.4% (2017: 6.6%). This dividend policy was however achieved with a dividend cover measured against EPRA earnings of 64.0% for the full year to 30 September 2018 (30 September 2017: 59.2%), the increase resulting from increased earnings and a small increase in gearing.

The Board considers the risks underlying the dividend policy and assesses the appropriateness of the level of dividend at each quarterly meeting. The most significant risk threatening the ongoing payment of the dividend would be a withdrawal of funding resulting in a threat to the Company's liquidity if the dividend level was maintained without an alternative source of funding being secured.

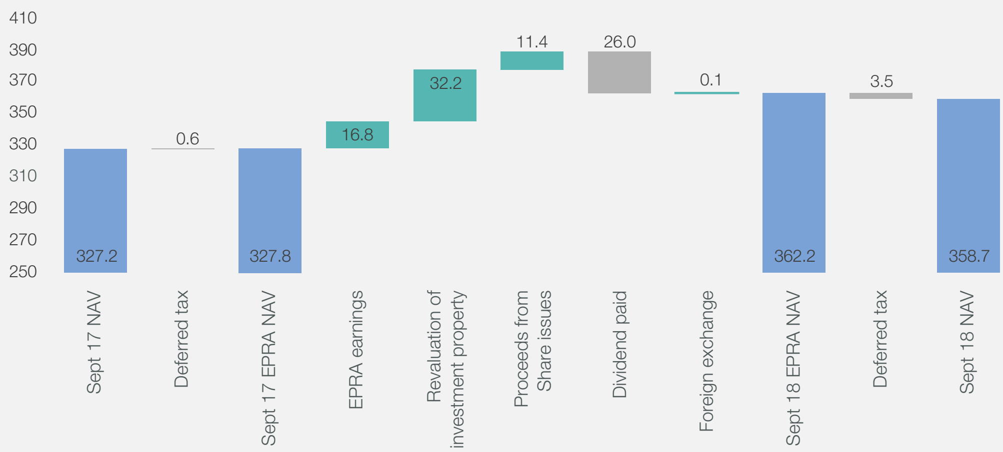
Were MedicX to maintain its previous dividend policy, it would reduce the Company's ability to evolve and take advantage of acquisition opportunities and strengthen its capital structure. The Board therefore took the decision to rebase the Company's dividend for the 2019 financial year onwards, lowering the risk associated with the need for a relatively high leverage to support the cash needed for distributions.

In the future the Board expects to pay a quarterly dividend from a covered position. As the Fund continues to grow, achieve rental increases, deploy capital and complete properties under construction, it is expected that dividends will grow whilst remaining covered by earnings.

The Board previously expressed its intention that the Company would declare and pay a fully covered rising dividend from 2019 based on paying out at least 95% of EPRA EPS. On the basis of the results for the year ended 30 September 2018, this would imply setting a dividend on an annualised basis at 3.70 pence per share. The Board are however keen to maintain as high a dividend as possible and therefore retain the flexibility to increase the quarterly dividend when earnings increase. The Investment Adviser fee reduction is one such example of a foreseeable increase in earnings.

Therefore, subject to unforeseen circumstances and based on current performance, the Board are targeting a dividend of at least 3.80 pence per share for the financial year ending 30 September 2019 but will increase this if practicable. It remains the intention that dividends will continue to be paid quarterly in four equal instalments with a scrip alternative offered.

NAV and EPRA NAV movement for year ended 30 September 2018 (£m)



EPRA NAV reconciliation

	30 September 2018 £'000	30 September 2017 £'000	Movement £'000	Movement %
Investment properties	**807,797**	681,390	126,407	18.6%
Cash	**18,888**	32,145	(13,257)	(41.2%)
Other receivables	**9,075**	7,176	1,899	26.4%
Borrowings	**(448,875)**	(372,796)	(76,079)	20.4%
Other liabilities	**(24,666)**	(20,138)	(4,528)	22.6%
EPRA NAV	**362,219**	327,777	34,442	10.5%
Deferred tax liability	**(3,502)**	(575)	(2,927)	509.0%
Unadjusted NAV	**358,717**	327,202	31,515	9.6%

The Investment Adviser is Octopus Healthcare Adviser Ltd

MedicX's Investment Adviser is Octopus Healthcare Adviser Ltd, and the manager of the Company is Octopus AIF Management Limited, each is part of Octopus Capital group.

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.

It currently manages over £1.5 billion of healthcare investments across a number of platforms, with a focus on three core areas: GP surgeries, care homes, and retirement housing.

Octopus Capital is a fast-growing UK fund management business with leading positions in several specialist sectors including healthcare infrastructure, energy, renewable energy, property finance and smaller company investing. Octopus Capital manages £8.6 billion of funds for more than 65,000 retail and institutional investors as well as supplying energy to more than 385,000 customers.

Under the Alternative Investment Fund Managers Directive, the Company's Manager is Octopus AIF Management Limited who was appointed on 29 September 2017, immediately following the Company transferring its tax residency from Guernsey to the UK in order to enter the UK REIT regime.

Who we are

The Octopus Healthcare team, sources, negotiates investment and develops healthcare infrastructure, as well as partnering with healthcare operators and maintaining relationships with developers to grow and support their businesses.

The team has expertise across a wide range of projects, from primary care, care homes, retirement villages, housing with care, clinical assurance and private hospitals.

Through the Octopus Healthcare unique investment, development and partnerships approach, we are at the forefront of healthcare infrastructure, investing in a wide range of healthcare for the private and public healthcare sectors and developing modern, innovative centres of healthcare excellence for best-in-class UK healthcare operators and the NHS.

What we do

Investment

With over £1.5 billion of funds under management in both private and listed investment funds, Octopus Healthcare is helping to transform the UK and Irish healthcare estate.

Development

UK healthcare is changing rapidly, providing the opportunity to deliver a wider range of services and create a better experience for customers. We believe new premises can be the catalyst for positive change and positive impact.

Partnerships

Octopus Healthcare is committed to promoting entrepreneurship in healthcare and helping individuals and teams to establish and grow great healthcare businesses.

Octopus AIF Management Limited and Octopus Healthcare Adviser Ltd, are each authorised and regulated by the Financial Conduct Authority.

The Investment Team

Mike Adams

Executive Chairman

Octopus Healthcare Adviser

Mike joined Octopus Healthcare in 2005 and has overall responsibility for the strategic direction of the award-winning Octopus Healthcare.

Since joining, Mike has led on the launch of multiple healthcare property investment funds, including the LSE-listed MedicX Fund and the private investment vehicles, Octopus Healthcare Fund and MedicX Healthfund II. Over the last couple of years, Mike has been heavily focused on creating sustainable new healthcare businesses, partnering with best-in-class entrepreneurs to develop sector-transforming businesses.

Alan Pennell

Finance Director

Octopus Healthcare Adviser

Alan is a member of the ICAEW with over 20 years' experience working with real estate operators and investors.

Alan qualified as a Chartered Accountant in 2000 having completed his training in London after graduating from Oxford University. In 2005 he joined EY as a manager in their strategic growth services group where he advised a range of real estate, technology and telecoms clients. In 2008 he joined the real estate, construction and hospitality group where he worked with a range of global and domestic real estate investors, developers and operators in primary and secondary healthcare as well as other property asset classes.

In June 2014, Alan joined the Octopus Healthcare team and is responsible for leading the MedicX Fund finance team.

Tim Meggitt

Director

Octopus Healthcare Adviser

Tim is a qualified Chartered Surveyor with over 30 years' experience in property development and investment.

Tim started his career in Leeds and then London from 1983-1990. Tim moved onto his next role with the Yates Group (1990-2003) and became the Group Property and Development Director. After this period, Tim joined the Assura Group and held a number of senior positions where he was responsible for both the development and investment portfolio including managing several LIFT companies.

In 2010, Tim joined Octopus Healthcare, heading up the property and investment teams across primary care and care homes. Since 2014, Tim has been responsible for the day-to-day running of the Fund.

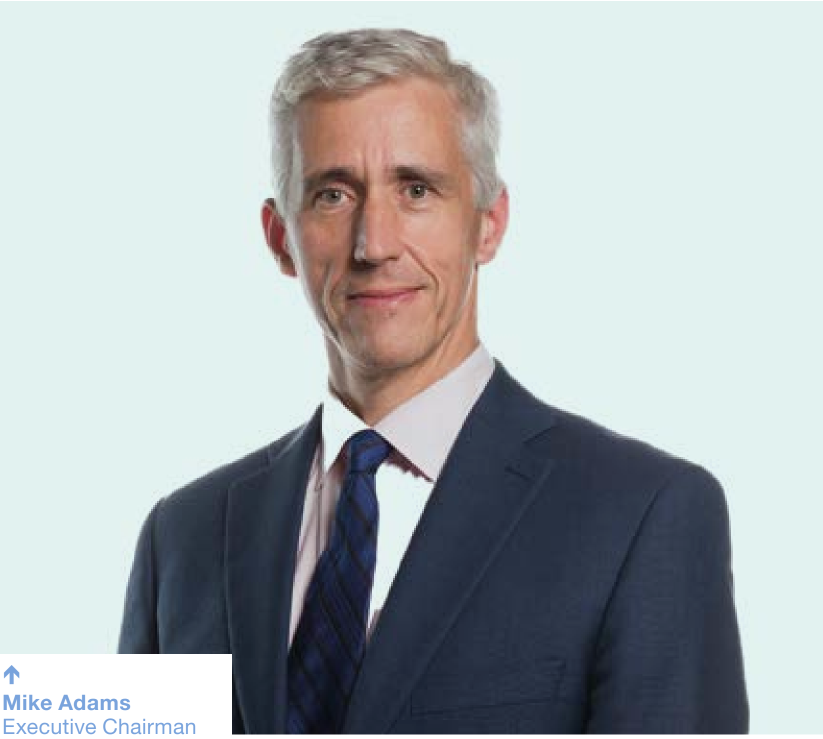
Funds under management

£1.5bn

Dedicated members of staff

59

Building a brighter future for primary healthcare investment



Mike Adams
Executive Chairman
Octopus Healthcare

> The Government strategy of shifting services from secondary care to a primary care setting is driving GPs and practices to operate at scale and continues to underpin the need for new primary care infrastructure.

The market

The NHS

Improving primary healthcare infrastructure remains a key priority for the NHS in delivering its Five Year Forward View. Large parts of the primary care estate remain unfit for purpose, unsuited to GPs delivering care at scale or providing access to services twelve hours a day, seven days a week to meet society's ever-increasing health needs.

In his report on the NHS estate published in March 2017, Sir Robert Naylor highlighted that private sector funding and expertise has an important part to play in the transformation of the primary healthcare estate. 3PD, the model through which MedicX invests, is recognised as a procurement method which is simple and provides good value for money in the delivery of new or refurbished premises which support the NHS's vision. Accordingly, MedicX, which focuses on modern, best-in-class asset selection, is well positioned to support the essential primary healthcare estate transformation and places the Company in a strong position for further sustainable growth.

Since Sir Robert's report, the Government has accepted his recommendations and announced various NHS funding increases for primary care and its premises, including through the 44 STPs. Further, a number of the projects awarded grants under the Estate and Technology Transformation Fund (part of the £1 billion Primary Care Infrastructure Fund) are now being accelerated to meet funding deadlines. Accordingly, MedicX is seeing a rise in the number of new development projects in its investment pipeline as the increase in available revenue and capital funding for the NHS drive the primary care market forward.

Good progress has also been made by the Health Service Executive ("HSE") in the Republic of Ireland as it establishes new, modern, purpose-built and integrated infrastructure. MedicX has already invested in five assets and owns part of a sixth site as it continues to build strong relationships with framework developers, GPs and the HSE.

Investment

Despite wider market uncertainty following the result of the EU referendum, the UK primary care investment market has remained highly competitive with continued downward pressure on yields recognising the security of the government backed income in primary care assets and crucial role in providing sustainable healthcare infrastructure.

Record low yields have been paid in both the UK and Republic of Ireland this year and the asset class is now widely seen as mature. The relative lack of good quality secondary market opportunities is likely to result in more new forward funding opportunities going forward.

Fund performance

The financial highlights reflect another solid period of growth for the Fund, with investment of £99.2 million and a revaluation uplift of £32.2 million driving portfolio growth of 18.6% for the financial year to £806.7 million (2017: £680.4 million).

Over the year the rent roll increased 10.0% to £44.0 million from £40.0 million which drove an 8.4% increase in rent receivable from £37.1 million to £40.3 million. This capital and income growth led to an increase in EPRA Net Asset Value per share of 6.9% from 76.5 pence per share to 81.8 pence per share and 11.4% growth in EPRA earnings per share from 3.5 pence per share to 3.9 pence per share.

This growth enabled the Company to follow its planned dividend policy, with total dividends declared of 6.04p per Ordinary Share in respect of the year ended 30 September 2018.

Overall, the total return on EPRA NAV for the financial year was 14.8% (2017: 12.7%) made up from the payment of dividends of 6.03 pence per share and EPRA NAV growth of 5.3 pence per share.

Portfolio update

At the end of the financial year, the Fund's portfolio stood at 166 properties with a rent roll of £44.0 million (2017: £40.0 million). It remains a best-in-class portfolio with a weighted average asset age of 9.3 years, a weighted average unexpired lease length of 14.2 years and an average property value of £4.8 million (30 September 2017: 8.7 years; 14.1 years; and £4.4 million), reflecting our focus on asset quality and investment discipline.

The rent profile offers significant certainty and a strong covenant with 83.0% of the rent receivable from UK Government-funded doctors and the NHS, 7.3% from the HSE and Irish GPs, 8.5% from pharmacies and only 1.2% from other tenants.

Acquisitions

Fifteen properties were acquired over the year to complement the existing portfolio, representing total new commitments of £80.3 million. These acquisitions were made up of an off-market acquisition of a portfolio of 12 operational and fully let primary medical centres from the One Medical group with a total cost of £65.3 million, one standing let property located in Kilkenny for £6.8 million and commitments to forward fund two UK schemes located near Glynneath in Vale of Neath and Peterborough.

In total, investment was £99.2 million for the year taking into account £27.0 million deployed into properties under construction.

Properties under construction

At the beginning of the year properties were under construction at Cromer and Brynmawr in the UK and Crumlin, Kilnamanagh Tymon and Rialto, all within Dublin. During the year the properties at Cromer, Brynmawr, Crumlin, and Kilnamanagh Tymon reached practical completion and rent commenced. The completed properties contribute in the region of £1.9 million of rent with a combined cost of £29 million representing a blended yield of near 6.5%.

Construction is ongoing at the existing three projects at Rialto, Vale of Neath and Peterborough. The outstanding commitment on these three properties at 30 September 2018 was £7.1 million, with the UK projects expected to complete in quarter two of the 2019 financial year and Rialto to complete in quarter three.

At 30 September 2018, MedicX also owned four sites (30 September 2017: two), recorded at £6.3 million (30 September 2017: £2.7 million), and with the benefit of put options back to the developer should the schemes not proceed. One of the sites was sold in October at its net book value since that scheme is no longer expected to proceed. Work continues on the remaining three schemes with MedicX's development partners confident that agreements for lease will be signed, resulting in live schemes.

Disposals

In the first quarter, MedicX completed the sale of five properties located in Wolverhampton, Southampton, Gravesend, Leicester and Grimsby. These smaller assets were expected to have a lower likelihood of providing primary healthcare services over the long-term. The total gross sale price was £5.6 million representing a gain of approximately £250,000 over the 30 September 2017 valuation, which after costs resulted in a profit on sale of £110,000. The Fund will continue to look to sell properties which no longer meet its long-term investment criteria or have been identified as less likely to be used for delivery of primary care beyond their existing lease term. Following the year end, in October 2018, one property located in Harpenden was sold for proceeds of £595,000 recognising a small profit.

Property valuation

Jones Lang LaSalle Limited (UK) and Cushman & Wakefield (Republic of Ireland) the Group's independent valuers, valued the portfolio at £806.6 million as at 30 September 2018 on the basis that all properties were complete. The carrying value of £806.7 million reflects the cost to complete the assets currently under development as well as including four sites and the effect of head leases and rent incentives.

The weighted average Net Initial Yield for assets located within the UK at 30 September 2018 was 4.85% (2017: 5.08%) and the true equivalent yield was 5.13% (2017: 5.33%). The weighted average true equivalent yield for assets located within the Republic of Ireland was 6.29% (2017: 7.38%).

The asset yields compare favourably with the Group's weighted average fixed rate debt of 4.26% and a benchmark 20-year gilt rate of 1.97% at 30 September 2018. Assuming the Revolving Credit Facility was again utilised, the Group's average cost of debt would fall further towards 4.17% which would enhance returns further. The spreads being achieved for Irish assets remain significantly wider than those seen in the UK market however there has been significant downward pressure on yields this year.

In March 2018, MSCI published their primary care benchmark report. MedicX achieved a consistent Total Property Return of 8.1%, 9.0% and 8.9% over 1, 3 and 5 years which was slightly behind the primary healthcare benchmark of 11.1%, 10.2% and 9.4% over the same time periods. MedicX's rental return of 5.9% per annum was very much in line with the benchmark, however, its capital return was behind the benchmark in 2017, but strong capital gains in the current year have been achieved suggesting MedicX's Total Property Return will increase when published for 2018.

Rent review performance

A total of 95 rent reviews have been concluded during the year, with a combined rental value of £11.5 million.

During the year, the weighted average rental uplift from completed rent reviews was 4.84%, equating to a blended rate of 1.64% per annum with 0.79% per annum achieved from open market reviews, 2.35% per annum achieved from RPI based reviews and 3.74% per annum from fixed uplift reviews. These results show strong improvement over the comparable figures for 2017 where 92 reviews of £9.0 million of rent gave a blended annualised rental uplift of 1.02% (0.52% on open market reviews, 1.70% on RPI reviews and 2.38% on fixed uplifts).

EPRA weighted average like-for-like Rental Growth, was 4.67%, equating to 1.59% per annum, however, open market rental growth remained the same at 0.79% per annum growth.

Outstanding rent reviews of £24.9 million of passing rent are currently under negotiation as at 30 September 2018 (2017: £20.9 million).

A strong driver for rent review performance will be the final outcome of an independent expert determination of an outstanding open market rent review for one of MedicX's major assets in Clapham, London. The determination found that the contractual rent due from the applicable rent review date of March 2015 should increase by 35% (equating to a compounded 10.5% per annum uplift over the applicable 3-year rent review period). This determination is awaiting formal NHS ratification and as such this has not been included in the above rent review performance figures but, if it were included, the average per annum uplift would move from 1.64% to 1.99%.

Asset management

MedicX's Investment Adviser continually reviews the portfolio for asset management opportunities such as extensions, re-configurations of internal space, new pharmacy opportunities and lease re-gearing.

Two capital expenditure asset management projects have recently gained full NHS approval. The two asset management projects are for the refurbishment of GP practices to bring them in line with the current NHS standards, these projects will result in the unexpired lease terms of four and five years respectively being extended to 20 and 21 years. The projects have been agreed with either additional rent or a rent review immediately at completion following the refurbishment works.

After the year end, MedicX completed a new letting of previously vacant space to an educational company at its property in Middlesbrough. Furthermore, there is another open market letting currently in solicitors' hands to a dentist which is expected to conclude before the end of quarter one of the 2019 financial year.

Looking forward, MedicX is looking to progress fifteen current asset management projects under negotiation (extensions, refurbishments, lease re-gears/renewals and lettings).

Overheads, investment adviser fees and progress on ongoing charges

As a result of the asset and income growth for the year, the Group has made further progress on improving its financial operational efficiency. Its Ongoing Charges Ratio ("OCR") relative to average EPRA Net Asset Value for the year, excluding direct property costs, was 1.73% relative to 1.87% for the prior year.

The Company's EPRA cost ratios (both excluding/including immaterial vacancy costs) also reduced year on year to 18.4% from 19.8%.

As properties under construction complete and MedicX makes further accretive acquisitions, OCRs will continue to fall further providing more earnings to fund growing dividends.

As described above, we, the Company's Investment Adviser, have agreed to reduce our investment adviser fees by amending the bandings of the fee ratchet used to calculate our investment adviser fee. The Company currently incurs an investment adviser fee of 0.5% and 0.4% per annum on its consolidated property asset value up to £750 million and £1 billion respectively, with 0.3% per annum thereafter. The new investment adviser fee will be charged at 0.5% and 0.4% per annum on the consolidated property asset value up to £250 million and £1.25 billion respectively, with 0.3% per annum thereafter. The performance fee will also be abolished. The Company's cost saving up to the point when the portfolio reaches a value £1 billion will be £500,000 per annum which, all other things being equal will have the effect of accelerating the reduction in the OCR above by a further 0.15% to 1.58% and reducing the EPRA cost ratio by 1.2 percentage points to 17.2%.

Financing

New debt facilities were put in place during the year which have enabled MedicX to reduce its average cost of debt from 4.29% to 4.26% per annum whilst importantly releasing unencumbered property collateral, simplifying its facilities by eliminating 44 traches of Aviva debt and maintaining its weighted average unexpired term at 12.3 years at 30 September 2018, comparing well against the average remaining unexpired lease term of the Fund's portfolio of 14.2 years. The debt strategy remains to put in place long-term fixed rate debt (reflecting the Fund's long-sighted income) as and when new funding is required whilst ensuring adherence to the Company's gearing target. Of the Group's drawn debt facilities, £421.6 million of £446.2 million (94%) has a fixed interest rate.

The adjusted gearing at 30 September 2018, as detailed in note 24, was 52.6% (30 September 2017: 49.5%) which is in line, but at the higher end of the target range of 45-55% that the Directors are currently targeting.

During the year, progress was made in three areas on managing the debt strategy.

On 8 March 2018, the Bank of Ireland facility was extended by €4.9 million, increasing the total facility to €34.0 million. At 30 September 2018 an amount of €27.5 million has been drawn. The new tranche was put in place with a margin of 3% over EURIBOR with a floor of zero. This development loan provides a natural hedge against Euro denominated assets and is drawn down as needed in line with development payments. Discussions on refinancing this facility are ongoing with Bank of Ireland since MedicX now has four completed assets located in the Republic of Ireland.

On 6 June 2018, the Company's Revolving Credit Facility commitment with RBS was extended from £20 million to £30 million to facilitate the portfolio acquisition of 12 properties. £23 million was drawn between 6 June 2018 and 9 August 2018, and £20 million was drawn between 9 August 2018 and 12 September 2018 when the facility was repaid in full. On 5 October the extended commitment was cancelled and £20 million is now currently immediately available. The Revolving Credit Facility provides an immediate source of funding at a margin of 2% over LIBOR to complete attractive opportunities quickly and bridge to more permanent longer-term financing. The current Revolving Credit Facility arrangement ends in September 2019 and renewal discussions have started.

On 11 September 2018, MedicX restructured five of its umbrella loan facility agreements with Aviva and replaced these with one agreement for the value of £264.5 million, at the same time increasing the total facility held with Aviva by £30.8 million. The additional loan was on an interest only basis for 10 years with a fixed interest rate of 3.05% per annum.

MedicX benefited from resetting the Loan to Value ("LTV") secured to 65% thereby releasing £25 million of property collateral after increasing the loan balance, providing flexibility to undertake asset management projects identified at those locations as well as increasing unencumbered collateral to negotiate future facilities at current market rates. The refinancing, which was conducted without incurring break fees on the refinanced loan facilities, combined forty-six tranches across twenty legacy loan agreements, into two tranches under one new loan agreement. Therefore, as well as providing financing flexibility from the additional collateral, the new loan arrangements will improve operational efficiency.

In addition, to the new £30.8 million tranche, legacy loans of £233.7 million were reset to a term of 15 years with amortisation of £40 million payable and a fixed interest rate of 4.69% per annum (equal to the blended current cost of the former facilities).

The new facility agreement standardises the covenants that will apply. These will require the Group to operate with a debt service cover ratio of at least 140% throughout and with an LTV of no more than 75% for the first five years, falling to 70% for years six to ten and then 65% for the remaining term.

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

Discounted Cash Flow valuation of assets and debt

The Investment Adviser carries out a Discounted Cash Flow ("DCF") valuation of the Group assets and associated debt at each period end. The values for each asset 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 in place at each property. The sum of the present values of each property and associated debt cash flows are calculated and aggregated with the current surplus working capital of the Group.

At 30 September 2018, the DCF valuation stood at 101.0 pence per share compared with 98.5 pence per share at 30 September 2017, the increase resulting primarily from the property acquisitions and rental uplifts achieved in the year.

In order to provide a consistent approach, the discount rates applied in previous periods remain unchanged. The discount rates used were 7% for completed and occupied properties and 8% for properties under construction. These represented 2.5% and 3.5% risk premiums to an assumed 4.5% long-term gilt rate. The weighted average discount rate is 7.02% and this represented a 5.15% risk premium to the 20 year gilt rate at 30 September 2018 of 1.87%.

The DCF assumes an average 2.0% per annum increase in individual property rents at their respective review dates and also assumes 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 DCF net asset value to equate to the share price as at 30 September 2018 of 82.0 pence per share, the DCF calculation would have to assume either a 1.84% decrease in rents per annum, or a weighted average discount rate of 9.84%, or capital reductions of 1.1% per annum.

Dividends

On 1 November 2018, the Directors announced a quarterly dividend of 1.51p per Ordinary Share in respect of the period 1 July 2018 to 30 September 2018. The dividend will be paid on 31 December 2018 to shareholders on the register as at close of business on 16 November 2018 (the "Record Date"). The corresponding ex-dividend date was 15 November 2018.

The Company followed its planned dividend policy for the financial year ended 30 September 2018, with total dividends declared of 6.04p (2017: 6.00p) per Ordinary Share representing a dividend yield of 7.4% compared to the share price of 82 pence per Ordinary Share at 30 September 2018 (2017: 6.6%). This dividend policy was however achieved with a dividend cover measured against EPRA earnings of 64.0% for the full year to 30 September 2018 (30 September 2017: 59.2%) and the dividend policy will change to a covered model for 2019 onwards.

The Company offered qualifying shareholders the opportunity to take new Ordinary Shares in the Company, credited as fully paid for three of the four dividends declared for the year. The scrip dividend alternative is suspended for the dividend to be paid on 31 December 2018 however the Directors intend to offer the scrip dividend in future subject to the scrip price being greater than Net Asset Value.

Net asset value and sensitivity

The Fund's progress and performance has been positive with unadjusted NAV at 30 September 2018, having increased 6.2% to 81.0 pence per share (30 September 2017: 76.3 pence per share). EPRA Net Asset Value ("EPRA NAV") as at 30 September 2018 increased by 10.5% to £362.2 million or by 6.9% to 81.8 pence per share (30 September 2017: £327.8 million or 76.5 pence per share).

A review of sensitivities has been carried out in relation to the valuation of properties. If valuation yields sharpened by 0.25% to a Net Initial Yield of 4.6%, the EPRA NAV would increase by approximately 10.7 pence per share to 92.5 pence per share and the EPRA NNNAV would increase to 85.6 pence per share. However, if valuation yields widened by 0.25% to a Net Initial Yield of 5.1%, the EPRA NAV would decrease by approximately 9.6 pence per share to 72.2 pence per share and the EPRA NNNAV would decrease to 65.3 pence per share.

At the current time there are no indications that yields in primary healthcare are widening. There has been recent evidence of yields falling in the Republic of Ireland as the asset class matures and asset competition in the UK remains strong, maintaining yields.

Pipeline and investment opportunity

The opportunities available in the Republic of Ireland provide a spread which is wider by approximately 200bps. 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 growing high quality property pipeline, subject to contract, which has a value of approximately £144 million when fully developed.

At 30 September, the UK pipeline was approximately £60.0 million, and the Irish pipeline was the equivalent of £84 million. Of these opportunities, £46 million of assets in the UK, and £23 million of assets in Ireland were undergoing legal due diligence.

These opportunities have been sourced from best in class developers (include the Investment Adviser's own development pipeline) and tailored specifically to the needs of the GPs and other care service providers to produce the highest quality sustainable assets. All are important healthcare premises within their locality.

MedicX is well positioned to fund these through debt facilities or selective disposals as we continue to optimise our portfolio. Consistent with our previous statements, we will look to raise capital at the appropriate time to support the further growth of the portfolio.

Interest in voting rights of the Company

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

	30 September 2018	30 September 2017
Octopus Healthcare Adviser Ltd	**2,466,723**	2,297,336

The number of shares held by Octopus Healthcare Adviser Ltd as at the date of this report is 2,466,723, equivalent to 0.56% of the issued share capital of the Company.

During the year 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 all its dividends in the form of new Ordinary Shares. The cash equivalent of the dividends received by the Investment Adviser was £138,678 compared with £132,147 in the prior year.

Mike Adams
Executive Chairman – Octopus Healthcare Adviser Ltd

10 December 2018

MILESTONES IN THE YEAR AND SUBSEQUENTLY

Q1 2019

December 2018: New fee arrangements agreed saving the Company £0.5 million per annum until the portfolio reaches a value of £1 billion.

November 2018: Sale of one non-core property for net proceeds of £595,000.

Q4 2018

September 2018: Aviva refinancing for a facility of £264.5 million, increasing the current facilities by £30.8 million.

Q3 2018

June 2018: Acquisition of 12 modern purpose-built medical centres for a price of £63.8 million, adding 8.9% to the Company's portfolio value.

April 2018: Acquisition, by way of forward funding, a new primary healthcare medical centre in Peterborough, completed property cost is expected to be £3.2 million.

Q2 2018

February 2018: Resignation of David Staples as Board member and Chairman of the Board of Directors and appointment of Helen Mahy as Chairman.

March 2018: Completion of €4.9 million loan facility with Bank of Ireland to fund the purchase of a standing let property in the Republic of Ireland.

Q1 2018

November 2017: Sale of five non-core properties for net proceeds of £5.5 million; £250k above September 2017 valuation.

November 2017: Acquisition, by way of forward funding, a new primary healthcare medical centre near Glynneath in the Vale of Neath, South Wales, completed property cost is expected to be £4.6 million.

December 2017: Acquisition of the fifth property in Ireland, Ayrfield Medical Park in Kilkenny, a standing investment to the value of €7.8 million.

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.

Strategic risks

Description	Mitigation	Movement
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 Group may not receive rental income when due and/or the total income received may be lower than due under the current leases. • A change in political policies as a result of the referendum vote for the UK to exit the EU ("Brexit") is causing uncertainty in the macro-economic environment and creating volatility in the equity markets. • Brexit is causing pricing and valuation uncertainty in the UK Real Estate sector. Investment yields, Interest rates, currency valuation and inflation have elevated uncertainty whilst the UK withdrawal terms from the EU are finalised. • A change in Government following a snap general election as a result of withdrawal of support for the current one could lead to significant delays in commissioning primary healthcare and a change in funding policies and priorities.	• 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 demonstrated through its budgetary pledges, its commitment to increasing the funding for primary healthcare services in the community so a reduction in funding or support in this sector is considered unlikely given the long-term structural policies in place. • The GPs have contracts with the NHS to cover the length and beyond of their lease (on average 14.2 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 Board monitors the political and economic environment on a regular basis with input from its advisers. There is no exposure to primary care outside the UK and Republic of Ireland. • It has been published that the Labour Party are cautious about the benefits provided by private sector infrastructure investment and that the Conservative Party are sceptical about the benefits of certain types of PFI arrangements. The Investment Adviser attends meetings and industry events where the benefits and value for money of private sector 3PD are presented.	

Operational risks

Description	Mitigation	Movement
Property yields: • A continuing 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. • Tightening yields artificially limit the pressure for higher rents at new schemes. • A property recession could materially adversely affect the value of properties which could put financial covenants under pressure.	• For existing properties contractual cash flows are fixed over the long-term so have little impact on EPRA returns. • The Board regularly review the Group's budget and five-year forecast and completes a risk assessment and a long-term viability assessment which incorporates the Group Weighted Average Cost of Capital ("WACC"), dividend policy and sets the minimum property yield boundaries for future acquisitions.	
Cyber security: • There are several risks related to cyber security which include the risks of having the internal systems of the Investment Adviser infiltrated, information corrupted or information stolen, or information held by other third party suppliers being subject to the same risks.	• The security of the systems is 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 an incident response and disaster recovery response. • The review of suppliers to the Company includes an assessment of the quality of their cyber security systems and processes.	

Financial risks

Description	Mitigation	Movement
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. • A significant rise in interest rates could make returns from alternative investments more attractive which could put downward pressure on the Company's share price making equity finance more expensive.	• The Company mainly holds long-term facilities which greatly reduce refinancing risk and cost of capital. The Company maintains relationships with a range of potential financing sources ensuring competitive financing options are available. • The Investment Adviser monitors and manages the debt facilities and reports on a monthly basis to the Board. • The Company has maintained its acquisition discipline ensuring income is long-term and secure whilst refinancing and enlarging its debt facilities with Aviva and the Bank of Ireland debt facility during the year bring down the cost of capital and hedge funding against future interest rate rises.	↔
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. • Sufficient headroom exists in covenants currently in place.	↔
REIT status: • Ongoing REIT status (and exemption from corporation tax on the Group's qualifying property income and gains) requires compliance with a number of conditions including the requirement to distribute at least 90% of property income each year and maintenance of the Group's balance of business.	• The Company maintains a tax forecast and receives regular reports from its tax advisers and the Investment Adviser. This includes keeping the REIT conditions under review.	↓

Further details of the Audit Committee's risk monitoring activities may be found in the Directors' report on pages 42 to 45, the Corporate Governance Statement on pages 46 to 49 and the Report of the Audit Committee on pages 50 to 53.

Viability Statement

In accordance with provision C.2.1 of the 2016 UK Corporate Governance Code ("the Code"), the Board of Directors has carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency and liquidity. In accordance with provision C.2.2 of the Code, the Directors present the Company's viability statement which summarises the results of their assessment of the Company's current position, its principal risks and prospects over a period of five years. The prospects were assessed over a five year period for the following reasons:

(i) the Company's long-term forecast covers a five year period;
(ii) the Company normally establishes certainty over its rent reviews over a period of between three and five years;
(iii) the Company is exposed to NHS and political policies which are linked to five year parliamentary terms;
(iv) the Company is exposed to movements in interest rates and inflation which are more uncertain beyond a five year period; and
(v) the Directors believe that a typical investor in an investment company has an investment horizon of at least five years.

The Company's five year forecast is based on an integrated performance statement, position statement and cash flow forecast.

The forecast incorporates assumptions related to the Company's investment strategy and principal risks from which performance results, cash flows and key performance indicators are output. The principal risks are set out above. Of these risks, those which are expected to have a higher impact on the Company's longer-term prospects are those related to rising or falling property values, compliance with financial covenants related to debt facilities and future NHS and Government policies.

The principal risks are mitigated by the Company's risk management and internal control processes which function on an ongoing basis.

The Board, via delegation to the Audit Committee, monitors the effectiveness of the Company's risk management and internal control processes on an ongoing basis.

The monitoring activities are described in the Report of the Audit Committee on pages 50 to 53 and include direct review and challenge of the Company's documented risks, risk ratings and controls and review of performance and compliance reports prepared by the Company's advisers including its Investment Adviser and both the independent internal and external auditors.

Where appropriate, the Company's forecasts are subject to sensitivity analysis which involves applying severe conditions and flexing a number of assumptions simultaneously. The underlying five year forecast makes assumptions about the rate of investment rental growth, expenditure, dividend levels and the resulting levels and timing of debt and equity capital required.

Based on the results of their assessment, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the five year period of their assessment.

MedicX regards Environmental, Social and Governance ("ESG") as integral to how it conducts its business

MedicX 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:

Environmental policy

As a leading investor in healthcare premises, MedicX fund has a duty to help shape the standards by which primary healthcare measures sustainability of the built environment we own and fund.

Commitment to the environment
We recognise that environmental protection, resource efficiency and sustainable development are necessary to ensure environmental damage is limited and that positive actions should be taken to improve the existing environment for future generations.

Wherever possible we are committed to minimising or negating any detrimental impacts caused by our development partners in the pursuit of our investment objectives including:

- Encouraging our development partners to put into practice the principles of elimination; to reduce, re-use and recycle prior to disposal in order to reduce their carbon footprint;
- Advocating an innovative approach to eco-friendly design to embrace new technology, reduce ongoing energy requirements and ensure future-proofing of the projects developed is always considered;
- Working with our developers, sub-contractors and suppliers to promote good environmental management and performance;
- Where possible making use of the local labour available as well as materials, which will positively impact local economies and reduce carbon emissions caused by transportation methods;
- Reducing the environmental impact of our new investment properties by ensuring they achieve a BRE Environmental Assessment Method (BREEAM) rating;
- In all new developments, insisting that smart meters and monitoring systems are used wherever possible; and
- This policy is reviewed and updated regularly by the Board of Directors and is available to the general public.

Environmental policy in action

Energy Performance Certificate

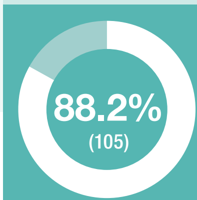
("EPC")

Creating a modern care environment in which medical practitioners can deliver sustainable services to patients is a key objective of the MedicX Fund.

By building a 'greener', more sustainable portfolio we are committed to creating long-term value for our stakeholders.

Top 10 best performing properties (all 'A'-rated)

Rhymney
Tooting
Felixstowe
Potters Bar
Buckley
Kingsbury
Brynmawr
Leavesden
Leeds – Crossgates
Middlesbrough – Acklam



Properties rated 'C' or above
105 of 119 rated

Social policy

MedicX and its Investment Adviser is committed to ensuring that it invests in new buildings that provides GPs and other medical services providers with modern, integrated primary care services that meet all the NHS and Care Quality Commission requirements.

Commitment to social values
The NHS is seeking to deliver more integrated services in the community and MedicX Fund is committed to continuing to develop best in class assets that meet these requirements and provide high quality patient care.

The properties that MedicX Fund owns are purpose built with the specific aim of providing convenient, accessible and integrated healthcare.

Social impact management
Investment in primary health and social care facilities is an ongoing priority for UK Government. MedicX Fund is committed to ensuring that it invests in new buildings which provide GPs and other medical service providers with modern, integrated primary care services that meet all NHS and Care Quality Commission requirements. Social impact consideration is a key consideration of MedicX Fund and where possible, data is collected to ensure that the activities of MedicX Fund are carried out with consideration for the social impact they may cause (such as patient list sizes and local demand, alternate services provided within the surrounding area and the compatibility with the regional healthcare delivery strategy).

Whenever a new investment opportunity is made available to MedicX Fund, our assessment considers the social impact of the proposals. Factors such as local needs, demographics and access are all considered.

Modern Slavery policy
MedicX Fund is cognisant of its ESG responsibilities and policies which apply throughout the investment, management and reporting processes. MedicX Fund complies with health and safety, employment law, and human rights where applicable and has no tolerance towards slavery, human trafficking or forced labour either internally or within its supply chain.

Octopus Healthcare Adviser Ltd as Investment Adviser to MedicX is responsible for advising on, maintenance of and monitoring of MedicX's ESG policies, along with operational application of the policies and procedures.

The Investment Adviser commissions due diligence for potential acquisitions in line with the Company's investment policy and manages the Company's existing property portfolio.

Octopus Healthcare has adopted an ESG policy which reiterates and enhances the wider Octopus Group ESG Framework and Principles. The key ESG Principles and policies which support the Investment Adviser's commitment to the

Modern Slavery Act 2015 including:

- corporate responsibility being integral to how we conduct business;
- equal opportunities, recruitment and staffing;
- engagement with tenants being viewed as a partnership;
- treating suppliers fairly and responsibly;
- health and safety;
- whistleblowing; and
- embedding anti-bribery or corruption and other ESG considerations throughout the investment cycle.

Building Research Establishment Environmental Assessment Method

("BREEAM")

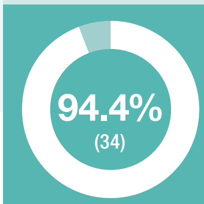
We are pleased that since the beginning of 2011, 34 of our portfolio properties were certified with BREEAM 'Excellent' or 'Very Good'.

Investing in energy efficient properties delivers a commercial advantage.

It allows us to give back to our stakeholders including local communities, tenants and the people who work in or live near our buildings.

BREEAM highest rated 'Excellent' properties

Monkseaton	(76.83%)
Fakenham	(73.47%)
Northfleet	(71.59%)
Potters Bar	(71.5%)
Wigston	(70.87%)
Felixstowe	(70.84%



Properties certified BREEAM 'Excellent' or 'Very Good' 34 of 36 rated

Social policy in action

Octopus Giving

GiViNG. The way it should be.

Octopus Healthcare, MedicX's Investment Adviser, and its wider group, ("Octopus"), gives its time and resources to a wide range of charities, aligned with its social values. In order to maximise these social values, Octopus established Octopus Giving.

At Octopus Giving, people come first – and helping people matters. That's what Octopus Giving is all about. It's our way of putting something back, by helping to give others their chance. This year Octopus Giving has donated over £100,000 to our chosen charities. But giving is more than just money, it's about time too.

In 2014 Octopus began discussing how we could make even more of the entrepreneurial and philanthropic gene that's ingrained in the Octopus culture – and channel our corporate funds to make a real, positive and lasting impact on society.

Octopus had reached consistent profitability and now employed over 700 bright, enthusiastic people with a passion for helping small businesses to succeed. And so we set up our charitable foundation, Octopus Giving.

Our commitment to harness our unique strengths as a business (meaning not just our financial clout, but more importantly the skills, expertise and enthusiasm of all Octopus employees) to support social enterprises that resonate with our people.

Since selecting our five wonderful charity partners in late 2014, we've built meaningful and deeply personal relationships with each of them that have allowed us – and them – to have far more impact than we ever could alone.

Our Existing Charities

CALM

CALM is an award-winning charity dedicated to preventing the single biggest killer of men under the age of 45 in the UK.

Beyond Autism

Beyond Autism provides autistic children with the environment and communication skills they need to lead fuller, happier lives.

GRIT

GRIT offers intensive coaching and support to some of the UK's most vulnerable young people and the adults supporting them.

North London Cares

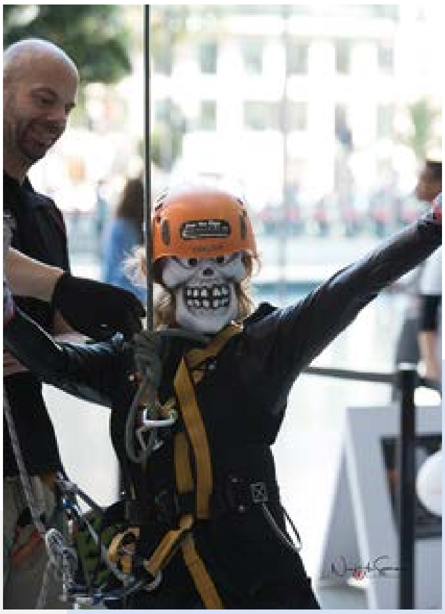
North London Cares tackles the growing problem of loneliness and isolation for elderly people living in the capital.

South London Cares

South London Cares tackles the growing problem of loneliness and isolation for elderly people living in the capital.

Greatwood

Greatwood uses ex-racehorses to educate disadvantaged children and young adults with special educational needs.



Our New Charity Partners

FoodCycle

FoodCycle nourishes communities using surplus food. They currently have 34 Projects across England. Every week, in each of these Projects, we serve a nutritious three course meal for people who are hungry and lonely.

MyBnk

MyBnk specialises in creating and delivering innovative and high impact financial education programmes to 7-25 year olds in schools and youth organisations.

The Choir with No Name

The Choir with No Name runs choirs for people affected by homelessness and marginalisation. Their mission is to enable as many homeless and marginalised people as possible to beat loneliness and build their confidence and skills through signing.

DEx

Their mission is to enable children with Down Syndrome in London to develop life skills so they may reach their full potential as individuals & equal participants in society. DEx aims to achieve this through educational programmes including Speech & Language Therapy (SLT); quality play; education & support for parents & carers; education & support for siblings.

Our principles

Performance in 2018

Business Conduct

Our principles

The Group's investment decisions are made on the basis of generating shareholder value with a view to the long-term success of the business. Suppliers are selected independently by the Directors upon advice from the Investment Adviser and in the best interests of the Group. The Board ensures that appropriate controls are in place to ensure independence from the supply chain.

All customers and suppliers are, and will be, treated fairly and responsibly.

The Group does not, and 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.

Performance in 2018

During the year the performance of the Fund's suppliers was reviewed. As a matter of good governance, following the property valuation mandate re-tender in the previous year two key appointments were made in the current year.

Firstly, Liberum Capital were appointed as joint broker with the expectation that they would develop deeper and new investor relationships. Secondly, the Group's corporate PR adviser was changed during the year, again with a view to bring new relationships and coverage to the Company.

No independence issues arose and on the whole suppliers performed well. In cases where the opportunity for service improvements were noted that feedback was given and where necessary performance was then reviewed again after a six month remediation period.

No political donations or support was made during the year and no instances of actual or attempted bribery were reported during the investment or management process.

Governance

Our principles

The Company 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 board decisions are made in the best interests of the Company.

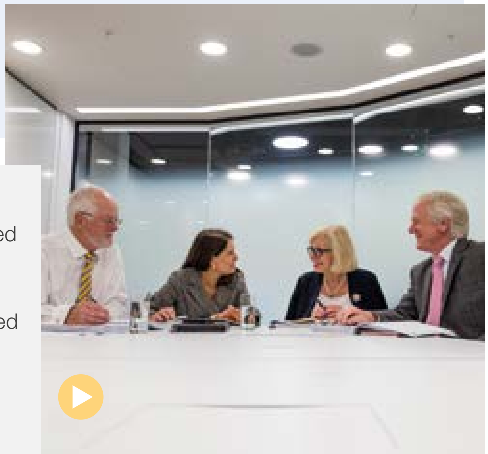
The performance of the Board will be regularly reviewed, and directors will retire as and when deemed appropriate by the Board in accordance with best practice.

Performance in 2018

During the year the Company was compliant with all regulatory and legal requirements.

The Board has concluded that it regards all members as independent of both the Company and Investment Adviser.

The Board assessed its performance at the end of the year and concluded that it was operating effectively.



Example of Governance in practice

On 1 January 2018 the Packaged Retail and Insurance-based Investment Products ("PRIIPs") regulation became effective.

The regulation requires that a Key Information Document ("KID") must be prepared by the manufacturer and published by the Company.

The Board as a whole overseas the process, ensuring appropriate legal notice was received and the KID was published in line with the regulation rules and deadlines.

Financial Reporting

Our principles

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 and Committee members review monthly management reports and supporting documents that are provided by the Investment Adviser including comparison to budget and forecast as well as key performance indicators;

The Board has procedures in place for the approval of expenses and payments to third parties; and

The Committee members and Board review all financial information and non-routine announcements prior to publication.

Performance in 2018

The Audit Committee has reviewed the Annual Report and Financial Statements, the Interim Report and the two fact sheets published in respect of the financial year.

The Board also met with the valuers in the current year and the Audit Committee performed a detailed review of the year end valuation report.

Supply chain

Suppliers are expected to conduct their activities to the same high 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 ESG 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 ESG 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, 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.

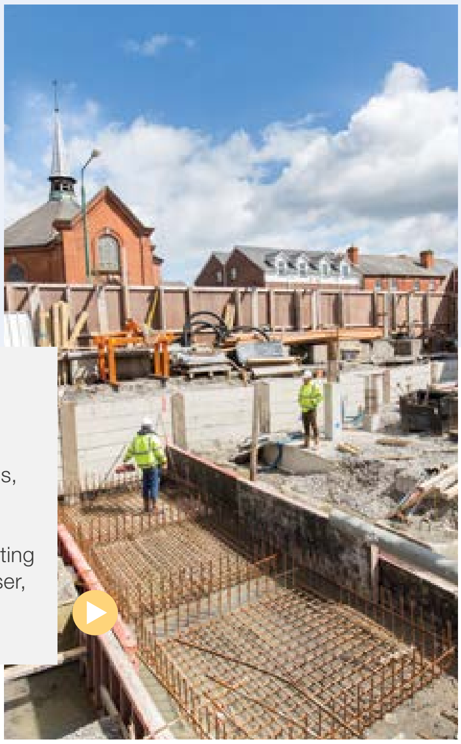
The Group has a zero tolerance to tax evasion and requires its supply chain to adopt a similar view together with processes to detect and defend against any high risks of tax evasion.

During the year the performance of the Group's suppliers was reviewed.

Members of the Board met with the registrar, the valuers, the brokers, the legal advisers, the depositary and the AIF manager.

No issues arose concerning the governance or corporate and environmental responsibility of suppliers during year and as a result no engagements were terminated due to this.

The Group is not aware of any instances of tax evasion in its supply chain. The Company's key and higher risk suppliers have confirmed they have no tolerance to tax evasion.



Supply chain in action

The Investment Adviser, Octopus Healthcare, takes its regulatory requirements very seriously. Safe Contractor is an accreditation process which validates the credentials, authenticity, insurances, working practices, health and safety, financial standing and track record of all of its members. All service providers providing general contracting services, for Octopus Healthcare as the Investment Adviser, undertaking works across the portfolio of assets are now solely sourced through the Safe Contractor network.

Our principles

Socially Responsible Investment

The Board ensures the Group is a socially responsible investor and believes that it is important to invest in primary healthcare properties in a responsible manner in respect of environmental, ethical and social issues. The Investment Adviser's evaluation procedure and analysis of the properties within the portfolio includes research and appraisal of such matters and takes into account environmental and social policies and other business issues.

The Group recognises that environmental protection, resource efficiency and sustainable development are necessary to ensure environmental damage is limited and furthermore that where relevant, positive actions should be taken to improve the existing environment for future generations. To this end the Group takes its responsibilities seriously and has environmental and social policies in place which are available on its website, www.medicxfund.com/corporate-responsibility.

Performance in 2018

During the year the Fund invested in modern-purpose built properties expected to deliver primary care for the long-term. Due diligence is performed in advance of any commitment or purchase being made and this would include a survey, a review of Energy Performance Certificate ("EPC") and BREEAM statistics as well as reviewing the local community and numbers of patients served. Any new forward funded investments are only entered into where the scheme has been awarded a BREEAM standard of good or above.

During the year, work at sites was done on improving drainage, mechanical installations, roofing and recently the Group has committed to a scheme that includes a charity tenant intending to deliver social prescribing and wellness advice.

READ THE COMPANY'S INVESTOR RELATIONS COMMUNICATIONS POLICY AT **MEDICXFUND.COM/INVESTORS/IR-CONTACTS**

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 its business.

The Group maintains 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 is knowingly false, distorted, incomplete, or suppressed.

All reporting is materially accurate, complete and in compliance in all material respects with stated accounting policies and procedures. The Group does not knowingly misstate or misrepresent management information for any reason, and the Group expects the same to apply to its suppliers.

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

The Company 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 complies with the applicable laws and regulations concerning the disclosure of information relating to the Group

The Company believes it has reported and communicated to its shareholders in a fair and balanced way to help its shareholders understand the business, its position, its risks and its performance.

During the year the Investment Adviser held 55 shareholder or investor meetings.

In accordance with the Company's investor relations policy, shareholders can contact the Investment Adviser to ask questions at any time. All enquiries are responded to and where possible publicly available information will be provided.

The Board is also available to respond to questions and make itself available to shareholders where necessary.

Read the Company's Investor relations policy at http://www.medicxfund.com/investors/ir-contacts

Our principles

Communities

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

Performance in 2018

The Group believes its investment in mainly modern purpose-built primary healthcare assets which are designed and configured with its tenants and patients in mind and which are highly utilised offer good value for money for the NHS, HSE, its tenants and the health economy.

Social Policy in action

Moorgate Primary Care Centre currently accommodates part of the Minden Family Practices which is a group of three practices who came together as a partnership to serve the local community in Bury. The Minden Family Practices have been providing general healthcare services to the local population of Bury for over 40 years and are also part of the extended working hours hub, which has been a huge success in this area.

Moorgate Primary Care Centre has a dedicated pharmacy on site to support the end to end delivery of medical services. There is also a walk-in centre which is open to any member of the public if they should need to seek help in an emergency. This demonstrates the impact MedicX has on the local community through investing in and developing outstanding primary care centres across the UK and the Republic of Ireland.

Governance

Modernising the healthcare estate in Wales

Brynmawr Well Being Centre completed construction on 25 May 2018. The project comprised the construction of a 1,587 square metre purpose built multi-functional Primary Care centre and now has a capital value in excess of £5.7m. This strategy of forward funding new primary care centre development supports the Local Health Board's aim to modernise the healthcare estate in Wales.

Patients served

8,800

Governance

An experienced team

Helen Mahy CBE
Non-Executive Director
& Chairman

Appointed to the Board:
April 2017 and served as Chairman since
8 February 2018

Experience:
Helen Mahy is chairman of The Renewables Infrastructure Group Limited, a FTSE 250 investment company, and is a non-executive director of SSE plc and of Bonheur ASA, a company listed on the Oslo Stock Exchange.

Helen has also been a non-executive director of Aga Rangemaster plc, Stagecoach Group plc and SVG Capital plc.

In 2015, Helen was awarded a CBE for services to business and voluntary service, particularly to the legal profession and diversity in the workplace. Helen was formerly group company secretary and general counsel of National Grid plc until she retired in 2013. Helen is also an Equality and Human Rights Commissioner and resident in the UK.

John Hearle
Non-Executive Director

Appointed to the Board:
September 2006

Experience:
John Hearle is a Fellow of the Royal Institution of Chartered Surveyors and a Member of the Chartered Institute of Arbitrators. Until October 2015 he headed the Healthcare Division of Aitchison Raffety Ltd and served as group chairman.

John now operates Medical Premises Consultants (MPC), a company which continues to undertake a consultancy role for Aitchison Raffety. MPC also acts as a vehicle for John's work in dispute resolution where he is recognised as a healthcare property 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 acted as Chairman of the RICS Working Party that established the guidance for the valuation of medical premises. He was one of the founding members of the Primary Care Premises Forum and is now their joint Chairman. John is resident in the UK.

Laure Duhot
Non-Executive Director

Appointed to the Board:
September 2017

Experience:
Laure Duhot currently acts for a number of property firms and investors across Europe, providing strategic advice and transaction support, with a focus on alternative real estate assets.

Up to the end of 2016, Laure was a managing director at Grainger plc where she was responsible for fund management and corporate finance for a number of fund vehicles operating in the UK and Germany, among which was the £650 million GRIP REIT which she was instrumental in setting up in 2012 and which listed as a REIT in 2016.

Prior to her time at Grainger plc, Laure was a senior executive with Pradera, and before that, Sunrise Senior Living Inc, the leading US senior living operator, where she was responsible for international expansion, playing a key role establishing the firm's UK business.

Laure has also acted as a non-executive director on a number of company boards over the past 15 years, with current mandates including InLand Homes plc, MIC Limited and The Guinness Partnership, where she is also a member of the group audit & risk committee. Laure is resident in the UK.

Steve Le Page
Non-Executive Director & Senior Independent Director

Appointed to the Board:
November 2014;
Audit Committee Chairman from December 2014;
Senior Independent Director from July 2018

Experience:
Steve Le Page is a Chartered Accountant and a Chartered Tax Adviser. Steve was a partner with PwC in the Channel Islands from 1994 until his retirement in September 2013. During his career his main role was as an audit partner working with a wide variety of financial services businesses and structures, including many listed investment funds.

Steve also led PwC's Audit and Advisory businesses for approximately ten years, and for five of those years was the Senior Partner (equivalent to Executive Chairman) for the Channel Islands firm. Since his retirement, Steve has built a small portfolio of non-executive director roles, including the London listed funds Highbridge Multi-Strategy Fund Limited, Tufton Oceanic Assets Limited (Specialist Fund Segment), Princess Private Equity Holding Limited and Volta Finance Limited (both of which he serves as chairman of the audit committee).

He is a past chairman of the Guernsey International Business Association and a past president of the Guernsey Association of Chartered and Certified Accountants. Steve is resident in Guernsey.

The Directors present their Annual Report to shareholders for the year ended 30 September 2018.

Principal activities

MedicX Fund Limited is a closed-ended investment company and a UK Real Estate Investment Trust which was incorporated in Guernsey on 25 August 2006. The Company is the holding company of a number of subsidiary undertakings (together the "Group") and its Ordinary Shares were admitted to the Official List on 2 November 2006. The Group invests in properties in accordance with the Company's investment objective and policy.

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 28 and 29.

Results, dividends and share price

The results for the year are shown on page 64. One quarterly dividend of 1.50p per Ordinary Share was paid in December 2017, and three quarterly dividends of 1.51p per Ordinary Share were paid in March, June and September 2018. The last three quarterly dividends were split into elements comprising a 50% Property Income Distribution ("PID") and a 50% non-PID, ordinary dividend. The Directors have approved a further quarterly dividend of 1.51p per Ordinary Share to be paid on 31 December 2018. The final dividend will comprise a 30% PID of 0.453 pence per share and a 70% non-PID ordinary dividend of 1.057 pence per share.

The Company introduced a scrip dividend scheme with effect from June 2010, whereby shareholders entitled to a dividend have the opportunity to elect to receive the dividend as new fully paid up Ordinary Shares instead of cash. All dividends paid during the year were subject to the scheme. However, the scheme has been suspended for the quarterly dividend to be paid on 31 December 2018. The amounts disclosed for dividend payments are the cash equivalent values.

As at 30 September 2018, the Ordinary Share price was 82.0p per share.

Share issues

During the year, 825,996 Ordinary Shares were issued from treasury in lieu of cash payment of dividends to satisfy demand for the Company's scrip dividend scheme at the published scrip prices each quarter in the same manner as seen in previous years. In addition, 3,750,000 Ordinary Shares were issued from treasury as part consideration for the portfolio purchase of 12 properties. During the current year, in total, 4,575,996 shares were issued from the treasury reserve leaving a balance of 2,786,259 shares.

During the year the Company also issued 9,700,000 Ordinary Shares of no-par value from its block listing generating net proceeds of £7.8 million. Further details of each share issuance can be seen in note 14 of the financial statements.

Financial instruments

The Group uses financial instruments in its operations. The financial instruments of the Group at 30 September 2018 comprised trade receivables and payables, other debtors, cash and cash equivalents, current and non-current borrowings.

Other than its fixed interest rate debt facilities, for which a mark to market calculation is detailed in note 12, 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.

No financial instruments of the Group were hedged using derivatives during the year ended 30 September 2018. A more detailed analysis of the Group's financial risk management is provided in note 17 of the financial statements.

Taxation

The Company transferred its central management and control to the UK on 29 September 2017 and on the same date filed a notice of entry into the UK REIT regime with effect from 1 October 2017. The Fund is now exempt from corporation tax on its UK qualifying property income and capital gains on disposals of UK investment properties.

The REIT regime requires that the Group complies with various conditions in order that it can avail itself of the exemptions. The Directors are satisfied that the Group has adhered to those conditions during the year and subsequently.

The Guernsey registered subsidiary holding property in the Republic of Ireland is subject to Irish income tax on net rent from investment properties situated in Ireland, after deducting allowable finance costs, capital allowances and expenses. Irish Capital Gains Tax would be payable if any Irish property was sold at a profit over its tax base cost. The Group currently has no plans to dispose of assets located in the Republic of Ireland although a provision for latent gains has been recognised in the accounts in accordance with IAS12.

Management

In common with many investment funds, the Company does not have any employees. The Board has appointed the Investment Adviser to provide investment advice, manage the property portfolio and the associated day to day activities, 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 and Group.

The Investment Adviser to the Company is Octopus Healthcare Adviser Ltd, which is authorised and regulated by the Financial Conduct Authority ("FCA") and is a subsidiary of Octopus Healthcare group, which is in turn a subsidiary of Octopus Capital group. Octopus Healthcare is a specialist investor, developer and manager of healthcare properties. Octopus Healthcare Adviser Ltd is incorporated in England and Wales and is authorised by the FCA to carry out certain investment advisory activities.

The Investment Adviser Agreement was amended on 29 September 2017 when the Company relocated its central management and control to the UK and entered the UK REIT regime. The Investment Adviser Agreement was consequently amended to include the appointment of Octopus AIF Management Limited ("OAIFM") as the Company's Alternative Investment Fund Manager ("Manager") under the Alternative Investment Fund Directive. OAIFM is also a subsidiary of the Octopus Capital group. The Investment Adviser Agreement has since been further amended as described in notes 19 and 25 by way of a deed of amendment. The agreement continues to provide for a rolling agreement subject to the Company's ability to serve two years' notice at any time.

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 compliance with relevant rules and regulations, and providing marketing and investor relations services to the Company. Under the agreement, the Investment Adviser may delegate certain property management responsibilities to other suitable parties on terms such that the Investment Adviser remains responsible for the performance of those responsibilities.

The details of the service contract between the Company, the Investment Adviser and Manager are described in note 19 of the financial statements.

The performance of the Investment Adviser is 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 Adviser to deliver satisfactory performance for the Group. 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 its Administrator. This company is a specialist administrator of investment funds, providing support functions and expertise tailored for this industry.

The Company has appointed IAG Depositary Services Limited to act as its depositary with effect from 1 October 2017.

The Administrator acts as administrator and secretary of the Company and its subsidiaries. The Administrator receives a fixed base fee for the provision of its services to the Group as well as an entitlement to additional variable fees for duties relating to corporate activities. This agreement was last renewed with effect from 29 September 2017. Further details are described in note 19 of the financial statements. The agreement is 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, monitoring compliance with new and existing applicable relevant rules and regulations 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 out in the Company's investment policy on page 18.

The performance of the Administrator is 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 is 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 89.

On 8 February 2018 David Staples retired as Chairman of the Board and ceased to be a member of the Board and Audit Committee. On this date, Helen Mahy was appointed as the Chairman of the Board.

Steve Le Page was appointed as the Senior Independent Director on 13 July 2018 and John Hearle was appointed as member of the Audit Committee on 11 September 2018.

The Board consists solely of non-executive directors each of whom is independent of the Investment Adviser and the Company itself; the composition of the Board is two male directors and two female directors. The Company has no executive directors or employees.

The Board has assessed its performance using the AIC recommendations, in accordance with the procedure described in the Corporate Governance Statement on pages 46 to 49, which includes reviewing the structure, composition and size of the Board, plus the experience and independence of individual directors, as well as an assessment of the Chairman. Optimus Group Limited, an independent third-party consultant, was appointed in 2015 to provide an independent evaluation and benchmarking to assist the Board in assessing its performance. It remains the intention of the Board to engage an independent third party to assist with the Board evaluation on a three-yearly cycle, however, the independent assessment is now intended to be commissioned in 2019, after allowing the Board a year following REIT conversion and Chairman change to adopt its new stewardship routine. The Board instead, assessed its performance and progress internally during the current year with feedback from the Company’s Investment Adviser and Administrator. Overall the Board is satisfied with its own performance and is of the view that the current structure and composition, is appropriate and meets the needs of the business. All Directors are considered to be independent as described in further detail in the Corporate Governance Statement shown on pages 46 to 49 of the financial statements.

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

	10 Dec 2018	30 Sep 2018	30 Sep 2017
H Mahy (Chairman	**52,548**	**52,548**	28,604
D Staples (Chairman - Resigned)	**–**	**–**	97,982
J Hearle	**46,098**	**46,098**	31,999
S Le Page (Audit Committee Chairman)	**60,964**	**60,964**	–
Laure Duhot	**30,090**	**30,090**	–
Total	**189,700**	**189,700**	158,585

D Staples’ beneficial interests are not disclosed at 30 September 2018 or 10 December 2018.

No Director is under a contract of service with the Company. Details of Directors’ remuneration are described in the Directors’ remuneration report on pages 54 and 55 and in note 2 to the financial statements.

Alternative Investment Fund Management Directive (“AIFMD”)

The Company is categorised as a Non-EU Alternative Investment Fund (“AIF”) for the purposes of the AIFMD. Octopus AIF Management Ltd acts as the AIF Manager for the purpose of the Directive.

Substantial shareholdings

At 4 December 2018 the Directors were aware of the following registered holdings in the share capital of the Company that exceeded 5% of the issued share capital of the Company:

	Number of Ordinary Shares	Percentage of Ordinary Shares in issue
CCLA Investment Management	41,900,824	9.46
Architas Multi-Manager Limited	31,549,079	7.12
Investec Wealth & Investment Limited	30,100,099	6.80
Valu-Trac Investment Management Limited	26,547,783	5.99
Premier Fund Managers	24,981,429	5.64
Brewin Dolphin Securities	24,782,538	5.60

Auditor

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

- There is no relevant audit information of which the Company's Auditor is not aware; and
- 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.

KPMG 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 2019 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 17 and 24 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 its exposures to credit risk and liquidity risk.

Details of the loan facilities and covenants are contained within note 12 of the financial statements.

The Group has cash reserves and assets available to secure further funding if required, together with long-term leases across different geographic areas within the United Kingdom and the Republic of Ireland. The Directors have reviewed the Group's forecast commitments, including commitments to development projects and proposed acquisitions, against the future funding availability, with reference to the utilisation of, and continued access to existing debt facilities and access to restricted cash balances. The Directors have also reviewed the Group's compliance with covenants on lending facilities.

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 the annual financial statements.

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

Helen Mahy CBE
Chairman

10 December 2018

Chairman's introduction

As a member of the Association of Investment companies (the "AIC") the Board of MedicX Fund Limited has considered the principles and recommendations of the AIC Code of Corporate Governance ("AIC Code") by reference to the AIC Corporate Governance Guide for Investment Companies ("AIC Guide"). The AIC Code, as explained by the AIC Guide, addresses all the principles set out in the UK Corporate Governance Code, as well as setting out additional principles and recommendations on issues that are of specific relevance to the Company and its Group.

The Board considers that reporting in accordance with the principles and recommendations of the AIC Code, and by reference to the AIC Guide (which incorporates the UK Corporate Governance Code), will provide the best information to shareholders. The Board have also reviewed the changes expected to be introduced from 2019 and in response the Chairman has stepped down from the Audit Committee and a Senior Independent Director was appointed.

As detailed in the Viability statement, the Directors have carried out a robust assessment of the principal risks facing the Company, and its Group, including those that would threaten its business model, future performance, solvency or liquidity.

The Company has complied with the recommendations of the AIC Code and the relevant provisions of the UK Corporate Governance Code, except as set out below.

The UK Corporate Governance Code includes provisions relating to:

- The role of the Chief Executive; and
- Executive Directors' remuneration.

For the reasons set out in the AIC Guide, and as explained in the UK Corporate Governance Code, the Board considers these provisions are not relevant to MedicX, being an investment company with an external Investment Adviser. All of the Company's day-to-day management and administrative functions are outsourced to third parties. As a result, the Company has no executive directors, employees or internal operations. The Company has therefore not reported further in respect of these provisions.

The Board

The Company's Board is comprised solely of Non-Executive Directors, including a Chairman and a Senior Independent Director who were both appointed during the current year. The Board has determined that each Director remains independent of character and judgement and is free of any relationships or circumstances which might impair their independence. In addition, each Director is judged to be independent of the Investment Adviser, Octopus Healthcare Adviser Ltd. The Directors' independence is subject to review as part of the Board's annual performance evaluation.

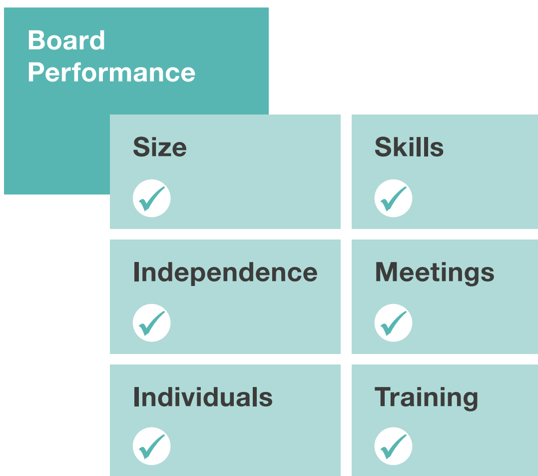
The Investment Adviser Agreement establishes the areas of authority that have been delegated to the Investment Adviser and the Manager, all of which remain under the supervision of the Board, and the limits on the Investment Adviser's scope of operation whereby Board approval must be sought. All other areas outside the Agreement remain under Board authority. These areas include all strategy matters, investment and divestment policies, financing, capital management, dividend policies and corporate governance processes including reporting and communications.

The appointment letter for each Director requires them to retire and stand for re-appointment every three years. However, in keeping with best practice, the Board has decided that it is appropriate for all Directors to stand for re-appointment annually, at each AGM.

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 those meetings, in addition to the monthly management reporting package received throughout the year. These meetings include a review of the investment performance and associated matters such as portfolio performance, gearing, cash management, marketing, investor relations, peer group information and industry developments amongst other things. One meeting a year is dedicated to an annual strategic review of the Company's position, long-term performance objectives and future direction. The Fund's progress is then measured against its budget and strategy at Board meetings.

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

The performance of the Board is assessed annually, and there is an aim that on a three yearly cycle an independent facilitator is engaged in accordance with the recommendations set out by the AIC. As detailed in the Director's report, the independent assessment has been postponed until next year following the composition changes made during the year. The assessment focuses on the following areas:



The Company maintains a policy that the Board should have a balance of skills that are complementary and that enable the Board to operate efficiently. 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 as a whole, with that part of the assessment led by the Chairman of the Audit Committee.

The findings from the current internally led review were presented to and discussed by the Board and it was concluded that the Board operates efficiently and professionally and in compliance with the Code. It was further noted that meetings are well run, appropriate service providers are consulted or invited, and it is clear there is a strong governance culture and appropriate "tone from the top".

The Board considers its composition appropriate, as well as that of its Committees, with no areas where a significant lack of expertise exists. The Directors consider that the Board as a whole is functioning effectively with an appropriate structure in place.

Training and development for Directors includes all aspects of the business, and incorporates 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 ongoing training when necessary.

Where new regulations are brought into force such as Market Abuse Regulations, or more recently PRIIPs and GDPR, all Board members receive appropriate training. In the case of GDPR, all Directors completed online training facilitated by the Company's Administrator.

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

Appropriate Directors' and Officers' liability insurance is maintained by the Company which has also indemnified its Directors against personal loss, where permitted by company law.

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 Board 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 account of best practice and diversity.

A management engagement committee is not considered necessary as all the Non-Executive Directors are considered independent of the Investment Adviser, and all contribute to the assessment of the Investment Adviser's performance and discussions surrounding the continued appointment of Octopus Healthcare Adviser Ltd.

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 her own fees whereupon the Senior Independent Director leads. The Directors' fees are set with regard to those of comparable investment companies and take into account factors such as complexity, time requirements and responsibilities of the roles. For further information, refer to the Directors' remuneration report on page 54.

As described in the Directors' remuneration report, during the current year the Board commissioned an independent review and benchmarking of fees by an external independent consultant. The recommendations of the report were adopted from 1 April 2018

The numbers of scheduled Board meetings held during the year to 30 September 2018 along with the attendance of the Directors were as follows:

	Scheduled	
Board of Directors	Held	Attended
D Staples (Resigned 8 February 2018)	2[1]	2
S Le Page	5	5
J Hearle	5	5
H Mahy	5	5
L Duhot	5	5

[1] adjusted to reflect period of appointment during the year

The Directors table their directorships and other major commitments each quarter for discussion and consideration by the Board. All Board members have assessed their other ongoing commitments and are satisfied that they can devote the necessary time to execute their duties to the Company.

Independence of Directors

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

There is no concern that the independence of the Directors has been compromised by length of service, particularly because two new members of the Board were appointed in 2017. The Directors are aware that Mr. Hearle has served the Board for twelve years. The Board has determined that each Director, including Mr. Hearle, remain independent of character and judgement and are free of any relationships or circumstances that threaten their independence from the Company or its Investment Adviser. In particular, none of the Directors have ever been executives of the Company, have had a material direct or indirect relationship with the Company or its stakeholders, have received disproportionate fees, have close family relationships with stakeholders or represent significant shareholders. The Board are mindful of its members' individual skill sets and length of service and the consequence this has on succession planning for the medium or longer-term success of the Company. Succession planning is regularly discussed at board meetings. Mr. Hearle who has served on the Board for twelve years has put himself forward for re-appointment as have all other Directors. Mr. Hearle holds relevant professional qualifications and considerable expertise which is of great value to the Board and its effectiveness. Mr. Hearle is widely recognised within the primary healthcare property industry as a leading figure and his experience of the asset class is an enormous benefit to the Board and its ability to constructively challenge the Investment Adviser.

The Board recognises the benefit of refreshing its membership from time to time, together with the appointment of two new members to the Board during the prior year, Mr. Staples retired as member of the Board and Chairman of the Company in February and was succeeded by Ms. Mahy.

The independence of Mr. Hearle has been reviewed given the nature of the relationship between the Investment Adviser and Aitchison Raffety, a company of which he was Chairman until 1 October 2015, which is a supplier, on a non-exclusive basis, of professional services to both the Investment Adviser and the Group. Mr. Hearle is no longer employed by, a director of or a shareholder in Aitchison Raffety, however, he remains a consultant and receives an arm's length remuneration for his services. The fees paid to Aitchison Raffety by the Group, in the year, were immaterial to both parties. The Board are satisfied that Mr. Hearle is independent of the Investment Adviser and the Board also remains satisfied that appropriate procedures are in place to deal with any conflicts of interest that may arise

Conflicts of interest

All Directors have a statutory responsibility to avoid situations where a conflict of interest does, or may exist, between the Company and an entity that the Director is either directly or indirectly involved with. The Board has 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 those arising from Mr. Hearle's relationship with Aitchison Raffety, as described 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 Board receives a report on health and safety issues at each scheduled Board meeting.

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.

Alternative Investment Fund Management Directive ("AIFMD")

The Company is categorised as a Non-EU Alternative Investment Fund ("AIF") for the purposes of the AIFMD. On 29 September 2017 the Company appointed Octopus AIF Management Limited as its manager under the directive. The Company complies with the requirements of the AIFMD by virtue of its adherence with legal and regulatory requirements of Guernsey law, the UK Listing Rules, International Financial Reporting Standards, the UK Corporate Governance Code and the principles and recommendations of the Association of Investment Companies Code of Corporate Governance. The relevant disclosures to investors are made annually and periodically via company reports, results presentations, regulatory announcements and through the Company's website. The Company publishes on its website information related to the AIFMD, which is available to all current and potential investors.

Packaged Retail and Insurance-based Investment Products ("PRIIPs")

From January 2018 the Company published its Key Information Document ("KID") on its website. The KID is required to be prepared and presented in a prescribed manner set out by EU regulations. The legislation seeks to apply a common rules-based framework in order that retail investors can assess a whole range of different investment products on an equal basis.

Non-mainstream pooled investments

With effect from 1 October 2017, upon the Company's entry into the REIT regime, the Company's shares have continued to meet the definition of 'excluded securities' (and remain excluded from the FCA's restrictions which apply to non-mainstream pooled investment products) but this has been by virtue of the application of Part 12 of the Corporation Tax Act 2010 (Real Estate Investment Trust).

Relations with shareholders

The Board places great importance on communication with the Company's shareholders and welcomes their views. The Board is responsible for the content of communication regarding corporate issues and for communicating its views to shareholders. The Board aims to ensure that shareholders are provided with sufficient information to understand the risks and potential rewards they are exposed to by the holding of shares in the Company. In addition to the annual and interim reports and the quarterly trading updates that are available to shareholders, regularly updated information is available on the Company's website (www.medicxfund.com), including key policies, the investor relations policy and details of the investment property portfolio.

The Board regularly monitors the shareholder profile of the Company. With the majority of shareholders being a combination of institutional investors and private client wealth managers, the Board receives regular updates on investors' views and attitudes from the Company's joint Brokers and the Investment Adviser. During the year 55 investor update meetings were held between investors 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.

Should any shareholder wish to raise any matter with the Board or Investment Adviser, they can write to the Company at its registered address as seen on the back cover, 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 can discuss issues with the Board and Investment Adviser.

By order of the Board

Helen Mahy CBE
Chairman

10 December 2018

Steve Le Page
Non-Executive Director
and Audit Committee Chairman

I am pleased to present my fourth Audit Committee report for MedicX.

"The Audit Committee has had an active year which has seen the introduction of new regulations as well as increased political uncertainty in the global marketplace."

Relevant skills and experience

I have chaired the Audit Committee (the "Committee") since December 2014.

The other members of the Committee were John Hearle from 11 September 2018, Helen Mahy until 11 September 2018, Laure Duhot, and David Staples until 8 February 2018. John Hearle was appointed on 11 September 2018 in response to the Chairman, Helen Mahy stepping down in anticipation of the recommendations of the UK Corporate Governance Code due to become effective for all companies with a premium listing for accounting periods beginning on or after 1 January 2019.

There is no formal independent process for the evaluation of the performance of the Committee. The Committee did, however, conduct a self-assessment of its own performance, led by the Committee Chairman in accordance with the AIC guidelines. The Committee is satisfied with its performance, that the structure of the Committee is appropriate and that there are no areas where a significant lack of relevant experience exists.

Key responsibilities

The Committee meets at least three times a year and meets the external auditors at least twice a year without the presence of the Investment Adviser. Attendance by the Committee's members at the three meetings held in the year to 30 September 2018 is shown below.

The Committee operates within its terms of reference as determined by the Board and which is available on the Company's website. During the year, the Audit Committee carried out its duties as specified in those terms.

The key responsibilities of the Audit Committee were as follows:

- To increase shareholder confidence in, and to ensure the credibility and objectivity of published financial information;
- To assist the Board in meeting its financial reporting responsibilities;
- To assist the Board in ensuring the effectiveness of the Group's accounting and financial controls;
- To strengthen the independent position of the Group's external auditors by providing channels of communication between them and the Non-Executive Directors; and
- To review the performance of the Group's auditing functions.

Table of attendance

During the financial year the Committee met in December 2017, May 2018 and September 2018.

Over this period there were changes in Committee membership and therefore the number of scheduled meetings in the table opposite have been reported on the basis of the number of scheduled meetings during the time of each members' appointment to the Committee.

The numbers of scheduled Board meetings held during the year to 30 September 2018 along with the attendance of the Directors were as follows:

		Scheduled	
Audit Committee		Held	Attended
D Staples	(Stood down on 8 February 2018)	1	1
S Le Page		3	3
H Mahy	(Stood down on 11 September 2018)	3	3
L Duhot		3	3
J Hearle[1]		3	3

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

The Committee also met in December 2018 with all three current members present.

Report on the Committee's activities during the year

In addition to its ongoing routine activities detailed in the Committee's terms of reference and managing changes in its membership, the Committee was involved in the following activities during the year:

- In connection with the Company's REIT compliance, members of the Audit Committee were involved in the evaluation of the adherence to the REIT rules;
- The Audit Committee Chairman met with the external and internal auditors of the Investment Adviser as part of the evaluation of the need for the Company to maintain its own Internal Auditor;
- Members of the Audit Committee met with the external valuers during the year and the Audit Committee Chairman reviewed the valuers detailed reports;
- The Audit Committee Chairman reviewed and considered new and evolving Company accounting policies;
- Members of the Audit Committee reviewed the steps plan detailing the restructuring work which rationalised the Group structure and created a security pool for the Aviva refinancing;
- Members of the Committee have been involved in the enhancements made to the current year's Annual Report and Financial Statements. The Committee has ensured that in its view, the reporting remains fair balanced and understandable whilst incorporating additional information for stakeholders on sustainability matters; and
- The Committee has also been involved in recommending to the Board the Company's approach to compliance with the Packaged Retail and Insurance-based Investment Products ("PRIIPs") regulations which came into force from January 2018.

Auditor appointment

KPMG LLP was re-appointed as auditor of the Company at the Annual General Meeting on 8 February 2018, and their audit of these financial statements is the sixth audit they have carried out since their appointment in 2013. The Company currently intends to put the external audit out to tender at least once every ten years.

As part of its annual review of the effectiveness of the external audit, the Committee obtained assurance on the quality of the external audit from its own evaluation, the audit feedback documentation and from correspondence and discussions with the audit partner, the Investment Adviser and the Administrator.

The Committee concluded that this was sufficient information on which to conclude that the external audit process remains effective.

The Committee assessed the external auditor's independence, qualifications, relevant experience, and the effectiveness of its audit procedures as well as the robustness of their quality assurance procedures. The Committee confirms that it is satisfied that the auditor has fulfilled its responsibilities with appropriate diligence and professional scepticism.

In advance of each audit, the Committee obtains confirmation from the external auditor that they remain independent and that the level of non-audit fees is not an independence threat.

The general intention of the Committee is to avoid engaging the external auditor to perform non-audit services, other than the review of the interim financial statements, as these have the potential to compromise the independence of the auditor. The Committee acknowledges that in certain circumstances it may be appropriate for the external auditor to provide advice or such services to the Group for a variety of reasons including cost effectiveness, depth of knowledge and the on-going relationship between the Board and the external auditor. In the event that any non-audit services are provided by the external auditor, the Committee considers the appropriateness of the independence safeguards put in place by the auditor.

Note 3 to the financial statements details the total fees paid to KPMG LLP, the independent external auditor in the financial year ended 30 September 2018. The Committee considers KPMG LLP to be independent of the Company.

The audit committee is also aware that BDO LLP have been engaged to undertake the audit of six wholly owned subsidiary companies acquired during the year. This appointment was a continuation of the incumbent arrangements of the undertakings concerned.

Based on the results of their assessment, the Committee has recommended to the Board that a resolution to reappoint KPMG LLP as the Company's auditor be put to the shareholders at the AGM to be held in 2019.

Internal control

The Audit Committee has in place a formal procedure for performing an ongoing robust assessment of the Company's risk management and internal control systems. The procedure is designed to identify, evaluate and monitor the principal and other risks most likely to impact the Group. The principal risks are listed on pages 28 and 29 of this Annual Report together with the processes applied to mitigate those risks. The Committee is mindful of these key risks and ensures that the Board takes appropriate advice and debates the significant issues facing the Group.

The Committee uses a matrix to record internal and external risks that are on a scale of one to five in relation to both their likelihood of occurrence and their corresponding potential impact. The matrix details the control processes used to mitigate those risks, setting out the parties responsible for those processes. At each Audit Committee meeting, the matrix is reviewed and updated for changes to the risk profile or processes at which time the risks are re-ranked in order of significance. The Committee is provided with status updates relating to any matters and actions arising from previous meetings.

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

- The Committee members keep informed of the Company's performance and compliance through review of Investment Adviser and Administrator reports;
- The internal processes of the Investment Adviser are subjected to regular review by the Depositary who reports directly to and is under the direction of the Audit Committee; and
- The information contained within the Annual Report and Financial Statements, other financial reports and returns to regulators is reviewed separately by the Audit Committee prior to consideration by the Board.

The Company's internal control procedures are regularly monitored by the Audit Committee.

Up to September 2018 the Company engaged Roffe Swayne (an independent firm of registered auditors and chartered accountants) as internal auditor. The internal auditor completed its three year programme of rolling reviews during the year to 30 September 2018 and reported its findings to the Committee. No material weaknesses have been identified as a result of the work carried out to date. Recommendations from the internal auditor for improvements to control processes, together with the responses of the Investment Adviser are reviewed by the Committee and acted upon if considered appropriate.

On 1 October 2018 the appointment of Roffe Swayne was terminated and the Octopus Investments Internal Audit function are available to provide the services of Internal Auditor to the Company under the direction of the Audit Committee.
The scope of any internal audit reviews will be determined by the Audit Committee to ensure full coverage of key risk areas.

At each Board meeting, the Board receives reports from the Investment Adviser, the Administrator 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, the Depositary and the 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 valuation appraisals performed by independent Chartered Surveyors adequately safeguard the Group's assets.

Significant financial reporting issue – Valuation of investment property

After discussion with both the Investment Adviser and the external auditor, the Committee has determined that the key risk of misstatement within the Group financial statements relates to the valuation of the Group's investment property.

Property valuation was regularly discussed with the Investment Adviser during the year and with the external auditor when they reviewed the half-year interim financial statements in May 2018 and at both the planning and conclusion stages of the independent year-end audit of the Annual Report and Financial Statements.

As further explained in notes 1 and 8 to the financial statements, the approach adopted by the Company is to recognise investment property at fair value, with the fair value of the majority of properties being based on valuations performed by independent valuers, Jones Lang LaSalle Limited and Cushman & Wakefield. The revaluation of investment property gave rise to net revaluation gains of £32.3 million in the year. The Investment Adviser confirmed to the Committee that the method of valuation has been applied consistently throughout the year and none of the Committee's other enquiries, nor the external auditor's work, identified any errors or inconsistencies that were material in the context of the financial statements as a whole. The Audit Committee noted Cushman & Wakefield's comment on the elevated uncertainty caused by limited transactional evidence in the Irish investment market.

The valuation results are included in the quarterly Board papers together with an analysis of large and unusual specific property valuation movements. The year-end valuation reports were also made available to the Audit Committee who overall is satisfied with the valuation reporting process and the amounts disclosed in the Group financial statements.

Misstatements

The Investment Adviser confirmed to the Audit Committee that they were not aware of any material misstatements made intentionally to achieve a particular presentation or result. The external auditor reported to the Committee that they had found no material misstatements in the course of their work.

Conclusions

Having reviewed the Annual Report and Financial Statements and the presentations and reports from the Investment Adviser and external valuers, in detail, and having consulted where necessary with the external auditor, the Committee is satisfied that the financial statements appropriately address the critical judgements and key estimates, both in respect of the amounts reported and the disclosures. The Committee is also satisfied that the significant assumptions used for determining the value of assets and liabilities have been appropriately scrutinised and challenged and are sufficiently robust. Accordingly, the Committee has concluded that the financial statements, taken as a whole, are fair, balanced and understandable, and has recommended their approval to the Board on that basis.

Steve Le Page
Non-Executive Director and Audit Committee Chairman

10 December 2018

The Board presents its Directors' remuneration report in respect of the year ended 30 September 2018.

Remuneration policy

The remuneration policy of the Company is set by the Board as a whole.

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 enough 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.
Mr. Hearle additionally serves on the Board of the Company's joint venture, GP Property Limited for which he is entitled to an additional fee. 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. 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.

Directors' remuneration

In January 2018, following entry into the UK REIT regime, the Board commissioned a Remuneration Analysis prepared by an external independent consultant "Optimus Group". The report recommended, based on benchmarking to similar companies, that the Directors' fees be increased for the first time since 2013. The Board approved the recommendations of the report and the following new annual fees were put in place from 1 April 2018:

- Chairman £53,000
- Audit Committee Chairman £42,000
- Other Directors £36,000

The annual remuneration of the Directors is stipulated in their relevant letter of appointment updated from time to time.
The Company's Articles of Incorporation state that the aggregate Directors' remuneration may not exceed £300,000 per annum, excluding any amounts payable in accordance with the Articles for extra or special services over the usual Non-Executive Directors' duties, and that in any event the remuneration of any one Director may not exceed £75,000 per annum.

It is the intention of the Board that these new fee proposals will be put to members for approval at the AGM in 2019.

Total fees paid by the Company (including employer's national insurance and taxable expenses) in respect of each of the Directors' service were as follows:

	2018 £'000	2017 £'000
D Staples (Chairman – Resigned February 2018)	**18**	46
H Mahy (Chairman)*	**46**	15
S Le Page (Audit Committee Chairman)	**41**	36
J Hearle	**40**	35
L Duhot	**33**	–
S Mason	**–**	31
Social security	**14**	–
Total	**192**	163

*£12,000 as Non-Executive Director up to 7 February 2018 and £34,000 as Chairman between 8 February 2018 and 30 September 2018.

During the year, the Directors who held shares received dividends on their holdings in the Company. With the Scrip Dividend Scheme in place throughout the year, Mr. Staples, Mr. Hearle and Mr. S Le Page elected to receive all or a proportion of their dividends in the form of new Ordinary Shares whereas Ms. Mahy and Ms. Duhot received dividends in cash. The cash or cash equivalent value of the dividends received by each Director is disclosed in the table below.

	2018 £	2017 £
D Staples (Chairman – Resigned February 2018)	**1,470**	5,522
H Mahy (Chairman)	**1,085**	429
Steve le Page (Audit Committee Chairman)	**2,671**	–
S Mason (Resigned 29 September 2018)	**–**	1,848
J Hearle	**2,215**	1,803
L Duhot	**1,363**	–
Total	**8,804**	9,602

During the year 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. Directors are entitled to be reimbursed for reasonable expenses incurred in the performance of their duties and when those expenses are taxable, they are grossed up and processed through the payroll, so PAYE is paid.

The Directors' remuneration report has been disclosed voluntarily by the Directors in line with best practice.

The approval of this report by the shareholders of the Company is to be sought by ordinary resolution at the AGM in 2019.

By order of the Board

Helen Mahy CBE
Chairman

10 December 2018

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 Conduct 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 ("IFRS") 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 judgements and accounting estimates that are reasonable and prudent;
- state whether the financial statements have been prepared in accordance with IFRS as adopted by the European Union;
- assess the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect 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 consider that the annual report, taken as a whole is fair, balanced and understandable; and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

The Directors confirm, to the best of their knowledge:
- that the Group financial statements, which have been prepared in accordance with IFRS as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit 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, experience and professional qualifications of all the Directors are set out on pages 40 and 41.

REPORT OF THE INDEPENDENT AUDITOR
to the members of MedicX Fund Limited

1) Our opinion is unmodified

We have audited the Group financial statements of MedicX Fund Limited ("the Company") for the year then ended 30 September 2018 which comprise the Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flows, and the related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Group's affairs as at 30 September 2018 and of its profit for the year then ended;
- are in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU; and
- comply with the Companies (Guernsey) Law 2008.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including FRC Ethical Standards as applied to listed entities. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Overview		
Materiality: Group financial statements as a whole	£8.3 million (2017: £7.1 million) 1.0% (2017: 1.0%) of total assets	
Lower materiality applied to certain items	£0.8 million (2017: £0.6 million) 5% normalised profit before tax (2017: 4%)	
Coverage	100% (2017: 100%) of Group total assets	
Risks of material misstatement	**vs 2017**	
Recurring risks	Valuation of investment properties	◀▶

2) Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In arriving at our audit opinion above, the key audit matter was as follows (unchanged from 2017):

The risk

Valuation of investment properties

£806.7 million (2017: £680.4 million).
Refer to page 52 (Audit Committee Report), page 70 (accounting policy) and pages 75-77 (financial disclosures).

Subjective valuation

Investment properties represent 97% (2017: 94%) of gross assets of the Group. The portfolio comprises 170 (2017: 157) properties, of these 166 (2017: 155) are externally valued by qualified independent valuers and are held at fair value at the balance sheet date and a further 4 (2017: 2) sites purchased for forward funding schemes are held at cost.

Each property is individual and its fair value will be impacted by a number of factors including location, contracted and future potential rental income, quality and condition of the building, tenant covenant, and market yields.

Whilst comparable market transactions provide good valuation evidence, the individual nature of each property means that a key factor in the property valuations are assumptions which involve significant levels of judgement.

The Irish healthcare property market is subject to market uncertainty due to the low volume of comparable market transactions.

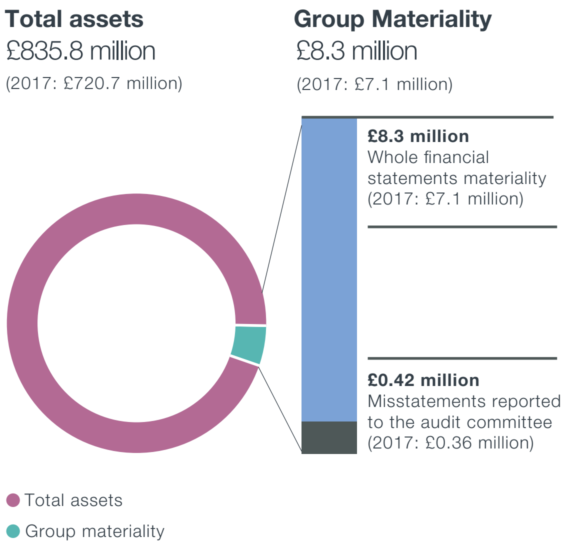
Our response

Our procedures included:

- **Assessing valuers' credentials:** assessed the Group's external property valuers' objectivity, professional qualifications and capabilities through discussions with the valuers and reading their valuation reports and reviewing their terms of engagement with the Group to determine whether there are any matters that might affect their objectivity or impose scope limitations upon their work.
- **Methodology choice:** critically assessed whether the valuation reports and the valuation methodologies adopted were in accordance with the RICS Valuation Professional Standards 'the Red Book' and relevant accounting standards.
- **Benchmarking assumptions:** assessed movements in property values by holding discussions with the valuers. For a sample of UK properties selected using various criteria including analysis of the size of a property as well as correlation with movements in market rent, we challenged the key assumptions upon which these valuations were based, including those relating to forecast rents and yields, by making a comparison to our own understanding of the market and to industry benchmarks. For the Irish properties, we discussed with the valuer all the properties in the portfolio and challenged the availability and appropriateness of comparable market evidence and the investment yields applied.
- **Assessing transparency:** considered the adequacy of the Group's disclosures about the degree of estimation and sensitivity to key assumptions made when valuing properties.

3) Our application of materiality and an overview of the scope of our audit

Materiality for the Group financial statements as a whole was set at £8.3 million (2017: £7.1 million), determined with reference to a benchmark of Group total assets of £835.8 million (2017: £720.7 million) which it represents approximately 1.0% (2017: 1.0%).



In addition, we applied a lower materiality of £0.8 million (2017: £0.6 million) to total income, finance costs, performance fees and investment advisory fees which represents 5% (2017: 4%) of profit before tax normalised to exclude the net valuation gain on investment properties and profit on disposal on investment properties. We believe misstatement of these specific income statement items of a lesser amount than materiality for the financial statements as a whole could reasonably be expected to influence the Company's members' assessment of the financial performance of the Group.

We reported to the Audit Committee any corrected or uncorrected identified misstatements exceeding £0.42 million (2017: £0.36 million) or £0.04 million (2017: £0.03 million) for misstatements relating to procedures performed to the lower materiality, in addition to other identified misstatements that warranted reporting on qualitative grounds.

Our assessment of materiality has informed our identification of significant risks of material misstatement and the associated audit procedures performed in those areas as detailed above.

The Group team performed the audit of the Group as if it was a single aggregated set of financial information. The audit was performed using the materiality levels set out above.

4) We have nothing to report on going concern

We are required to report to you if we have anything material to add or draw attention to in relation to the Directors' statement in note 1 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group's use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in this respect.

5) We have nothing to report on the other information in the Annual Report

The Directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Disclosures of principal risks and longer-term viability

Based on the knowledge we acquired during our financial statements audit, we have nothing material to add or draw attention to in relation to:

- the Directors' confirmation within the Viability Statement on page 29 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
- the Principal Risks and Uncertainties disclosures describing these risks and explaining how they are being managed and mitigated; and
- the Directors' explanation in the Viability Statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Corporate governance disclosures

We are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our financial statements audit and the directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy; or
- the section of the Annual Report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

We are required to report to you if the Corporate Governance Statement does not properly disclose a departure from the eleven provisions of the UK Corporate Governance Code specified by the Listing Rules for our review.

We have nothing to report in these respects.

6) We have nothing to report on the other matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

7) Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 56, the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud, other irregularities, or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud, other irregularities or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

8) The purpose of our audit work and to whom we owe our responsibilities

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.

Richard Kelly
for and on behalf of KPMG LLP
Chartered Accountants
and Recognised Auditor
15 Canada Square
Canary Wharf
London
E14 5GL

10 December 2018

Financial statements

Outstanding primary care provision for the people of Cromer

Cromer Primary Care Centre was acquired by the MedicX Fund in 2017 and developed in partnership with Medcentres to build a new 1,147 square metre purpose built Primary Care Centre to support patient demand with the goal of providing more primary care services in the local community.

Patients served

12,880

Financial statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 30 September 2018

	Notes	2018 £'000	2017 £'000
Income			
Rent receivable	1	**40,285**	37,108
Service charge income	1	**616**	114
Other income		**293**	193
Total income		**41,194**	37,415
Direct property expenses		**(1,471)**	(1,354)
Service charge expenses		**(616)**	(114)
Net rental income		**39,107**	35,947
Share of net profit of equity accounted joint venture	20	**52**	13
Realised and unrealised valuation movements			
Net valuation gain on investment properties	8	**32,250**	18,654
Profit/(loss) on disposal of investment properties	8	**110**	(65)
		32,360	18,589
Expenses			
Investment advisory fee	19	**3,903**	3,867
Investment advisory performance fee	19	**–**	–
Property management fee	19	**969**	925
Administrative fees	19	**144**	115
Audit fees	3	**192**	175
Professional fees and other expenses		**626**	603
REIT conversion expenses		**–**	240
Directors' fees	2	**192**	163
Total expenses		**6,026**	6,088
Profit before interest and tax		**65,493**	48,461
Finance costs	4	**(16,660)**	(15,581)
Finance income	5	**222**	432
Net finance costs		**(16,438)**	(15,149)
Profit before tax		**49,055**	33,312
Taxation	6	**(2,927)**	5,312
Profit attributable to equity holders of the parent		**46,128**	38,624
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss:			
Foreign currency translation differences – foreign operations		**77**	(95)
Total comprehensive income attributable to equity holders of the parent		**46,205**	38,529
Earnings per Ordinary Share			
Basic and diluted	7	**10.7p**	9.4p

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 September 2018

	Notes	2018 £'000	2017 £'000
Non-current assets			
Investment properties	8	**806,742**	680,355
Investments in equity accounted joint venture		**1,055**	1,035
Total non-current assets		**807,797**	681,390
Current assets			
Trade and other receivables	9	**9,075**	7,176
Cash and cash equivalents	10	**18,888**	32,145
Total current assets		**27,963**	39,321
Total assets		**835,760**	720,711
Current liabilities			
Trade and other payables	11	**23,168**	18,682
Loans due within one year	12	**2,463**	2,213
Total current liabilities		**25,631**	20,895
Non-current liabilities			
Loans due after one year	12	**446,412**	370,583
Head lease liabilities	13	**1,498**	1,456
Deferred tax liability	6	**3,502**	575
Total non-current liabilities		**451,412**	372,614
Total liabilities		**477,043**	393,509
Net assets		**358,717**	327,202
Equity			
Share capital	14	**–**	–
Share premium	14	**276,955**	269,419
Treasury shares	14	**(2,327)**	(6,148)
Foreign currency translation reserve	15	**35**	(42)
Other reserve	15	**84,054**	63,973
Total attributable to equity holders of the parent		**358,717**	327,202
Net asset value per share			
Basic and diluted	7	**81.0p**	76.3p

The financial statements were approved and authorised for issue by the Board of Directors on 10 December 2018 and were signed on its behalf by

Helen Mahy CBE
Chairman

10 December 2018

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 30 September 2018

	Notes	Share premium £'000	Treasury shares £'000	Foreign currency translation reserve £'000	Other reserve £'000	Total equity £'000
Balance at 1 October 2016		**234,846**	**(6,835)**	**53**	**50,097**	**278,161**
Shares issued from block listing		34,932	–	–	–	34,932
Scrip issue of shares from treasury (net of costs)		47	687	–	–	734
Share issue costs		(406)	–	–	–	(406)
Dividends paid	16	–	–	–	(24,748)	(24,748)
Transactions with owners		34,573	687	–	(24,748)	10,512
Profit attributable to equity holders of the parent		–	–	–	38,624	38,624
Other comprehensive income:						
Foreign currency translation differences		–	–	(95)	–	(95)
Total comprehensive income for the year		–	–	(95)	38,624	38,529
Balance at 30 September 2017		**269,419**	**(6,148)**	**(42)**	**63,973**	**327,202**
Shares issued from block listing		7,881	–	–	–	7,881
Shares sold from treasury		(131)	3,131	–	–	3,000
Scrip issue of shares from treasury (net of costs)		(15)	690	–	–	675
Share issue costs		(199)	–	–	–	(199)
Dividends paid	16	–	–		(26,047)	(26,047)
Transactions with owners		7,536	3,821	–	(26,047)	(14,690)
Profit attributable to equity holders of the parent		–	–	–	46,128	46,128
Other comprehensive income:						
Foreign currency translation differences		–	–	77	–	77
Total comprehensive income for the year		–	–	77	46,128	46,205
Balance at 30 September 2018		**276,955**	**(2,327)**	**35**	**84,054**	**358,717**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 September 2018

	Notes	2018 £'000	2017 £'000
Operating activities			
Profit before taxation		**49,055**	33,312
Adjustments for:			
Net valuation gain on investment properties	8	**(32,250)**	(18,654)
(Profit)/loss on disposal of investment properties	8	**(110)**	65
Share of net profit of equity accounted joint venture		**(52)**	(13)
Finance costs	4	**16,660**	15,581
Finance income	5	**(222)**	(432)
		33,081	29,859
(Increase)/decrease in trade and other receivables		**(1,746)**	1,336
Increase/(decrease) in trade and other payables		**3,771**	(1,616)
Decrease in rental deposits held		**–**	(60)
Interest paid		**(18,608)**	(14,479)
Interest received		**36**	61
Net cash inflow from operating activities		**16,534**	15,101
Investing activities			
Acquisition of investment properties		**(7,444)**	(29,706)
Acquisition of investment properties	8	**(24,327)**	–
Cash acquired with subsidiaries		**643**	–
Proceeds from sale of investment properties	8	**5,575**	1,164
Additions to investment properties and properties under construction		**(26,411)**	(21,101)
Payment for the acquisition of joint venture	20	**(27)**	(1,025)
Dividends received from joint venture	20	**59**	3
Net cash outflow from investing activities		**(51,932)**	(50,665)
Financing activities			
Net proceeds from issue of share capital		**7,681**	34,526
New loan facilities drawn	12	**42,866**	39,880
Repayment of borrowings	12	**(2,503)**	(2,810)
Loan issue costs	12	**(867)**	(859)
Dividends paid	16	**(25,095)**	(24,013)
Net cash inflow from financing activities		**22,082**	46,724
(Decrease)/increase in cash and cash equivalents		**(13,316)**	11,160
Effects of currency translation on cash and cash equivalents		**59**	17
Opening cash and cash equivalents		**32,145**	20,968
Closing cash and cash equivalents	10	**18,888**	32,145

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 principal accounting policies are set out below.

Going concern

The Group has cash reserves and assets available to secure further funding if required, together with long-term leases across different geographic areas within the United Kingdom and the Republic of Ireland. The Directors have reviewed the Group's forecast commitments, including commitments to development projects and proposed acquisitions, against the future funding availability, with reference to the utilisation of, and continued access to, existing debt facilities and access to restricted cash balances. The Directors have also reviewed the Group's compliance with covenants on lending facilities.

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 the annual financial statements.

Presentation

These consolidated financial statements are presented in pounds sterling, which is the Company's functional currency and the Group's presentational currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

The accounting policies applied are consistent with those of the annual financial statements for the year ended 30 September 2017, except that the Group has adopted a policy of treating its monetary investment in foreign operations for which settlement is neither planned nor likely to occur as net investment in foreign operations in accordance with IAS21.

Impact of revision to International Financial Reporting Standards

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
IFRS 9	Financial Instruments	1 January 2018
IFRS 15	Revenue from contracts with customers	1 January 2018
IFRS 16	Leases	1 January 2019

The Directors have assessed the impact of the new standards in issue but not currently effective and do not believe these will have a material impact on the financial statements.

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement. The new standard includes requirements for classification, recognition and measurement, impairment, de-recognition and hedge accounting. The Directors have completed an assessment of the impact of IFRS 9 and believe its impact on the Company will be limited because the Group currently has no complex financial instruments, does not hedge account and does not have significant trade receivables that may be impaired. The recognition and classification of the Company's financial instruments is expected to be unchanged. Furthermore, the refinancing of the debt facilities on 11 September 2018, and in prior years, which were treated as loan modifications in accordance with IAS 39, would also qualify as loan modifications under IFRS 9 and therefore no material restatement is expected. In the future, the new standard aims to simplify the documentation required for hedge accounting which may be of benefit and the rules for the treatment of debt break or modification costs will be slightly different to those under IAS 39.

IFRS 15 *Revenue from Contracts with Customers* excludes from its scope amounts receivable from leases which fall under the scope of IAS 17 which is due to be replaced by IFRS 16 and amounts receivable from joint ventures which fall under the scope of IAS 28. IFRS 15 therefore only provides guidance on the Company's other income which represents less than 1% of the Company's income. On this basis IFRS 15 is not expected to have a significant effect on the Company's future position or performance.

IFRS 16 *Leases* specifies how to recognise, measure, present and disclose leases. The standard adopts a single model which is expected to have a high impact on lessees and leases of low value and of less than twelve months. The Directors have completed an assessment of the impact of IFRS 16 and believe its impact on the Company will be limited because the Group is not a lessee with short leases. As a lessor the Group will continue to classify its investment property leases as operating in nature. The Group as a lessee has a small number of long leasehold interests where those long leases have a head lease rent. These are currently treated as finance leases because substantially all the risks and rewards incidental to ownership are with the Group and that will continue to be the case under IFRS 16 with a head lease liability recorded.

In addition, IFRS 16 could have an indirect impact on the Group's business if it leads to a change in tenant behaviour. In future tenants or potential tenants who will be required to account for operating leases as a liability and right to use asset may seek shorter lease terms.

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 2018. Control requires exposure or rights to variable returns and the ability to affect those returns through power over an investee. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Accounting for acquisitions of investment properties

Where the Group acquires subsidiaries that own real estate, at the time of acquisition, the Group considers whether each acquisition represents the acquisition of an asset or a business. The Group accounts for an acquisition as a business combination where an integrated set of activities, including processes, is acquired in addition to the property.

When the acquisition of subsidiaries does not represent a business combination, it is accounted for as an acquisition of underlying assets and liabilities. The cost of the acquisition is allocated to the assets and liabilities acquired based upon their relative fair values, and no goodwill or deferred tax is recognised.

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 and the Republic of Ireland.

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 of the lease. Rent is accrued for any outstanding rent reviews from the date that the review was due based on a best estimate of the new expected rent. Any lease incentives taken by tenants to enter into lease agreements, any premium paid by tenants to the Group or any fixed rent uplifts during the lease term are recognised on a straight-line basis over the full lease term.

Service charge income is recognised on an accrual basis when services have been provided and the Group has to a right to a defined amount of consideration.

Expenses

All expenses are accounted for on an accruals basis.

Finance costs

Borrowing costs are charged to profit and loss in the year to which they relate on an accruals basis except where they relate to properties under construction when borrowing costs are capitalised forming part of the cost of the asset produced.

Current and deferred taxation

The tax liability represents the sum of the current tax and deferred tax payable. The current tax 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 amounts 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, other than in respect of asset acquisitions in corporate vehicles where deferred tax is recognised in relation to temporary differences arising after acquisition.

Following the conversion of the Group to a UK REIT, deferred tax liabilities on unrealised revaluation gains are only recognised where an asset is located outside the UK or where a developed asset is expected to be sold within three years of completion.

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 by reference to the tax rates substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

1. Principal accounting policies continued

Investment properties

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

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 recognised in profit and loss in the period in which they arise.

The fair values of completed investment properties and investment properties under construction located in the UK are based upon the valuations of the properties as provided by Jones Lang LaSalle Limited, an independent firm of chartered surveyors, as at each period end, adjusted as appropriate for costs to complete, head lease liabilities (the net present value of which are recognised as separate liabilities) and lease incentives. The fair value of investment properties located in the Republic of Ireland are based upon valuations provided by Cushman & Wakefield, an independent firm of chartered surveyors at each period end.

Costs of financing specific developments are capitalised and included in the cost of each development. During the year the loan facilities, as disclosed in note 12, were partly utilised to fund development work on investment properties under construction.

Trade and other receivables

Trade and other receivables are initially recognised at their fair value inclusive of any Value Added Taxes that may be applicable and are subsequently held at amortised cost and net of any provision for any doubtful debts which are not deemed recoverable.

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 payables

Trade and other payables are initially recognised at their fair value inclusive of any Value Added Taxes that may be applicable and are subsequently held at amortised cost.

Bank loans and borrowings

All bank loans and borrowings are initially recognised at 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 asset acquisitions are recognised at fair value as at the date of acquisition with any resulting fair value adjustment being amortised and recognised as a part of finance costs over the term of the loans, on an effective interest basis.

Impairment of assets

The Group assesses annually whether there are any changes in circumstances indicating 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 profit and loss.

Fair value measurements

The Group measures certain financial instruments and non-financial assets such as investment property, at fair value at the end of each reporting period. Fair value is the price that would be received from the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs significant to the fair value measurement as a whole for applying the following hierarchy:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Foreign exchange

Transactions in foreign currencies are recorded at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the foreign exchange rate ruling at the reporting date. Differences are recognised in profit and loss.

The net investment in foreign operations, where settlement is neither planned nor likely is an exception to this general policy. Exchange differences arising on such intergroup balances are recognised in other comprehensive income rather than in profit and loss.

Non-monetary assets and liabilities that are measured at historical cost in a foreign currency are translated to the functional currency using the exchange rate at the date of the transaction.

Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to the functional currency at foreign exchange rates ruling at the dates the fair values were determined. Differences are recognised in profit and loss.

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of the statement of financial position;
- Income and expenses for each statement of comprehensive income are translated at average monthly rates (unless the average rate is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- Exchange differences resulting from the difference in rates applied to income statement balances and financial position items are recognised directly within equity in the Group’s foreign currency translation reserve.

Accounting for associates and joint ventures

A joint venture generally involves the establishment of a corporation, partnership or other entity in which two parties have an interest in the joint control over strategic, financial and operating decisions. The results, assets and liabilities of jointly controlled entities are incorporated in the financial statements using the equity method of accounting.

Where the Group’s share of losses exceeds its equity accounted investment in joint venture, the carrying amount of the equity interest is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations. Appropriate adjustment is made to the results of joint ventures where material differences exist between a joint venture’s accounting policies and those of the Group.

Dividend income from joint ventures is recognised when the shareholders’ right to receive payment have been established. Any dividends received are deducted from the carrying amount of the investment.

Use of judgements and 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. The most significant areas requiring judgement in the preparation of these financial statements were:

Asset acquisitions

The Group’s approach to recognising investment properties acquired in a corporate entity is to treat the acquisition as an asset purchase, as described in IAS 40, if the corporate entity is not considered to contain any material processes. Each corporate entity acquired is considered to determine if it meets the criteria to be recognised as a business combination in accordance with IFRS 3 or if it is more appropriate to treat it as an asset acquisition.

Refinancing

During the year, in addition to adding to its facilities, the Group refinanced £235 million of legacy loan facilities borrowed from Aviva. The Net Present Value of the discounted cash flows before and after the transaction were seen to be less than 10% different. The refinancing was therefore treated as a debt modification in accordance with IAS 39.

1. Principal accounting policies continued

Use of judgements and estimates continued

Identifying joint ventures and associates

The Group assesses its power over the operations of investees and its rights to variable returns related to that power. The Group has determined that it jointly controls GP Property Limited which it presents as an equity investment because there is no contractual right to guaranteed cash returns.

The most significant area requiring estimation in the preparation of these financial statements was:

Valuation of investment property

The Group 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 have regard for observable market evidence of transaction prices for similar properties. Further information in relation to the valuation and sensitivity analysis of investment property is disclosed in note 8.

2. Directors' fees

	2018 £'000	2017 £'000
During the year the directors received the following fees:		
D Staples (Chairman – resigned 8 February 2018)	18	46
H Mahy (Chairman)	46	15
S Mason	–	31
S Le Page (Audit Committee Chairman)	41	36
J Hearle	40	35
L Duhot	33	–
Social security	14	–
Total charged in the Consolidated Statement of Comprehensive Income	**192**	163

3. Auditor's remuneration

The amount disclosed in the Consolidated Statement of Comprehensive Income relates to an accrual for audit fees for the year ended 30 September 2018, payable to KPMG LLP (2017: KPMG LLP).

	2018 £'000	2017 £'000
Group audit fees for the current year	120	108
Audit fees for subsidiary undertakings	50	46
Total Group audit fees	**170**	154
Review of the interim report	22	21
Total audit and other fees	**192**	175

4. Finance costs

	2018 £'000	2017 £'000
Interest payable on long-term loans	17,063	15,762
Amortisation of facility costs	134	336
	17,197	16,098
Interest capitalised on properties under construction	(537)	(517)
	16,660	15,581

During the year interest costs on funding attributable to investment properties under construction were capitalised at an effective interest rate of 4.26% (2017: 4.29%). The funding was sourced from all the loan facilities outlined within note 12. Where properties under construction were secured against a specific loan, the interest for that facility was capitalised.

5. Finance income

	2018 £'000	2017 £'000
Bank interest receivable	**33**	54
Foreign exchange gain	**189**	378
	222	432

The foreign exchange gain is derived from the retranslation of monetary assets and liabilities denominated in Sterling (which is a foreign currency for the Group's Irish property-owning subsidiary, MedicX Properties Ireland Limited, which has a functional currency of the Euro). The Company has provided Sterling loans to MedicX Properties Ireland Limited which are eliminated on consolidation. The foreign exchange gain is calculated on the component which is treated as a loan balance rather than a net investment in foreign operations.

6. Taxation

	2018 £'000	2017 £'000
Deferred tax		
Charge/(credit) for the year	**2,927**	(5,312)
Total tax charge/(credit)	**2,927**	(5,312)

The Group elected to be treated as a UK REIT with effect from 1 October 2017. The UK REIT rules exempt the profits of the Group's property rental business from corporation tax. Gains on properties are also exempt from tax, provided they are not held for trading or sold in the three years post completion of development. The Group will otherwise be subject to corporation tax at 19% (2017:19.5%).

Acquired companies are converted to UK REIT status from the date on which it becomes a member of the Group.

As a UK REIT, the Company is required to pay Property Income Distributions ("PIDs") equal to at least 90% of the Group's rental profit calculated by reference to the tax rules rather than accounting standards.

To remain as a UK REIT there are a number of conditions to be met in respect of the principal company of the Group, the Group's qualifying activities and the balance of its business. The Company and Group have complied with these conditions during the year and subsequently.

A reconciliation of the actual tax charge to the notional tax charge applying the average standard rate of UK corporation tax of 19.0% (2017: 19.5%) is set out below:

	2018 £'000	2017 £'000
Profit before tax	**49,055**	33,312
Profit before tax multiplied by the average standard rate of corporation tax in the UK of 19.0% (2017: 19.5%)	**9,320**	6,496
Capital allowances	**(872)**	–
Expenses not deductible for tax purposes	**–**	833
Revaluation of exempt investment properties	**(4,923)**	(4,838)
Profits within the UK REIT regime	**(1,950)**	–
Difference between UK corporation and Irish income and capital tax rates	**1,352**	–
Release of brought forward deferred tax on entry into UK REIT regime	**–**	(5,887)
Release of current year deferred tax on entry into UK REIT regime	**–**	(1,916)
Total tax charge/(credit)	**2,927**	(5,312)

There is no current tax charge for the year (2017: £nil) and no corporation or income tax payable at 30 September 2018.

6. Taxation continued

Deferred Taxation

	Fair value gains £'000	Accelerated capital allowances £'000	Unrelieved management expenses £'000	Total £'000
At 1 October 2016	948	6,616	(1,677)	5,887
Released on entry into the REIT regime	(948)	(6,616)	1,677	(5,887)
Provided/(released) in the year	613	153	(191)	575
At 30 September 2017	613	153	(191)	575
Provided in the year	2,762	–	165	2,927
At 30 September 2018	**3,375**	**153**	**(26)**	**3,502**

At 30 September 2018, the Group has recognised deferred tax liabilities on the fair value gains of its properties located in the Republic of Ireland at a rate of 33% (2017: 33%). There are currently no plans to sell the Group's properties located in Ireland and as such the deferred tax is not expected to crystallise.

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 year attributable to Ordinary Shares of £46,128,000 (2017: £38,624,000) and on 432,752,861 (2017: 413,134,343) Ordinary Shares, being the weighted average number of Ordinary Shares in issue calculated over the year, excluding those held in treasury. This gives rise to a basic and diluted earnings per Ordinary Share of 10.7 pence (2017: 9.4 pence) per Ordinary Share.

The basic and diluted net asset value per Ordinary Share are based on the net asset position at the year end attributable to Ordinary Shares of £358,717,000 (2017: £327,202,000) and on 442,916,140 (2017: 428,640,144) Ordinary Shares being the number of Ordinary Shares in issue at the year end, excluding those held in treasury. This gives rise to a basic and diluted net asset value per Ordinary Share of 81.0 pence per Ordinary Share (2017: 76.3 pence per Ordinary Share).

EPRA earnings per share and net asset value per share

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

	2018 £'000	2017 £'000
Profit attributable to equity holders of the parent	**46,128**	38,624
Adjusted for:		
Deferred tax charge/(credit)	**2,927**	(5,312)
Revaluation gain	**(32,250)**	(18,654)
(Profit)/loss on disposal of investment properties	**(110)**	65
EPRA earnings	**16,695**	14,723
EPRA EPS	**3.9p**	3.5p
Company specific adjustments:		
REIT conversion fees and expenses	**–**	240
Adjusted earnings	**16,695**	14,963
Adjusted earnings per Ordinary Share – basic and diluted	**3.9p**	3.6p
Weighted average number of Ordinary Shares	**432,752,861**	413,134,343

	2018 £'000	2017 £'000
Net assets	**358,717**	327,202
Adjusted for:		
Deferred tax liability	**3,502**	575
EPRA net assets	**362,219**	327,777
EPRA net asset value per Ordinary Share – basic and diluted	**81.8p**	76.5p

	2018 £'000	2017 £'000
Net assets	**358,717**	327,202
Adjusted for:		
Fair value of debt	**(26,924)**	(42,574)
EPRA NNNAV	**331,793**	284,628
EPRA NNNAV per Ordinary Share – basic and diluted	**74.9p**	66.4p
Ordinary Shares in issue at the year end	**442,916,140**	428,640,144

The above measures eliminate deferred taxes not expected to crystallise, as well as the unrealised revaluation gain and profit on disposal of assets to give a more realistic view of the Company's operating results which is a better indication of the extent to which current dividend payments are supported by earnings. Adjustments to the Company's net asset value are made to give the most relevant information of the current fair value of both the assets and liabilities of the Company and to allow comparison with other market participants.

8. Investment properties

	Completed investment properties £'000	Properties under construction £'000	Total investment properties £'000
Fair value 1 October 2016	597,410	14,854	612,264
Additions	30,182	20,883	51,065
Disposals at valuation	(2,068)	–	(2,068)
Transfer to completed properties	18,013	(18,013)	–
Revaluation	17,590	1,064	18,654
Foreign exchange movements on opening balance	–	440	440
Fair value 30 September 2017	661,127	19,228	680,355
Additions	72,232	26,951	99,183
Disposals at valuation	(5,321)	–	(5,321)
Transfer to completed properties	31,765	(31,765)	–
Revaluation	28,381	3,869	32,250
Foreign exchange movements on opening balance	123	152	275
Fair value 30 September 2018	**788,307**	**18,435**	**806,742**

8. Investment properties continued

	Total investment properties £'000
Fair value per JLL UK valuation report	656,651
Fair value per C&W Ireland	33,275
Sites purchased for forward funding schemes	2,735
Ground rents recognised as finance leases	1,456
Rent incentives	(497)
Cost to complete properties under construction	(13,265)
Fair value 30 September 2017	680,355
Fair value per JLL UK valuation report	**750,602**
Fair value per C&W Ireland	**55,984**
Sites purchased for forward funding schemes	**6,305**
Ground rents recognised as finance leases	**1,498**
Rent incentives	**(532)**
Cost to complete properties under construction	**(7,115)**
Fair value 30 September 2018	**806,742**

In line with the Company's accounting policies, the Group has treated corporate acquisitions during the year as asset purchases rather than business combinations because they were judged to be acquisitions of assets rather than businesses. Included in additions of £72.2 million above, are £63.8 million of property assets acquired through a corporate acquisition which was settled through cash consideration of £24.3 million, issuance to the vendor of 3.75 million Ordinary Shares in MedicX out of treasury at a price per share of 80.0 pence per share and assuming loans with a fair value of £36.5 million.

Investment properties are initially recognised at cost and then subsequently measured at fair value, which has been determined based on the market valuations performed by Jones Lang LaSalle Limited ("JLL") for the properties located within the United Kingdom as at 30 September 2018. The valuation takes account of the fact that a purchaser's offer price to the Group would be net of purchaser's costs (which are estimated at 6.23% (2017: 6.53%) of what would otherwise be the purchase price).

Investment properties completed and under construction located in the Republic of Ireland have been valued by Cushman & Wakefield ("C&W"). The properties have been valued in line with the approach taken within the UK outlined above, however the notional purchaser's costs used as at 30 September 2018 were 8.46% (30 September 2017: 4.46%). The increase in Irish purchaser's costs since last year reflects the increase in Irish stamp duty on commercial property having risen from 2% to 6% in October 2017.

The sites purchased for forward funding schemes were valued by JLL or C&W as part of the acquisition due diligence. At 30 September a total of 4 sites (30 September 2017: 2) are carried at cost, which is regarded by the Directors as their fair value. One of the sites was sold in October at its carrying amount since the scheme is no longer expected to proceed.

The freehold and long leasehold interests in the property investments of the Group were valued at an aggregate of £806,586,000 as at 30 September 2018 (2017: £689,926,000) by JLL and C&W. 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 £0.89 per €1 for those assets located in the Republic of Ireland.

The average net initial yield for assets located within the UK at 30 September 2018 was 4.85% (2017: 5.08%) and the true equivalent yield was 5.13% (2017: 5.33%). The average true equivalent yield for assets located within the Republic of Ireland was 6.29% (2017: 7.38%).

The valuers' opinions of market value were derived using valuation techniques and comparable recent market transactions on arm's length terms. JLL has valued these properties for reporting purposes since 31 March 2008 and C&W have valued the properties for reporting purposes since 1 June 2017.

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 single 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. C&W's valuation report comments on a greater than usual degree of valuation uncertainty resulting from a scarcity of comparable transaction evidence in the Irish market for primary care centres in the current market.

The valuers' fees are set based on the number of properties in the portfolio valued each quarter. The valuers' aggregate fees for the year were £112,000 (2017: £97,000).

On 16 November 2017 the Group completed the sale of five primary healthcare properties located in Wolverhampton, Southampton, Gravesend, Leicester and Grimsby. The total gross sale price was £5.575 million. The sale price was close to the net book value and after deducting sales costs, a profit on disposal of £119,000 was recognised.

In addition, further disposal costs of 9,057 (2017: £22,000) have been incurred in the year on fee relation to properties sold after the year end.

Capital expenditure

For the year under review, the Group incurred capital cost of £99.2 million. £65.4 million of these costs relate to an off-market acquisition of a portfolio of 12 operational and fully let primary medical centres on 8 June 2018. £18.0 million was invested in the Republic of Ireland, which includes the purchase of a standing let property at Kilkenny for £6.8 million, a new site at Clondalkin for £3.1 million, as well as costs incurred for the development of properties under construction and costs incurred for the improvement and maintaining a high quality portfolio.

Capital improvements carried out on the UK portfolio in order to maintain the high quality nature and value of the assets included £385,000 and £152,000 being spent respectively at Pudsey on an extension and Kendal on further land. A further £15.0 million was invested in the UK in order to forward fund on-going development opportunities at Vale of Neath, Kew, Eastbourne and Peterborough, complete properties under construction and improve the current standing portfolio of properties.

Fair value hierarchy

The valuation of all investment properties is classified in accordance with the fair value hierarchy described in note 1. As at 30 September 2018 (and as at 30 September 2017), the Group determined that all investment properties be included at fair value as Level 3, reflecting significant unobservable inputs.

There were no transfers between Levels 1, 2 or 3 during the year.

Valuation techniques

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. As is common for investment property, valuation appraisals are performed using a combination of market and income approaches.

Under the market comparable method (or market comparable approach), a property's fair value is estimated based on comparable observable transactions.

Under income approaches, unobservable inputs are applied to model a property's fair value. The following unobservable inputs are applied:

- The Estimated Rental Value is the amount that an area could be let for, based on prevailing market conditions at the valuation date;
- The Equivalent Yield is the internal rate of return from the cash flows generated from renting a property;
- Rental Growth is an estimate of rental increases expected for contractual or prevailing market conditions; and
- The physical condition of a property, which would normally be visited by a valuer on a rotational basis.

Properties under construction have been measured at their fair value by taking the fair value at completion and subtracting the contractual costs to complete the assets under the development contracts. The technique inherently assumes that construction will be completed to an acceptable standard and leases will be entered into, under the terms and time line agreed.

The fair value of investment properties is based on a number of significant assumptions. If the valuation yield were to reduce by 0.25% on each property, this would result in an increase in the valuation of the UK and Republic of Ireland properties of approximately £47 million, however, if the yields were to rise by 0.25%, this would result in a decrease in the valuation of the UK and Republic of Ireland properties of approximately £42 million. If rent reviews of 2% were achieved on the full portfolio with no yield movement the valuation of properties would increase by approximately £17 million.

The property yields of the Group excluding five outlying properties range from 7.5% to 4.00%.

The Company's ERVs on primary medical centres ranges from £120 to £400 per square metre.

The majority of investment properties are charged as security for the long-term loans as disclosed in note 12.

Of the completed investment properties £168,998,000 (2017: £154,662,000) are long leasehold properties.

During the year the loan facilities, as disclosed in note 12, were utilised to fund development work on investment properties under construction. Interest costs of £537,000 (2017: £517,000) attributable to development work in progress were capitalised during the year.

9. Trade and other receivables

	2018 £'000	2017 £'000
Rent receivable	**3,584**	4,030
Other debtors and prepayments	**5,491**	3,146
	9,075	7,176

10. Cash and cash equivalents

	2018 £'000	2017 £'000
Cash and balances with banks	**18,888**	32,145

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 £2,214,000 (2017: £5,245,000). These amounts are ring-fenced for investment in the completion of the properties under construction which they finance.

11. Trade and other payables

	2018 £'000	2017 £'000
Trade payables	**2,371**	1,266
Other tax and social security	**1,504**	908
Other payables	**994**	508
Interest payable and similar charges	**1,748**	3,353
Accruals	**5,685**	3,360
Deferred rental income	**10,866**	9,287
	23,168	18,682

12. Loans

	2018 £'000	2017 £'000
Total facilities drawn down	**446,150**	375,757
Loan issue costs	**(16,744)**	(15,544)
Amortisation of loan issue costs	**7,096**	5,917
Fair value arising on acquisition of subsidiaries	**18,335**	11,645
Amortisation of fair value adjustment on acquisition	**(5,962)**	(4,979)
	448,875	372,796
Loans due within one year	**(2,463)**	(2,213)
	446,412	370,583

The current portion of long-term loans relates to the amount due in the next twelve months on the Aviva and Santander loan facilities; the terms of these loans are described below.

The Group has eight (2017: nine) primary debt facilities drawn. On 11 September 2018 the group refinanced five of its umbrella loan facility agreements with Aviva and replaced it with one agreement for the value of £264.5 million, increasing the facility held with Aviva by £30.8 million. On 8 March 2018 the Bank of Ireland facility was extended by €4.9 million bringing the total facility held with Bank of Ireland to €34.0 million. On 30 September 2018 an amount of €27.5 million has been drawn. On 8 June 2018, Aviva and Santander loan facilities were added to the Group's total facilities through a portfolio acquisition including twelve properties. Of these, eight facilities are held with Aviva and four facilities are held with Santander, however the information shown aggregates these individual loans and presents them as two new umbrella facilities described as "Aviva – OM" and "Santander – OM". In addition, the Group has a Revolving Credit Facility with RBS. The RBS facility was undrawn at 30 September 2018.

The majority of investment properties disclosed in note 8 are charged as security for the long-term loans.

Repayments of the loans listed above fall due as follows:

	2018 £'000	2017 £'000
Due within one year	**2,463**	2,213
Between one and two years	**3,490**	2,517
Between two and five years	**7,974**	8,802
Over five years	**434,948**	359,264
Due after one year	**446,412**	370,583
	448,875	372,796

Analysis of facilities drawn:

	Interest Rate	Expiry Date	2018 £'000	2017 £'000
Aviva £100m loan facility	5.008%	Dec 2036	**–**	100,000
Aviva £50m loan facility	4.37%	Feb 2032	**–**	49,951
Aviva PMPI loan facility	4.45%	October 2031	**–**	58,482
Aviva GPG loan facility	4.13% – 5.00%	Dec 2031 onwards	**–**	23,263
Aviva Fakenham loan facility	4.13% – 5.00%	Dec 2031 onwards	**–**	4,162
Aviva £233.7m loan facility	4.69%	Sept 2033	**233,664**	–
Aviva £30.8m loan facility	3.05%	Sept 2028	**30,836**	–
Standard Life loan note facility	3.838%	Sept 2028	**50,000**	50,000
Loan note facility	3.99%	Dec 2028	**50,000**	50,000
Loan note facility #2	3.00%	Sept 2028	**27,500**	27,500
Bank of Ireland facility	3.03%	Sept 2024	**24,532**	12,399
Aviva – OM facility	5.03% – 6.45%	Dec 2027 – June 2040	**26,150**	–
Santander – OM facility	2.68% – 3.12%	Dec 2019 – June 2022	**3,468**	–
RBS loan facility	2.0% over LIBOR	Sept 2019	**–**	–
			446,150	375,757

Covenants

All financial covenants on the loan facilities were complied with during the year 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 unamortised fair value adjustment on acquired loans was £12,373,000 as at 30 September 2018 (30 September 2017: £6,666,000).

A mark to market calculation gives an indication of the benefit or liability to the Group of the fixed rate debt given the estimated 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 year 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 loan, discounting the cash flows at the prevailing Gilt rate. The approximate mark to market liability of the total fixed rate debt to the Group was £26,924,000 as at 30 September 2018 (30 September 2017: £42,574,000). The fair value of the debt as at 30 September 2018 is therefore approximately £473,336,000 (2017: £413,157,000).

Fair value hierarchy

The valuation of loans is classified in accordance with the fair value hierarchy described in note 1. As at 30 September 2018 (and as at 30 September 2017), the Group determined that loans be included at fair value as Level 3, reflecting significant unobservable inputs.

There were no transfers between Levels 1, 2 or 3 during the year.

12. Loans continued

Reconciliation of borrowings to cash flows from financing activities

	2018 £'000	2017 £'000
Balance as at 1 October	**372,796**	336,290
Changes from financing cash flows		
Draw down of Bank of Ireland facility	**12,030**	12,380
Draw down of Loan note #2 facility	**–**	27,500
Aviva £30.8m loan facility	**30,836**	–
New loan facilities drawn	**42,866**	39,880
Repayment of mortgage principal	**–**	(897)
Repayment of Aviva PMPI loan facility	**(1,600)**	(1,326)
Repayment of Aviva GPG loan facility	**(507)**	(486)
Repayment of Aviva Fakenham loan facility	**(104)**	(101)
Repayment of Santander OM facilities	**(17)**	–
Repayment of Aviva OM facilities	**(275)**	–
Repayment of long-term borrowings	**(2,503)**	(2,810)
Aviva £100m loan facility costs	**–**	(12)
Aviva £264.5m loan facility costs	**(779)**	–
RBS loan facility costs	**–**	(22)
Loan note facility #2 costs	**–**	(226)
Standard Life facility costs	**(7)**	(12)
Bank of Ireland facility costs	**(81)**	(587)
Loan issue costs	**(867)**	(859)
Total changes from financing cash flows	**39,496**	36,211
Other changes		
Fair value of loans assumed with subsidiaries	**36,583**	–
Amortisation of fair value adjustment on acquisition	**(983)**	(915)
Loan issue cost	**(159)**	(30)
Amortisation of loan issue cost	**1,142**	1,240
Total other changes	**36,583**	295
Balance at 30 September	**448,875**	372,796

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

13. Head lease liabilities

	30 September 2018		30 September 2017	
	Present value £'000	Minimum lease payments £'000	Present value £'000	Minimum lease payments £'000
Due within one year	**90**	**99**	93	102
Between one and five years	**289**	**395**	297	407
Over five years	**1,119**	**7,832**	1,066	7,745
	1,498	**8,326**	1,456	8,254
Less future interest costs	**–**	**(6,828)**	–	(6,798)
	1,498	**1,498**	1,456	1,456

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 rentals.

14. Share capital

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

	Number of shares	Issue price per share
Total shares issued as at 1 October 2017	436,002,399	
Shares issued under Company's Block listing facility:		
22 June 2018	8,700,000	81.25p
29 June 2018	1,000,000	81.25p
Total shares issued as at 30 September 2018	**445,702,399**	
Shares held in treasury (see below)	(2,786,259)	
Total voting rights in issue as at 30 September 2018	**442,916,140**	

At 30 September 2018, the Company had 5,071,668 (2017: 14,771,668) Ordinary Shares remaining under its block listing.

During the year, treasury shares were utilised to satisfy demand for shares in lieu of cash for dividends elected under the Company's scrip dividend scheme. Treasury shares were also issued as partial consideration for a portfolio acquisition of 12 properties. The transactions and relevant price per share are shown below:

	Number of shares	Price per share
Total shares held in treasury as at 1 October 2017	7,362,255	83.50 pence
Shares sold out of treasury:		
14 June 2018 (part of consideration for portfolio acquisition)	(3,750,000)	80.00 pence
Shares utilised in lieu of cash payment of dividends:		
29 December 2017	(193,187)	84.70 pence
29 March 2018	(147,245)	82.56 pence
29 June 2018	(368,440)	80.24 pence
28 September 2018	(117,124)	80.36 pence
	(825,996)	
Total shares held in treasury as at 30 September 2018	**2,786,259**	

The closing value of shares held in treasury issued at 83.50 pence per share each is £2,327,000 (2017: £6,148,000).

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

15. Other reserves

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

In accordance with the Companies (Guernsey) Law 2008, as amended ("2008 Law") the other reserve is freely distributable with no restrictions. 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 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 the Company's Articles of Incorporation.

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

16. Dividends

	Year ended 30 September 2018		Year ended 30 September 2017	
	£'000	**Dividend per share**	£'000	Dividend per share
Quarterly dividend declared and paid 29/30 December	**6,430**	**1.5000p**	5,858	1.4875p
Quarterly dividend declared and paid 29/31 March	**6,464**	**1.5100p**	6,071	1.5000p
Quarterly dividend declared and paid 29/30 June	**6,471**	**1.5100p**	6,392	1.5000p
Quarterly dividend declared and paid 28/28 September	**6,682**	**1.5100p**	6,427	1.5000p
Total dividends declared and paid during the year	**26,047**		24,748	
Quarterly dividend declared after year end	**6,688**	**1.5100p**	6,430	1.5000p
Cash flow impact of scrip dividends paid on:				
29 December 2017	**164**		359	
29 March 2018	**122**		144	
29 June 2018	**295**		133	
28 September 2018	**94**		99	
Total cash equivalent value of scrip shares issued	**675**		735	
Cash payments due for dividends declared and paid	**25,372**		24,013	
Less: Withholding tax payable on Property Income Distribution	**(277)**		–	
Cash payments made for distributions paid in the year	**25,095**		24,013	

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 1 November 2018, the Board approved a dividend of 1.51 pence per share, bringing the total dividend declared in respect of the year to 30 September 2018 to 6.04 pence per share. The record date for the dividend was 16 November 2018 and the payment date is 31 December 2018. 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.

17. 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 2018 and 30 September 2017 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 non-current borrowings for which the mark to market liability or benefit is set out in note 12, the carrying value of all financial instruments in the statement of financial position was equal to their fair value.

Credit risk

From time to time the Group invests surplus funds in high quality liquid market instruments with a maturity of no greater than six months. To reduce the risk of counterparty default, the Group deposits its surplus funds subject to immediate cash flow requirements with A- rated (or better) institutions.

Concentrations of credit risk with respect to customers are limited due to the Group's revenue being largely receivable from a high number of UK Government backed tenants. As at the year-end 89.4% (2017: 89.7%) of rental income receivable was derived from government backed tenants who are spread across a large number of Clinical Commissioning Groups which further reduces credit risk in this area. The default risk is considered low due to the nature of government backed funding for GP practices.

The Group's maximum exposure to credit risk on financial assets was as follows:

	2018 £'000	2017 £'000
Financial assets		
Rent receivable	**3,584**	4,030
Other current assets	**5,491**	3,146
Cash and cash equivalents	**18,888**	32,145

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 £2,963,000 (2017: £2,697,000) is neither impaired nor past due. £620,000 (2017: £466,000) is past due and of this £66,000 (2017: £198,000) is more than 120 days past due. The Company takes active steps to recover all amounts and has assessed that a provision of £54,000 (2017: £50,000) against trade receivables is appropriate at the year end.

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 operates primarily within Guernsey and the United Kingdom and the majority of the Group's assets, liabilities and cash flows are in pounds sterling which is the reporting currency. Third party independent valuations are received on a quarterly basis and the portfolio is kept under review for any assets which may no longer meet the criteria of the Group.

Foreign currency risk

At the year end, the Company holds approximately €63 million of investments in the Republic of Ireland. To mitigate the risk of valuation movements driven by foreign exchange movements, the Company has entered into a facility of up to €34.0 million. This creates a natural foreign currency hedge at a Group level.

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 £233,644,000 and £30,836,000 were negotiated at a fixed rate of interest of 4.69% and 3.05% respectively, these facilities replaced the previous Aviva borrowing facilities of £100,000,000 (2017: £100,000,000), £50,000,000 (2017: £50,000,000) and £59,777,000 (2017: £59,777,000) which were negotiated at a fixed rate of interest of 5.008%, 4.370% and 4.450% respectively as well as the 12 Aviva GPG and Fakenham loan facilities which was also at a fixed rate. The eight Aviva OM facilities acquired on 8 June 2018 are at a fixed rate ranging between 5.03% - 6.45% and the four Santander facilities also acquired on this date are also at a fixed rate. The Group's loans have a weighted average interest rate of 4.26% (2017: 4.29%).

On 15 September 2016, the Group extended the term of the RBS loan facility for a further three years. The amendment also provides for an option, with lender consent, that the immediately committed £20 million revolving credit facility may be extended by a further £10 million to £30 million or additional lenders be added with a view to increasing the facility on existing terms. Interest is payable on amounts drawn under the amended facility at a rate equal to LIBOR plus a lending margin of 2.00% per annum. A non-utilisation fee of between 1.10% and 0.75% will be payable on the undrawn, £20 million immediately available commitment.

During the year the extension was exercised and committed facilities were increased to £30 million. £23 million was drawn between 6 June 2018 and 9 August 2018, and £20 million was drawn between 9 August 2018 and 12 September 2018. On 5 October the extended commitment was cancelled and £20 million is now currently immediately available.

The Group's private loan note facility of £50,000,000 (2017: £50,000,000) and £27,500,000 (2017: £27,500,000) have fixed rates of 3.99% and 3.000% respectively and the loan note facility with Standard Life of £50,000,000 has a fixed rate of 3.838%.

On 6 March 2017 the Group entered into a debt facility with Bank of Ireland for an amount of €29,100,000, 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 average rate as at 30 September 2018 on this facility is 3.03% (2017: 3.03%). On 8 March 2018 the Facility was extended by a further €4,875,000 at a margin of 3.00% over EURIBOR to refinance the purchase of a completed property.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in realising assets or otherwise raising funds to meet financial commitments. The Directors regularly review the Group'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 Group's compliance with covenants on lending facilities.

17. Financial instruments risk management continued

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	2,371	–	–	–	–	2,371
Accruals	624	2,535	2,526	–	–	5,685
Non-current borrowings						
Principal	–	–	–	11,464	434,948	446,412
Interest payments	376	2,438	15,262	61,478	150,520	230,074
	376	2,438	15,262	72,942	585,468	676,486
Current portion of non-current borrowings						
Principal	91	428	1,944	–	–	2,463
Interest payments	5	21	96	–	–	122
	96	449	2,040	–	–	2,585
Liabilities at 30 September 2018	**3,086**	**2,963**	**4,470**	**11,464**	**434,948**	**456,931**
Future costs of non-current borrowings	**381**	**2,459**	**15,358**	**61,478**	**150,520**	**230,196**
Balances at 30 September 2018	**3,467**	**5,422**	**19,828**	**72,942**	**585,468**	**687,127**

	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	1,266	–	–	–	–	1,266
Accruals	127	901	2,332	–	–	3,360
Non-current borrowings						
Principal	–	–	–	11,319	359,264	370,583
Interest payments	2,731	977	12,522	64,173	140,224	220,627
	2,731	977	12,522	75,492	499,488	591,210
Current portion of non-current borrowings						
Principal	153	501	1,559	–	–	2,213
Interest payments	7	22	69	–	–	98
	160	523	1,628	–	–	2,311
Liabilities at 30 September 2017	1,546	1,402	3,891	11,319	359,264	377,422
Future costs of non-current borrowings	2,738	999	12,591	64,173	140,224	220,725
Balances at 30 September 2017	4,284	2,401	16,482	75,492	499,488	598,147

18. Commitments

At 30 September 2018, the Group had commitments of £11.4 million (2017: £21.3 million) to complete properties under construction and to settle final accounts and retentions.

19. Material contracts

Investment Adviser

Octopus Healthcare Adviser Ltd is appointed to provide investment advice under the terms of an agreement originally dated 17 October 2006 as subsequently amended 20 March 2009, 17 February 2013, 24 September 2013, 20 November 2015 and 29 September 2017 (the "Investment Advisory Agreement" or "Agreement").

The Agreement has since been further amended by way of a deed of amendment dated 10 December 2018. Prior to this amendment (the "December 2018 amendment") the fees payable under the Agreement were:

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

As at 30 September 2018 the healthcare property asset value exceeded £782 million and no minimum fee applied for the final quarter ended 30 September 2018.

Following the December 2018 amendment, the tiered investment advisory fee was changed with effect from 1 October 2018 and the minimum fee was removed. The notice terms remained unchanged, providing a rolling contract subject to the Company's ability to serve two years' notice at any time. The new and former fee tiers are as follows:

	Post 1 Oct 2018 Property asset value (£'million)	Pre 30 Sept 2018 Property asset value (£'million)
Investment advisory fee: investment property valuation tier applied to annual percentage		
0.5% per annum	**0 – 250**	0 – 750
0.4% per annum	**250 – 1,250**	750 – 1,000
0.3% per annum	**Above 1,250**	Above 1,000

The December 2018 amendment also removed the performance fee from the Agreement. Prior to the December 2018 amendment the annual performance fee was 15% of the amount by which the total shareholder return exceeded a compound hurdle rate calculated from the 69.0 pence issue price at 8 April 2009, subject to a high watermark.

The Investment Adviser provides accounting administration services for no additional fee. In addition, Octopus AIF Management Limited acts as the Company's Alternative Investment Fund Manager for an annual fee of £1 per annum.

During the year, the agreements with Octopus Healthcare Adviser Ltd gave rise to £5,510,000 (2017: £4,792,000) of fees as follows:

	2018 £'000	2017 £'000
Expensed to the consolidated statement of comprehensive income:		
Investment advisory fee	**3,903**	3,867
Investment advisory performance fee	**–**	–
Property management fees	**969**	925
Capitalised as part of property acquisition costs:		
Corporate acquisition fees	**638**	–
Total Fees	**5,510**	4,792

Of these fees, £nil (2017: £nil) remained unbilled and £1,824,000 (2016: £1,146,000) remained outstanding at the end of the year.

Administrator

Each Group undertaking has entered into a separate administration agreement with International Administration Group (Guernsey) Limited for the provision of administrative services which was renewed with effect from 29 September 2017. Under these agreements, fees were incurred totalling £144,000 (2017: £115,000) for the provision of corporate secretarial services to all Group companies and other administrative services.

Of these fees £27,000 (2017: £25,000) remained unbilled or outstanding at the year end.

19. Material contracts continued

Depository

On 29 September 2017 the Company entered into an agreement with IAG Depository Services Limited for the provision of depository services from 1 October 2017. Under this agreement the fee incurred for the year was £28,000. Of this fee £nil remained unbilled or outstanding at the year end.

20. Investments in joint ventures

The Group has joint control over GP Property Limited which has issued two ordinary £1 voting shares to each of the parties who have joint control.

GP Property Limited is a Guernsey company which is a joint venture with General Practice Investment Corporation Limited and its principal activity is investment in and enhancement of primary healthcare properties. Joint control is exercised through the joint venture's board of directors which includes 3 members appointed by the holders of each class of ordinary share. As at 30 September 2018 the Group holds all the preference shares of the joint venture which gives the Group rights to 99.99% of the joint venture's net assets.

Investments in equity accounted joint venture are as follows

	£'000
1 October 2016	–
Preference share capital	1,025
Equity accounted share of net profits	13
Dividends received	(3)
As at 30 September 2017	1,035
Investment	**27**
Equity accounted share of net profits	**52**
Dividends received	**(59)**
As at 30 September 2018	**1,055**

The dividends received in the current year were paid in cash.

Financial information related the joint venture is set out below.

	2018 £'000	2017 £'000
Non-current assets	**–**	–
Current assets (100%)	**1,017**	967
Current liabilities (100%)	**(74)**	(17)
Net assets reported	**943**	950
Proportion of the Group's rights (99.99%)	**943**	950
Revenue (100%)	**68**	24
Expenses (100%)	**(16)**	(11)
Net profit (100%)	**52**	13

21. Related party transactions

During 2017, 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. During the year, the Company has invested £27,000 into the joint venture. In the year, dividends of £59,000 were received and capitalised.

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

22. Operating leases

At 30 September 2018 the Group had entered into leases in respect of investment properties for the following rental income, excluding any future rent reviews:

	2018 £'000	2017 £'000
Amounts receivable under leases		
Within one year	**44,107**	40,003
Between one and five years	**175,226**	160,014
After more than five years	**415,283**	372,609
Total	**634,616**	572,626

The length of a typical new lease is between 18 and 25 years, with provision for rent reviews mostly every three years. Rent reviews are usually agreed by reference to open market value or the Retail Price Index.

23. Subsidiary companies

The following were the subsidiary companies in the Group at 30 September 2018:

Name	Country of incorporation	Principal activity	Ownership percentage	Nominal value of shares in issue	Type of share held
Held directly:					
MedicX Properties IX Limited	England & Wales	Holding company	100%	9	Ordinary
MedicX Properties VI Limited	Guernsey	Property Investment	100%	Nil	Ordinary
MedicX Properties VIII Limited	Guernsey	Property Investment	100%	Nil	Ordinary
MedicX GPG Holdings Limited	Guernsey	Property Investment	100%	Nil	Ordinary
MedicX Properties Ireland Limited	Guernsey	Property Investment	100%	Nil	Ordinary
MedicX Properties Northern Ireland Limited	Guernsey	Non-Trading	100%	Nil	Ordinary
MedicX Properties Ireland 2 Limited	Guernsey	Non-Trading	100%	Nil	Ordinary
Held indirectly:					
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%	50,000	Ordinary
MedicX Properties V Limited	Guernsey	Property Investment	100%	2	Ordinary
MedicX Properties VII Limited	Guernsey	Property Investment	100%	Nil	Ordinary
MedicX (Verwood) Ltd	England & Wales	Non Trading	100%	1	Ordinary
CSPC (3PD) Limited	England & Wales	Holding company	100%	1	Ordinary
Primary Medical Property Limited	England & Wales	Holding company	100%	1	Ordinary
Primary Medical Property Investments Limited	England & Wales	Property Investment	100%	966,950	Ordinary
GPG No5 Limited	England & Wales	Property Investment	100%	48,500	Ordinary
MedicX LHP Ltd	England & Wales	Dormant	100%	1	Ordinary
MedicX LHF Ltd	England & Wales	Dormant	100%	1	Ordinary
MedicX (Fakenham) Ltd	England & Wales	Property Investment	100%	100	Ordinary
MedicX Properties OM Holdings Ltd	England & Wales	Holding company	100%	20,899	Ordinary
MedicX Properties OM Group Ltd	England & Wales	Holding company	100%	19,899	Ordinary
MedicX Properties OM Ltd	England & Wales	Property Investment	100%	33,300	Ordinary
MedicX Properties Windermere Ltd	England & Wales	Property Investment	100%	100	Ordinary
MedicX Properties Otley Ltd	England & Wales	Property Investment	100%	100	Ordinary
MedicX Properties Bridlington Ltd	England & Wales	Property Investment	100%	100	Ordinary

As at 30 September 2018, MedicX LHP Ltd, MedicX LHF Ltd and MedicX (Verwood) Ltd are in the process of being liquidated, whilst, CSPC (3PD) Limited and Primary Medical Property Limited are in the process of being dissolved.

24. Capital management

The Group's objectives when managing capital are:

- To safeguard the Group's ability to continue as a going concern and 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 based on 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 total assets less cash and cash equivalents. The Group is not subject to any externally imposed capital requirements; however, the Directors intend to secure and utilise long-term borrowings of approximately 50% on average over time and not exceeding 65% of the Company's total assets.

The adjusted gearing ratios at 30 September 2018 and 30 September 2017 were as follows:

	2018 £'000	2017 £'000
Total debt	**448,875**	372,796
Less: cash and cash equivalents	**(18,888)**	(32,145)
Net debt	**429,987**	340,651
Total assets	**835,760**	720,711
Less: cash and cash equivalents	**(18,888)**	(32,145)
Adjusted capital	**816,872**	688,565
Adjusted gearing ratio	**52.6%**	49.5%

25. Post year end events

On 5 October 2018, one undeveloped site held by the Group with the benefit of a put option to the developer was sold to a third party because the development project was no longer proceeding. Total proceeds from the sale together with compensation from the developer amounted to £590,663 which covered all costs plus an annualised return of 5% for the holding period.

On 11 October 2018, the Group sold its leasehold property located in Harpenden. The sale price was £595,000, exceeding the net book value of £553,000 as at 30 September 2018. Following the sale, MedicX owned 165 investment properties.

On 10 December it was agreed with the Company's Investment Adviser that the investment adviser fee would be reduced with effect from 1 October 2018. The new arrangements will result in a £500,000 per annum saving until the Company's portfolio reaches a value of £1 billion, with tapering savings thereafter.

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