Building a brighter future for primary healthcare investment

MedicX Fund Limited Annual Report and Financial Statements 2017

BUILDING A BRIGHTER FUTURE FOR PRIMARY HEALTHCARE INVESTMENT

MedicX Fund is a leading investor in modern purpose-built primary healthcare properties.

Our investment supports the transformation of the primary healthcare estate in the United Kingdom and Republic of Ireland.

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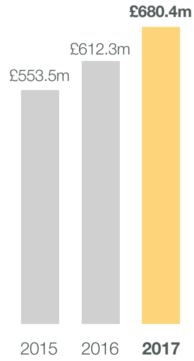
Financial highlights and key achievements

SUPPORTING ESTATE TRANSFORMATION IN PRIMARY HEALTHCARE.

RENT RECEIVABLE (£37.1m)

+5.7%

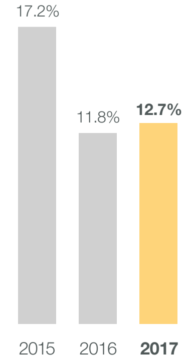
(2016: £35.1m)



INVESTMENT PROPERTY (£680.4m)

+11.1%

(2016: £612.3m)



TOTAL RETURN ON EPRA NAV (12.7%)

+0.9%

(2016: 11.8%)

A STRONG YEAR, REFLECTING PROGRESS AND ACHIEVING NOTABLE MILESTONES.

FINANCIAL RESULTS

- Continued increase in rent receivable, up 5.7% to £37.1 million (2016: £35.1 million);
- Profit before tax was £33.3 million for the year; 18.1% higher than the profit before tax for 2016 of £28.2 million;
- 7.5% increase in annualised rent roll[1] from £37.2 million to £40.0 million;
- 89.7% (2016: 89.2%) of rent roll was directly from or reimbursed by the NHS, Irish GPs or HSE;
- 2.9% increase in EPRA[11] earnings per Ordinary Share, from 3.4p per share to 3.5p per share;
- Increase in underlying dividend cover to 69.5% (2016: 68.5%);
- 12.7% total return on EPRA NAV[2] for the financial year (2016: 11.8%); and
- Total Shareholder Return[3] of 9.6% (2016: 22.5%).

GOOD PROGRESS ON INVESTMENTS

- 11.1% increase in the value of the property portfolio to £680.4 million[1,4]. This is as a result of £51.1 million of capital investment to acquire standing let properties and fund developments through forward funding schemes and a £18.6 million net valuation gain;
- New committed investments in UK and Republic of Ireland, since 1 October 2016, of £49.4 million with an average cash yield of 5.22%[1];
- £8 million average value of new committed investments and selective disposals improved portfolio quality; and
- Substantially increased strong pipeline of approximately £175 million of acquisition opportunities[1] (2016: £108 million).

CAPITAL MANAGEMENT

- Quarterly dividend of 1.5p per share announced on 1 November 2017[5]; total dividends of 6.0p per Ordinary Share for the year or 6.6% dividend yield on a share price of 91 pence per share at 30 September 2017[6] (2016: total dividends of 5.95p per Ordinary Share; 6.7% dividend yield);
- Total drawn debt facilities of £372.8 million with an average all-in fixed rate cost of debt of 4.29% and an average unexpired term of 12.7 years, close to the average unexpired lease term of the investment properties of 14.1 years and compared with 4.45% and 14.0 years for the prior year[1];
- Net debt of £340.7 million equating to 49.5% adjusted gearing at 30 September 2017 (30 September 2016: £315.3 million; 50.8%)[1,7]; and
- Market capitalisation £390.0 million[1] following share price appreciation and £34.6 million net proceeds raised from 39.8 million shares issued since 1 October 2016 at an average issue price of 87.9 pence per share.

The Directors believe that presenting the following 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 more meaningful industry standard key performance indicators.

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

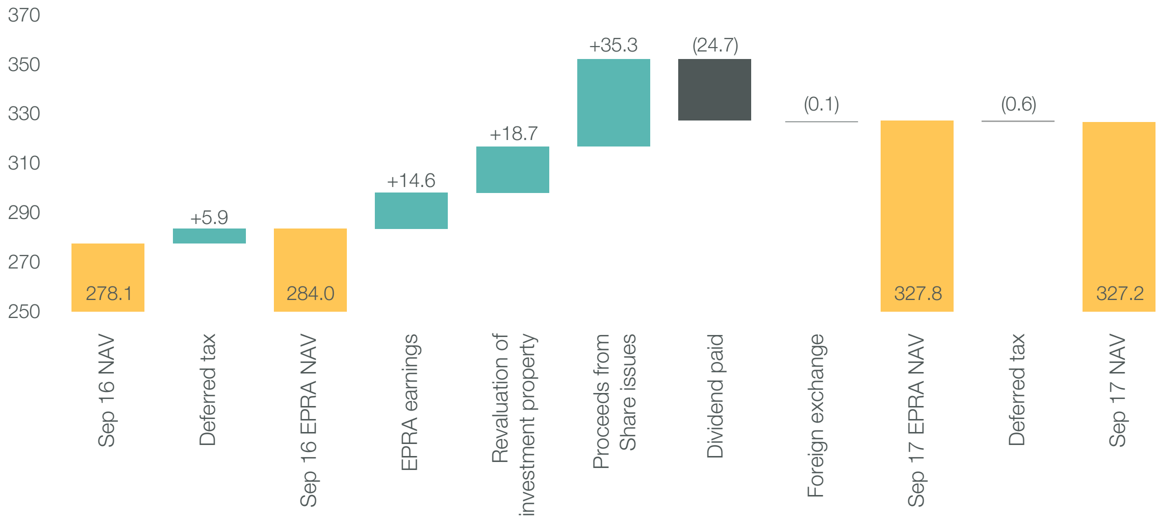
Unadjusted performance measures

	2017	2016	
Rent receivable (£m)	**37.1**	35.1	+5.7%
Profit before tax (£m)	**33.3**	28.2	+18.1%
Earnings per Ordinary Share (pence)[1]	**9.4**	7.1	+32.4%
Dividend cover[8]	**59.2%**	64.0%	-4.8[10]
Property valuation (£m)[4]	**680.4**	612.3	+11.1%
Weighted average debt term (years)	**12.7**	14.0	-1.3
Net Asset Value per Ordinary Share (pence)[1]	**76.3**	71.7	+6.4%
Total Shareholder Return[3]	**9.6%**	22.5%	-12.9[10]

Adjusted performance measures

	2017	2016	
EPRA earnings per Ordinary Share (pence)[9]	**3.5**	3.4	+2.9%
EPRA Net Asset Value per Ordinary Share (pence)[9]	**76.5**	73.2	+4.5%
Total return on EPRA Net Asset Value[2]	**12.7%**	11.8%	+0.9[10]
Underlying dividend cover[8]	**69.5%**	68.5%	+1.0[10]

NAV and EPRA NAV movement for year ended 30 September 2017 (£m)



EPRA NAV reconciliation

	30 September 2017 £'000	30 September 2016 £'000	Movement £'000	Movement %
Investment properties	**681,390**	612,264	69,126	11.3%
Cash	**32,145**	20,968	11,177	53.3%
Other receivables	**7,176**	8,519	(1,343)	(15.8%)
Borrowings	**(372,796)**	(336,290)	(36,506)	10.9%
Other liabilities	**(20,138)**	(21,413)	1,275	(6.0%)
EPRA NAV	**327,777**	284,048	43,729	15.4%
Deferred tax liability	**(575)**	(5,887)	5,312	(90.2%)
Unadjusted NAV	**327,202**	278,161	49,041	17.6%

1 As at the financial year end of 30 September 2017
2 Movement on EPRA NAV per share between 30 September 2016 and 30 September 2017 and dividends paid during the year, divided by opening EPRA NAV per share
3 Based on share price movement between 30 September 2016 and 30 September 2017 and dividends paid and reinvested during the year
4 As shown in note 8 to the financial statements
5 Ex-dividend date 16 November 2017, record date 17 November 2017, payment date 29 December 2017
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 based on EPRA NAV. Underlying dividend cover includes impact of properties under construction treated as completed properties
9 As disclosed in note 7 to the financial statements
10 Percentage point change
11 EPRA is the European Public Real Estate Association

Company overview

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 and Irish healthcare infrastructure and provide strong covenants with a long term secure and rising cash flow.

Our portfolio

We have 156 primary care properties across the UK[1].

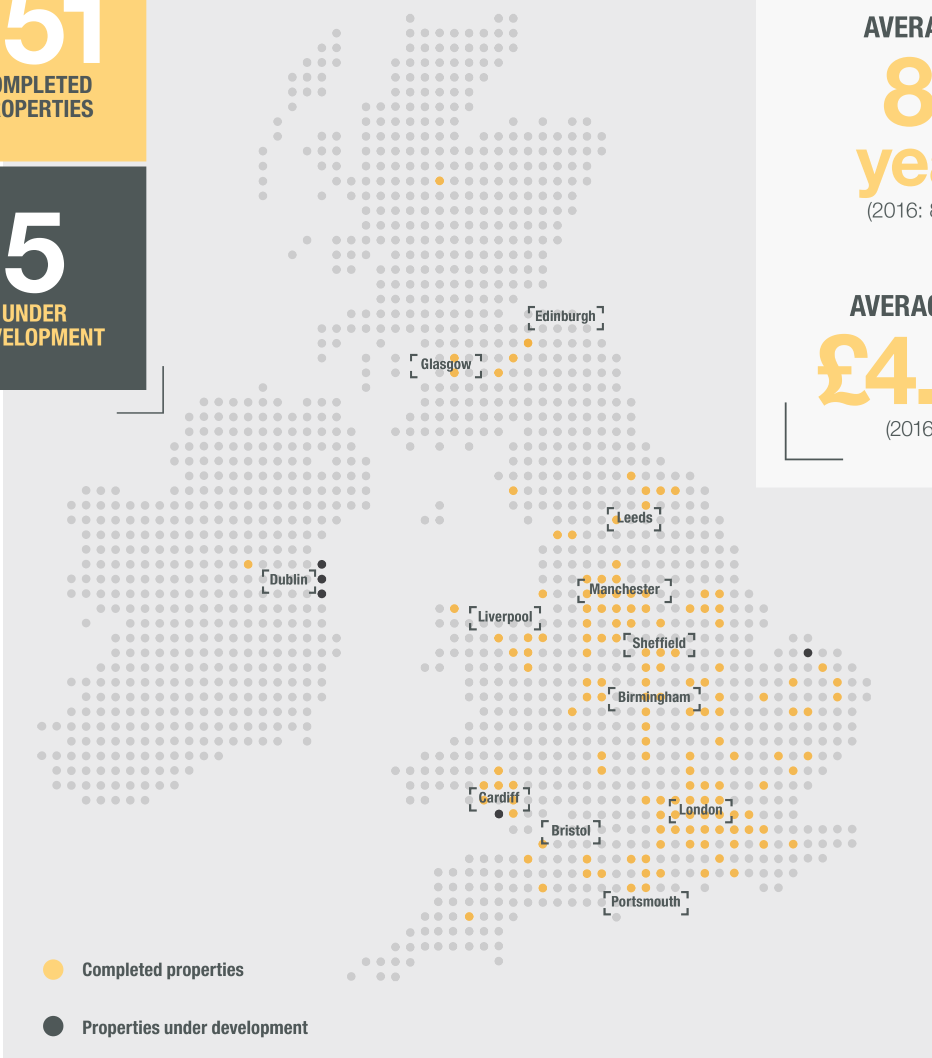
AVERAGE UNEXPIRED LEASE TERM
14.1 years
(2016: 15.5 years)

AVERAGE AGE
8.7 years
(2016: 8.0 years)

AVERAGE VALUE
£4.4m
(2016: £4.1m)

151 COMPLETED PROPERTIES

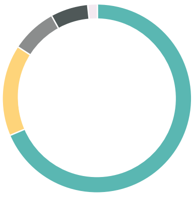
5 UNDER DEVELOPMENT



1 As at 30 September 2017

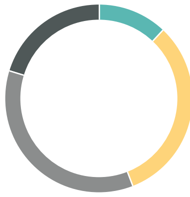
SECURITY OF INCOME BY TENANT TYPE

GPs	£27.5m	68.7%
NHS	£6.2m	15.5%
PHARMACY	£3.2m	7.9%
IRELAND	£2.5m	6.4%
OTHER	£0.6m	1.5%
TOTAL	£40.0m	100%



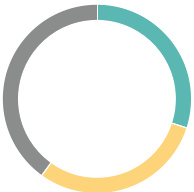
SECURITY OF INCOME BY LEASE EXPIRY

OVER 20 YEARS	£4.9m	12.2%
15 TO 20 YEARS	£12.8m	32.0%
10 TO 15 YEARS	£14.3m	35.8%
LESS THAN 10 YEARS	£8.0m	20.0%
TOTAL	£40.0m	100%



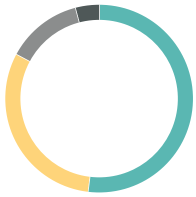
AGE OF ASSETS

LESS THAN 5 YEARS	30.3%
5 TO 10 YEARS	30.0%
OVER 10 YEARS	39.7%
TOTAL	100%



INVESTMENT PORTFOLIO VALUATION PROFILE

MORE THAN £5m	52%
£3m TO £5m	31%
£2m TO £3m	13%
LESS THAN £2m	4%
TOTAL	100%



Analysis of property portfolio – largest investments

Property	Year ended 30 September 2017 Valuation £'000	Percentage of total	Year ended 30 September 2016 Valuation £'000	Percentage of total
Moorgate Primary Care Centre, Bury	**18,230**	**2.68%**	17,440	2.85%
Lytham Primary Care Centre, Lytham	**14,570**	**2.14%**	14,250	2.33%
Mullingar Primary Healthcare Centre, Ireland	**12,605**	**1.85%**	–	–
Princeway Health Centre, Frodsham	**12,509**	**1.84%**	12,154	1.99%
Osborne House, Handsworth	**12,063**	**1.77%**	–	–
Caerphilly Integrated Resources Centre, Caerphilly	**10,550**	**1.55%**	10,220	1.67%
Bathgate Primary Health Centre, Bathgate	**10,490**	**1.54%**	10,010	1.63%
Kingsway Medical Centre, Ossett	**10,390**	**1.53%**	9,930	1.62%
Cobham Hospital, Cobham	**9,930**	**1.46%**	10,130	1.65%
Evesham Health Centre, Evesham	**9,660**	**1.42%**	8,910	1.46%
Raynes Park Medical Centre, Raynes Park	**–**	**–**	9,360	1.53%
Fleet Heath Campus, Northfleet	**–**	**–**	8,786	1.44%
10 largest completed properties	**120,997**	**17.78%**	111,190	18.17%
Other properties	**559,358**	**82.22%**	501,074	81.83%
	680,355	**100.00%**	612,264	100.00%

Regional analysis of UK & Ireland portfolio at 30 September 2017

Region	Number of properties	Number of tenancies	Floor area (m^2)	Rent roll £'000	Capital value £'000
Eastern	24	59	28,374	5,502	93,510
East Midlands	14	22	34,370	2,875	52,108
London	17	37	18,007	4,175	80,138
North East	5	15	5,848	1,053	18,050
North West	13	36	25,426	5,084	92,546
South East	21	52	23,644	4,828	84,148
South West	9	13	8,012	1,451	23,920
West Midlands	12	24	18,027	3,386	65,985
Yorks & Humber	19	66	23,168	4,725	73,644
Wales, Scotland	18	47	22,594	4,109	68,015
Ireland	4	9	15,979	2,816	28,291
Total	**156**	**380**	**223,449**	**40,004**	**680,355**


Medical Centre

Our business model

CREATING VALUE FOR SHAREHOLDERS, TENANTS, PATIENTS AND SOCIETY.

MedicX Fund Limited ("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.

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

How we are structured

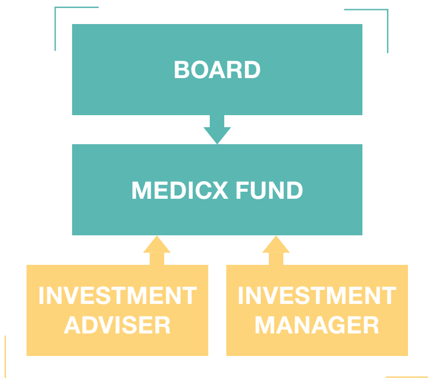
MedicX Fund Limited is a UK REIT with an external Investment Adviser and Manager.

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.

The Investment Adviser to the Fund is Octopus Healthcare Adviser Ltd, which is part of the Octopus Healthcare 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 and Ireland. It currently manages over £1.2 billion of healthcare investments across a number of platforms, with a focus on five core areas: GP surgeries, care homes, special education schools, retirement housing and private hospitals.

Octopus Healthcare is part of the Octopus group, a fast-growing UK fund management business with leading positions in several specialist sectors including healthcare property, energy, property finance and smaller company investing. Octopus manages £7 billion of funds for more than 50,000 retail and institutional investors as well as supplying energy to more than 100,000 customers. Octopus Healthcare Adviser Ltd and the Octopus group are authorised and regulated by the Financial Conduct Authority.

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.



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.

READ MORE ABOUT THE MARKET ON PAGE 14

REPUTATION

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

READ MORE ABOUT THE BOARD ON PAGE 38

SUSTAINABILITY

Social and environmental impact are key investment criteria.

READ MORE ABOUT OUR CSR ON PAGE 33

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 Republic of Ireland. Properties are let principally to the NHS, HSE or to GPs subject to NHS rent reimbursement.

SOURCE

Properties are sourced by the Investment Adviser from Octopus Healthcare's developer relationships, the Fund's preferred developer framework agreements and through specialist investment agents in the primary healthcare market.

INVEST

The Fund 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 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.

ASSET MANAGE

The Investment Adviser continually reviews the Fund'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.

MANAGE

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

READ MORE ABOUT RISKS ON PAGE 30

How we create value

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 the Fund and transforming patient outcomes.

The Fund initially raises equity finance to invest in high quality modern purpose-built investment properties with long secure government backed income. The Fund 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. As the portfolio grows and matures, the Fund works increasingly with its tenants to identify and facilitate value adding asset management projects which accelerate the pace of growth and returns.

Beneficiaries

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 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

Progressive dividends and capital gains over the medium to longer term.

Total shareholder return of 11.1% per annum over five years ended 30 September 2017.

Chairman's statement

I AM PLEASED TO PRESENT THE ELEVENTH ANNUAL REPORT FOR THE COMPANY, ON BEHALF OF THE BOARD.

"This year the Fund has continued to execute its strategy of selectively buying high quality, larger, locally strategic and sustainable properties. The Board believes this focus and its discipline of not overpaying will deliver better long term returns."

The need for modern purpose built primary healthcare premises remains a high priority in order that the NHS can deliver its five year forward view. The Government announced in the 2017 Autumn Budget new additional funding of £6.3 billion for frontline NHS services and upgrades to buildings and facilities in England. Despite wider market uncertainty following the result of the EU referendum, primary healthcare property investment values remain resilient with the assets becoming more important for society in general. Underpinned by a high quality portfolio generating secure, long term income and long term fixed rate funding, the Company continues to offer a compelling investment proposition as it looks to support primary healthcare transformation in both the UK and Republic of Ireland.

During the year, the Fund grew its portfolio by over 11%, diversified its capital base and achieved a number of notable milestones. Year on year, both IFRS reported earnings and Net Asset Value per share grew as did the industry standard adjusted measures of EPRA earnings and EPRA Net Asset Value per share at a time when the number of new primary healthcare schemes being commissioned remains low and rent review uplifts remained challenging.

Highlights and strategic progress

Entry into the UK REIT regime

Following approval by more than 99% of voting members at the Extraordinary General Meeting on 12 September 2017, the Fund elected to enter 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 Board believes that as the Fund matures and generates increasing amounts of taxable profit, conversion to UK REIT status will have the benefit of protecting shareholder returns by virtue of the tax exemptions, as well as potentially widening the appeal of the Company's shares to new investors.

Joint venture with key developer

In January 2017 the Company announced that it had entered into a joint venture agreement with General Practice Investment Corporation Limited ("GPIC"). A new company, jointly controlled by the two parties, was established to invest in UK primary healthcare properties, let to GPs or directly to the NHS, which either have asset management potential or where it is expected that by partnering with the tenants looking to relocate, new development opportunities will arise. The joint venture has already acquired its first investment property valued at just under £1 million but more importantly, from the relationship with the new GP tenants, significant progress has been made in helping them locate and plan a new site for their enlarged practice which will be formed by a merger with other local practices. This is expected to be an opportunity for the Fund to directly forward fund the new scheme.

At the same time as agreeing the joint venture, the framework agreement with GPIC, which has delivered c.£77 million of assets to the Fund since 2012, has been extended for a further five years. The relationship continues to work for the benefit of both parties and there is a pipeline of forward funding opportunities for the Fund including one in due diligence being proposed by GPIC.

New loan facilities reducing cost of debt

During the year, the Fund established two new loan facilities, diversifying its lender base and reducing its cost of debt and capital.

In March, the Fund entered into a new facility agreement for up to €29.1 million with the Bank of Ireland which initially provides development finance, followed by a five year term loan once the four Irish secured assets reach practical completion. The margin on the new facility is 4% over EURIBOR during the development phase, stepping down to 3% once practical completion and rent commences at each property. The Fund has drawn down funds under this facility from April 2017 and since then has not needed to purchase any Euros from its Sterling capital. This facility provides a natural part hedge against the Fund's Euro denominated properties and now established, is sustaining dividend cover which dipped during the initial period when the Irish investments were funded from the Company's equity capital. Through to the end of September 2017 the Fund drew down approximately €14.0 million against deployment of €30 million.

In July, the Fund raised £27.5 million through a private placement of loan notes bought by a new institutional lender to the Fund. The loan notes at the time had a duration of eleven years and two months maturing on 30 September 2028, with no amortisation and the principal repayable on maturity. The all-in interest rate payable on the notes is fixed for their term at 3.00% the lowest fixed long term rate the Fund has achieved to date.

This new facility, together with the full draw down of the Bank of Ireland development loan facility described above, reduces the average fixed rate of debt for the Fund to 4.29% from 4.45% with an average unexpired term of 12.7 years at 30 September, closely matching the average remaining unexpired lease term of the Fund's portfolio of 14.1 years.

Disciplined acquisition progress

During the first six months of the year the Fund achieved a strong start despite new scheme approvals remaining very scarce in the UK. Over the year, the Fund committed the equivalent of £49.4 million at an average cash yield of 5.22%. Although the committed funds for the financial year 2017 compare favourably to £35.0 million in 2016, we expected more. Asset prices continue to strengthen and we have continued to be very disciplined in our approach to what we buy and careful not to overpay. This, we believe, will pay off in the long run when the quality of the portfolio will realise its advantages.

I am pleased to report that progress in the Republic of Ireland was very encouraging. The Fund's first forward funding scheme in the Ireland, in Mullingar, reached practical completion in February 2017 and is fully let and delivering services to its local community with a rent roll of just over €1 million, per annum. Since completion the HSE has commissioned a Child and Adolescent Mental Health Services ("CAMHS") unit from an extension on the site which will increase the rent roll further. The Fund is forward funding three other schemes in Ireland, two of which are expected to reach practical completion within the next three months and we have conditionally exchanged contracts on a fifth asset in Ireland which is fully occupied. Once fully let, the Fund's Irish properties will generate rent equivalent to approximately £3.0 million per annum.

Fund performance

The financial highlights reflect another solid period of growth for the Fund, with new commitments of £49.4 million and a revaluation uplift of £18.6 million driving portfolio growth of 11.1% over the financial year to £680.4 million. Over the year the rent roll increased 7.5% to £40 million which led to a 5.7% increase in rent receivable from £35.1 million to £37.1 million. This portfolio growth has led to an increase in EPRA Net Asset Value per share of 4.5% from 73.2 pence per share to 76.5 pence per share together with a 3% growth in EPRA earnings per share from 3.4 pence per share to 3.5 pence per share.

This growth enabled the Company to follow its planned progressive dividend policy, with total dividends declared of 6.0p per Ordinary Share in respect of the year ended 30 September 2017, an increase of 0.8% compared with 5.95p per Ordinary Share in the prior year. This represented a dividend yield of 6.6% relative to a share price of 91 pence at the end of the year.

During the year, demand for the Fund's shares remained high and in February 2017 and August 2017 the Company put in place additional block listings of 17.8 million and 14.7 million shares respectively. Prior to putting in place the loan facilities described above, the Company raised £34.5 million net proceeds to fund investment through the issue of 39.75 million new shares at an accretive premium of approximately 20% to the Company's EPRA NAV.

Chairman's statement continued

Overall, IFRS earnings per Ordinary Share grew 32.4% from 7.1 pps to 9.4 pps and the basic Net Asset Value grew 6.4% from 71.7 pps to 76.3 pps. The total return on EPRA NAV for the financial year was 12.7% (2016: 11.8%) from the payment of dividends of 5.9875 pence per share and EPRA NAV growth of 3.3 pence per share.

The Company's share price has remained resilient and stable throughout the year, trading in a narrow range between 87.0 and 92.25 pence per share since the beginning of 2017 through to 15 November 2017. Since then, the Company's share price has dipped which we believe is a result of a number of factors including, the share price going ex-dividend, general market volatility, a significant volume of primary and secondary fundraising activity in the investment company sector, and an expectation of higher interest rates in the medium term.

Funding

As detailed above, new debt facilities were put in place which have enabled the Fund to reduce its average cost of debt to 4.29% with a weighted average unexpired term of 12.7 years at 30 September 2017, closely matching the average remaining unexpired lease term of the Fund's portfolio of 14.1 years.

The new loan facilities were put in place as and when the Fund needed the cash which, together with judicious use of the RBS revolving credit facility, meant we were able to reduce cash drag. The adjusted gearing as at 30 September 2017, as detailed in note 24, was 50.0% (30 September 2016: 50.8%) which is in line with target and at the bottom of the range of 50-55% that the Directors are currently targeting within the policy of borrowings of approximately 50% on average over time but not exceeding 65% of the Company's total assets.

Dividends and dividend cover

As described above, the Company followed its planned progressive dividend policy for the year, with total dividends declared of 6.0p per Ordinary Share in respect of the year ended 30 September 2017 representing a dividend yield of 6.6%.

In keeping with the position at the mid-year, dividend cover measured against EPRA earnings remained at 59.2% for the full year to 30 September 2017 (30 September 2016: 64%), the reduction resulting from share issues in the year causing the Company's dividend commitment to grow more quickly than its earnings whilst funds raised were deployed into assets under construction generating no income. During the year £20.7 million had been invested into four such assets in the Republic of Ireland which at that time, had been solely funded through equity; this had the effect of reducing dividend cover by 3.6%. Over the second half of the year the Company has drawn down debt financing to forward fund the Irish assets and once these assets are completed their combined expected rents of €3.5 million per annum will have the effect of significantly increasing dividend cover. Underlying dividend cover, which we calculate off an assumed fully built and let portfolio, was slightly higher however at 69.5% compared with 68.5%.

The Company remains committed to increasing dividend cover over time and is currently focusing on measures to grow EPRA earnings at a faster pace than the dividend whilst retaining its progressive dividend policy. For the forthcoming year in response to the current dividend cover, low interest rate environment and continued low rental growth, the dividend increase will be a minimal 0.04 pence per Ordinary Share. Therefore, subject to unforeseen circumstances, the Directors expect that the Company will pay dividends totaling 6.04p for the financial year ending 30 September 2018.

Corporate governance Board changes

Succession planning is regularly discussed at board meetings and in line with our plans, Shelagh Mason retired from the Board on 29 September 2017 having served for just over 11 years, the entire life of the Fund. On behalf of the Board, I would like to express my thanks to Shelagh for her fantastic contribution to the Fund and the Board during her term. In anticipation of Shelagh's retirement and to benefit from her wealth of knowledge and experience, on 1 April 2017 the Board appointed Helen Mahy, who has a legal background, as Director.

On 29 September, the Board was delighted to appoint Laure Duhot to the Board. Laure currently acts for a number of property firms and investors across Europe and brings additional skills and experience to the Board in the areas of real estate debt, corporate finance and UK REITs.

John Hearle, having been with the Company since launch, has served on the Board for eleven years and is standing again for re-appointment as director at the forthcoming Annual General Meeting. 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 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 is still independent.

It has been my privilege to serve this Company as Chairman of the Board since October 2008, a period of more than nine years. In line with good corporate governance therefore and the belief that it is a good time for a change, I have decided not to stand for re-election at the next AGM in February 2018. I will continue to Chair the Company until then. The Board has decided that my replacement will be Helen Mahy. Helen is an experienced chairman and investment company director as you will see from her biography on page 39 and I fully support her appointment. I would like to thank all those who have contributed over the years to the success of MedicX, my fellow Board members and Mike Adams and his dedicated team at Octopus Healthcare.

Commitment to diversity and other matters

At the current time the Board consists of five members, two of whom are resident in Guernsey, with three resident in the UK. The Board has members who hold professional qualifications in accountancy, law, property and taxation and is made up of three 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 properly.

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

Following the results of the referendum in June 2016 where the UK voted to leave the European Union, the long-term impact on the UK remains highly uncertain with Brexit negotiations having progressed slowly.

The Fund however invests in a sector with ever increasing demand driven by growing, ageing populations and so independently of the macro economic factors, the assets that the Fund invests in will remain important and in demand and it is unlikely that a hard or soft exit would have a different direct effect on the Company since it does not rely on EU trade arrangements or staff from EU overseas countries. 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 do appear to be creating economic volatility and uncertainty. In the UK the NHS is being affected by EU citizens looking to repatriate. 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 but these will be monitored by the Fund.

The market and outlook

Following the publication of the Sir Robert Naylor report on the NHS Estate in March 2017, which highlighted the important role of primary healthcare premises in delivering the NHS Five Year Forward View policy, the Fund and its Investment Adviser has engaged with key stakeholders and influencers within the NHS and Government to demonstrate the potential benefits of the third party development ("3PD") procurement model.

MARKET CAPITALISATION

£390m

(2016: £344.4m)

+13.2%

The review recommended that the public sector partner with the private sector in supporting GPs and transforming the primary healthcare estate. We believe we have 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. The need for new primary care infrastructure is as compelling as it has ever been with GPs moving to work together at scale and the lack of new developments following the formation of Clinical Commissioning Groups.

The Fund has a strong pipeline of £175 million 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 emerging pipeline 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.

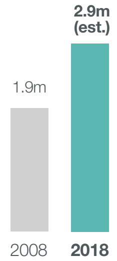
David Staples
Chairman

11 December 2017

Market overview

THE DEMAND FOR NEW MODERN PRIMARY CARE INFRASTRUCTURE CONTINUES TO BE STRONG...

...in both the UK and Republic of Ireland as the population ages and a wider range of clinical services is sought to be delivered over longer hours by GPs in their local communities. The Fund has a strong pipeline of live 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.



NUMBER OF PEOPLE WITH MULTIPLE LONG-TERM CONDITIONS, UK

+52.6%

(Source: ResearchOne & King's Fund)

United Kingdom

The long awaited independent report on NHS Property and Estates by Sir Robert Naylor was published in early 2017. It made a number of recommendations focussed on supporting the vision of the NHS Five Year Forward View and the 44 new Sustainability Transformation Plans ("STPs") across England, creating an affordable and efficient NHS estate, and selling surplus land for new housing development. The report highlights the importance of the private sector and how it can play an instrumental role in driving forward the strategic aims of the Forward View. The Department of Health's response is awaited.

An additional £325 million was given to the NHS in the 2017 Spring Budget to support the 15 strongest STPs. Cross-party support for increased NHS spending remains in place since the UK general election. In the recent Autumn Budget, the UK government has pledged to increase funding on frontline NHS services and upgrades to NHS buildings and facilities by a further £6.3 billion (above the £10 billion more per year pledged for the NHS by 2020-21) including £3.5 billion for capital investment for the NHS in England by 2022-23.

There continues to be a move towards formation of Accountable Care Organisations ("ACOs") to create locally integrated health systems spanning primary, secondary and social care. These are likely to need new premises solutions to deliver cost savings. Final funding allocations will be made upon business cases being successfully approved and will depend on robust wider estates and capital strategies.

As well as rising clinical demand and transformation from the UK government and the NHS, it has been well publicised that pressure on GPs continues to mount from increased regulation, rising numbers of consultations and recruitment challenges. Practices are continuing the move towards more collaborative working either through federations, super practices or the emerging ACOs.

Republic of Ireland ("RoI")

In the RoI 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 challenging for the sector due to a lack of new schemes to set new rental evidence but there is increasing acknowledgement from District Valuers that rising land costs and build costs are supporting higher rents for new schemes. In addition, UK RPI inflation increased to 3.9% over the twelve months to 30 September 2017 providing another strong indication of upward pressure on market rents.

THE ESTATES AND TECHNOLOGY TRANSFORMATION FUND

£900m

Government investment remains at historically low levels

SATISFACTION WITH GP OPENING HOURS

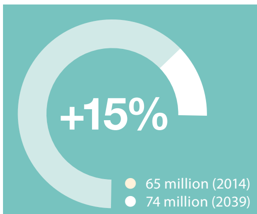
81%

2012

76%

2017

(SOURCE: IPSOS MORI)



UK POPULATION ESTIMATE (SOURCE: ONS)

Market drivers

Demand-side

- Increasing population and life expectancy
- More complex long-term health conditions
- Greater demand for out of hours appointments

Supply-side

- Under-investment in primary care
- Limited supply of suitable property schemes
- Consolidation of GP practices and new models of care (e.g. Multi Specialty Community Providers and Accountable Care Organisations)

Our investment case

1. Acquisitions

During the year the Fund Committed £49.4 million new investment across the UK and Republic of Ireland into six properties at an average yield of 5.22%. Five of these properties were located in the UK with the other located in the Republic of Ireland. Of the properties located in the UK three were occupied at the time of commitment whereas two are brand new forward funded schemes. Properties are sourced by the Investment Adviser from Octopus Healthcare's developer relationships, the Fund's preferred developer framework agreements and through various agents in the primary healthcare market.

2. Approach

The Fund selectively buys high quality, dominant assets or forward funds new modern-purpose built assets under framework agreements with a range of experienced developers in both the UK and Republic of Ireland. During the acquisition process, the Investment Adviser will map the surrounding area and carefully review metrics related to a property's position and performance. The Investment Adviser will also meet with the potential tenants to gain a thorough understanding of the practice, its needs and aspirations.

3. Diversification

The Fund owns freehold and long leasehold properties across the UK and is further diversifying into the Republic of Ireland.

4. Active Asset Management

The Investment Adviser continually reviews the Fund's portfolio, regularly visiting its properties and meeting its tenants to ensure that the property portfolio 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.

5. Income and Growth

The key drivers of portfolio like for like growth are yield compression and rent review uplifts. Yields are driven downwards by investor appetite, accepting a lower return where they have a perception that a rental flow is more secure. Rent review uplifts are awarded where a rent is set to a new market level. In the sector, this is typically every three years and is based on comparable evidence of passing rents observed at nearby properties and on new schemes. Across the Fund's portfolio, 26% of leases by rental value are index linked and reviewed to either UK RPI or Irish CPI.

Strategy in action

INVEST

BUILDING A SUSTAINABLE INVESTMENT PORTFOLIO

The Mullingar Primary Care Centre is the first operating investment for MedicX Fund in Ireland, providing the local population with a wide range of healthcare services directly in their community.

The partnership between the Health Service Executive (HSE) and MedicX Fund is an innovative approach to primary care, driven by patient demand.

Mullingar, in County Westmeath, is a town that has seen rapid growth in the last decade. The population has increased by 6.13% since 2006; currently over 20,000 residents reside within five kilometres of the new centre. This growth has put pressure on essential services, not least healthcare services and the 5,000m^2 Mullingar Primary Care Centre was conceived to address these challenges.

Octopus Healthcare facilitated funding for the development through the MedicX Fund, and has worked closely with all parties on this ambitious €13 million project. Key partners include, the HSE, TUSLA (Child & Family Agency), two long established local GP practices, a local pharmacist, and Feasible: a property development and management company with extensive experience working in the healthcare sector in Ireland.

Jim Curran, Head of Estates for the HSE:

“It is great to see the completion of Mullingar Primary Care Centre, the centre is one of the largest developed to date. I look forward to working with the Octopus Healthcare team during the operation of the primary care centre. Also I welcome the involvement of Octopus Healthcare and MedicX Fund in other primary care centre developments in Ireland.”

ACQUISITION COST
€13m

Mullingar Primary Care Centre

SIZE
5,000m²

COMPLETION DATE
Spring 2017

PATIENT LIST SIZE
20,000

Strategy in action continued

MANAGE TRANSFORMATION

SMART ASSET MANAGEMENT

Key to driving net income growth over time are 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.

The Investment Adviser is engaging with CCGs to identify further asset management opportunities and is monitoring closely how GP federations, new provider groups and 'Super Practices' are forming in each locality. Two extensions and lease re-gears were completed in the year and twelve other potential other asset management projects were under negotiation at 30 September 2017.

Managing Partner at Robin Lane Health and Wellbeing Centre:

"Our vision has always been to offer the highest quality primary health care to our patients here in Pudsey, and to enable them to live longer and healthier lives. We know that this can only be achieved by taking a proactive approach to healthcare services in the local community, focused on preventative solutions as well as treatments; the redevelopment project will be able to make a real difference to patient outcomes and the health of our community."

RENT SECURED AND RENEWED

£0.2m

LEASES EXTENDED / SET TO

25 YEARS

COST OF INVESTMENT

£1.0m

Robin Lane Health and Wellbeing Centre, Pudsey

EXTENSION SIZE

167m²

COMPLETION DATE

Autumn 2017

PATIENT LIST SIZE

13,500

Strategy in action continued

GROW

TRANSFORMING PATIENT OUTCOMES

The Lewisham Care Partnership ("TLCP") was established in June 2017 and sees five primary care practices coming together to serve 58,000 patients across the borough. With a focus on future proofing patient care for residents in Blackheath, Brockley, Honor Oak, Ladywell, Lee, Lewisham Central, Rushey Green and St John's, TLCP is set to provide a model for other primary care providers.

The challenge

Historically most primary care providers have owned their own premises, with new partners buying into the property and older partners releasing equity upon retirement. While GP property ownership may have advantages, not least the historical rise in property value, it also comes with liabilities that are less attractive in today's market.

Increasingly GPs are struggling to fulfil the needs of their patients because their premises are not fit-for-purpose. Their properties need updating or refurbishing, although in many cases investing in older premises is not economically viable as the costs will exceed any uplift in value.

Property ownership is also creating problems in recruiting new GP partners, as many younger GPs are not prepared to take on the associated financial burden and risks. Moreover, GP partners who wish to retire can find it difficult to release equity from their premises without forcing closure of the practice.

Morden Hill Surgery, which is part of TLCP, is such an example:

The solution

GP Property Limited (GPP) – a joint venture involving Octopus Healthcare, GPI and MedicX Fund – has been appointed as TLCP's preferred property partner. GPP and TLCP will work together to develop modern, bespoke premises which will allow TLCP to improve the range and quality of services it offers to its patients.

As the first step in the scheme, GPP has purchased the Morden Hill Surgery from the partners and leased it back to the practice on a 10-year lease with rent equal to the General Medical Services ("GMS") reimbursement. This has released the equity in the building for the Morden Hill partners, and they are now in a more favourable position to recruit new GPs to the practice as part of TLCP.

Alongside the sale and leaseback is a development agreement providing for GPP to work with TLCP towards eventual replacement of the Morden Hill Surgery with modern, fit-for-purpose premises. The current site has been identified as having a strong alternative use value, and the agreement between the Morden Hill partners and GPP includes sharing any future gains from its sale.

"We believe that to ensure that primary care providers can meet patient expectations, deliver high quality healthcare services, and implement the GP Forward View, investment must be made in property. Morden Hill Surgery is an example of how partnerships with the private sector can deliver this provision."

Colin Stears, Chief Officer
The Lewisham Care Partnership

Dr Charles Gostling, Partner

"In recent years the senior partners at Morden Hill Surgery have recruited salaried GPs to the practice as partnership status has proven unattractive. We were also concerned about what would happen to the practice, with over 9,000 registered patients, when senior partners want to retire. As part of TLCP, the practice has benefited from their relationships with commercial partners and found a solution to its recruitment and property issues."

Introduction to the Investment Adviser

The Investment Adviser is Octopus Healthcare Adviser Ltd and the manager of the Company is Octopus AIF Management Limited, each is part of the Octopus Healthcare 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 £1.2 billion of healthcare investments across a number of platforms, with a focus on five core areas: GP surgeries, care homes, special education schools, retirement housing and private hospitals.

Octopus Healthcare is part of the Octopus group, a fast-growing UK fund management business with leading positions in several specialist sectors including healthcare property, energy, property finance and smaller company investing. Octopus manages £7 billion of funds for more than 50,000 retail and institutional investors as well as supplying energy to more than 100,000 customers.

Who we are

The Octopus Healthcare team invests in and develops healthcare property, as well as partnering with healthcare operators and entrepreneurs 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 and private hospitals.

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

What we do

Investment

With over £1.2 billion of funds under management in both private and listed investment funds, Octopus Healthcare is helping to transform the UK and Ireland 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

Chief Executive Officer
Octopus Healthcare Adviser

Mike joined Octopus Healthcare (previously known as MedicX) 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. This includes the high-end care and retirement operator, Aura Care Living and the specialist education needs operator, Aurora Schools Group. Both businesses are now operational and being recognised across the sector as revolutionary and delivering a unique customer and patient-centric offering.

Alan Pennell

Finance Director
Octopus Healthcare Adviser

Alan is a member of the Institute of Chartered Accountants in England and Wales with 20 years' experience working with real estate investors.

He qualified as a chartered accountant in 2000 having completed his training contract in London after gaining an honours degree 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 number of global and domestic real estate investors and developers in primary and secondary healthcare as well as other property asset classes.

In June 2014, Alan joined the Octopus Healthcare team as financial controller responsible for leading the MedicX Fund finance team.

Tim Meggitt

Director
Octopus Healthcare Adviser

Tim is a qualified Chartered Surveyor with over 25 years' experience in property development and investment.

He 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 the entire development and investment portfolio including managing several LIFT companies.

In 2010, Tim joined Octopus Healthcare, heading up the property team leading on the development of business relationships with operators and agents across the sector, integral to the strategy of furthering both the investment and property divisions of the business.

Investment Adviser's report

BUILDING A BRIGHTER FUTURE FOR PRIMARY HEALTHCARE INVESTMENT

"Practices are continuing the move towards more collaborative working either through federations, super practices or the emerging Accountable Care Organisations"

The market overview on page 14 sets out the drivers of continuing strong demand in the UK and Irish markets. The Sir Robert Naylor report has made a number of recommendations and highlights the importance of the private sector in supporting the visions of the NHS Five Year Forward View and "STPs" in helping the commissioners create effective estates. The Fund is well positioned to rise to the challenge of supporting primary healthcare transformation through its enhancement and investment in modern purpose-built premises.

In the Republic of Ireland the Fund continues to build strong relationships with framework developers and now has four schemes committed. Mullingar is fully let having reached practical completion in February. The second scheme at Crumlin is expected to reach practical completion in December 2017 and the remaining schemes at Tallaght and Rialto are due to be completed in early 2018 and early 2019 respectively.

The Fund continues to work with its strategic development partners, engaging with provider groups and working with its tenants to deliver new schemes and premises improvements and to invest in "best in class" properties that meet the requirements of the STPs' underlying clinical and estates strategies and which will generate long term returns for shareholders. The Fund is well positioned to deliver new schemes by working closely with its preferred developers and provider groups to help the project commissioners transform the provision of primary healthcare.

Portfolio update

The UK market has remained highly competitive with continued downward pressure on yields, more competition and relatively high values being seen for assets of varied quality. During the year, the Group remained disciplined in committing new investment of £49.4 million and growing the portfolio to a value of £680.4 million across 156 properties, of which five were under construction at 30 September 2017 (2016: £612.3 million across 152 properties; 6 under construction).

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

The annualised rent roll of the property portfolio was £40.0 million, increased from £37.2 million at 30 September 2016, providing improving economies of scale and a stable platform to its operations.

The valuation of the portfolio undertaken by Jones Lang LaSalle Limited and Cushman & Wakefield, independent valuers to the Group, in aggregate stood at £689.9 million as at 30 September 2017 on the basis that all properties were complete, reflecting a UK net initial yield of 5.08% (2016: 5.17%).

The carrying value of £680.4 million reflects the cost to complete the assets currently under development and includes two sites valued at cost which is a strong proxy for their fair value.

At 30 September 2017, the property portfolio had an average age of 8.7 years, remaining average unexpired lease length of 14.1 years and an average property value of £4.4 million (30 September 2016: 8.5 years; 14.3 years; and £4.3 million). At 30 September 2017 the rents profile was as follows: 84.2% were from UK government-funded doctors and the NHS, 6.4% from the HSE and Irish GPs, 7.9% from pharmacies and 1.5% from other tenants.

During the year ended 30 September 2017, the Fund acquired a total of six properties to complement the existing portfolio, representing a total commitment of £49.4 million. In addition, successful completions were achieved for four properties previously under construction at Benllech, Brynhyfryd, Streatham and Mullingar. All completed projects, with a initial value of £22 million, were delivered within budget under fixed price contracts.

Construction continued on the existing projects at Crumlin and Rialto. Projects commenced at Brynmawr, Cromer and Tallaght, on the outskirts of Dublin. The outstanding commitment on these five properties at 30 September 2017 was £19.1 million, with all properties with the exception of Rialto expected to complete within the next six months.

TOTAL PROPERTY RETURN

9.1% per annum
over 1 year

9.8% per annum
over 3 years

9.7% per annum
over 5 years

In addition to new acquisitions, two capital expenditure asset management projects were funded during the year to enhance its existing portfolio of completed properties. Capital expenditure of £700,000 was incurred during the year with approximately £541,000 to complete the projects. This investment was focused on the two extensions at Pudsey and Shoreham which will result in new leases with a combined passing rent of £232,000 per annum at completion.

The Fund has a pipeline of identified investment opportunities of approximately £175 million and is described in more detail below.

Despite only two small disposals during the year, the Fund will continue to look to sell properties which no longer meet its long term investment criteria or have been identified within the CCG's estates strategy as less likely to be used for delivery of primary care beyond their existing lease term. Following the year end, in November, five such properties located in Wolverhampton, Southampton, Gravesend, Leicester and Grimsby were sold for consideration of £5,575,000, representing a gain of approximately £250,000 over the most recent external valuation.

The net initial valuation yield on UK investments was 5.08% compared with the Group's weighted average fixed rate debt of 4.29% and a benchmark 20-year gilt rate of 2.0% at 30 September 2017. Assuming the revolving credit facility is utilised and the new Bank of Ireland facility is drawn down, the Group's average cost of debt would fall further towards 4.17% which will enhance future returns. The spreads being achieved for Irish assets are significantly wider than those seen in the UK market.

Rent review performance

During the year, the portfolio averaged an overall uplift of 3.12%, equating to 1.02% per annum on its rent reviews. A total of 92 rent reviews have been concluded during the year, with a combined rental value of £9.0 million. Of these reviews, 0.52% per annum was achieved on open market reviews, 1.7% per annum was achieved on RPI based reviews and 2.38% per annum on fixed uplift reviews.

Outstanding rent reviews of £20.9 million of passing rent are currently under negotiation as at 30 September 2017.

Asset management

The Investment Adviser, on behalf of the Fund frequently reviews its portfolio for asset management opportunities and has identified a number of opportunities to enhance the portfolio mainly through extensions, re-configurations of internal space, new pharmacy opportunities and lease re-gearing. The Investment Adviser is actively engaging with CCGs to identify further asset management opportunities and is monitoring closely how GP federations, new provider groups and 'Super Practices' are forming in each locality. Two extensions and lease re-gear were completed in the period and the Investment Adviser is in detailed discussions on a further twelve asset management projects.

Overheads and progress on ongoing charges

During the year the Company incurred exceptional costs of £240,000 (2016: £nil) related to its conversion to a UK REIT. All these conversion costs have been incurred or accrued on entry to the REIT regime with effect from 1 October 2017. The Group has made further progress in reducing its Ongoing Charges Ratio ("OCR") (relative to average EPRA Net Asset Value) to 2.24% from 2.49% for 2016, (both including direct property costs), as the Group continues to scale its operations.

Investment Adviser's report continued

Discounted cash flow valuation of assets and debt

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

At 30 September 2017, the DCF valuation stood at 98.5 pence per share compared with 96.6 pence per share at 30 September 2016, the increase resulting primarily from the property acquisitions made in the year.

We are aware that a number of infrastructure funds have lowered their UK and Ireland discount rates. However, in order to provide a consistent approach the assumptions 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 7.07% and this represented a 5.07% risk premium to the 20 year gilt rate at 30 September 2017 of 2.0%.

The discounted cash flows assume an average 2.5% per annum increase in individual property rents at their respective review dates and also assume the level of gearing and cost of debt are maintained at current levels. Residual values continue to be based upon capital growth at 1% per annum from the current valuation until the expiry of leases (when the properties are notionally sold).

For the discounted cash flow net asset value to equate to the share price as at 30 September 2017 of 91.0 pence per share, the discounted cash flow calculation would have to assume a 1.2% increase in rents per annum, or a weighted average discount rate of 7.9% or capital growth of 0.1%.

Pipeline and investment opportunity

The spread between the yields at which the Fund can acquire properties and the cost of long term debt and government gilts remains significant but had narrowed noticeably over the year. 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 £175 million when fully developed.

At 30 September the UK pipeline was £85.0 million and the Irish pipeline was the equivalent of £90.0 million. Of these opportunities, £15.8 million of assets in the UK, and £20.3 million of assets in Ireland were undergoing legal due diligence.

Since 30 September a further £38.2 million of UK schemes in the pipeline have moved into legal due diligence and the commitment at Vale of Neath of £4.6 million was completed. These opportunities have been sourced from best in class developers and tailored specifically to the needs of the GPs and other care service providers to produce the highest quality sustainable end product. All are important healthcare premises within their locality.

Financing

The Fund entered into a new facility agreement on 6 March 2017 for up to €29.1 million with the Bank of Ireland, as well as a new loan note facility agreement on 27 July 2017 with a new institutional investor for £27.5 million.

The weighted average unexpired term of all drawn debt at 30 September 2017 was 12.7 years, closely matching the average remaining unexpired lease term of 14.1 years of the Fund's portfolio. The debt strategy remains to try to pick the optimal time to put in place the best available debt facilities with the most favourable terms whilst ensuring adherence to the Company's gearing target.

The adjusted gearing as at 30 September 2017 was 49.5% which is in line with target and marginally decreased from 50.8% as at 30 September 2017. The Directors will continue to target borrowings of approximately 50% on average over time but not exceeding 65% of the Company's total assets.

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

Net asset value and sensitivity

The Fund's progress and performance has been positive with unadjusted NAV at 30 September 2017, having increased 6.4% to 76.3 pence per share (30 September 2016: 71.7 pence per share). EPRA Net Asset Value ("EPRA NAV") as at 30 September 2017 increased by 15.4% to £327.8 million or by 4.5% to 76.5 pence per share (30 September 2016: £284 million or 73.2 pence per share).

A review of sensitivities has been carried out in relation to the valuation of properties. If valuation yields firmed by 0.25% to a net initial yield of 4.83%, the EPRA NAV would increase by approximately 8.4 pence per share to 84.9 pence per share and the EPRA NNNAV would increase to 74.8 pence per share. However, if valuation yields widened by 0.25% to a net initial yield of 5.33%, the EPRA NAV would decrease by approximately 7.7 pence per share to 68.8 pence per share and the EPRA NNNAV would decrease to 58.7 pence per share.

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 2017	30 September 2016
Octopus Healthcare Adviser Ltd	**2,297,336**	2,149,537

The number of shares held by Octopus Healthcare Adviser Ltd as at the date of this report is 2,297,336, equivalent to 0.54% 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 £132,147 compared with £116,543 in the prior year.

Mike Adams
Chief Executive Officer
Octopus Healthcare Adviser Ltd

11 December 2017

Milestones in the year and subsequently

Q1 2018

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

Q4 2017

September 2017: REIT Conversion with effect from 1 October 2017

September 2017: Laura Duhot appointed to and Shelagh Mason retired from the Board

July 2017: Completion of new 11 year loan note facility of £27.5 million at fixed interest rate of 3.0% per annum

Q3 2017

June 2017: Completion of fund raising between 1 January and 30 June 2017 raising £26 million at 88.4 pps

May 2017: Acquisition of fourth Irish property with expected final value of €15.5 million

April 2017: Helen Mahy appointed to the Board

Q2 2017

March 2017: Acquisition of two properties for £22.4 million with super practice tenant in residence

March 2017: Completion of €29.1 million development loan facility with Bank of Ireland to fund four assets in ROI

Q1 2017

December 2016: Agreement to joint venture with key developer GPIC

Investment objective and policy

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 the freehold or long leasehold of mainly modern, purpose built primary healthcare properties, some of which may have the potential for enhancement, which will be sourced in the market by the Investment Adviser or from the Octopus Healthcare's own pipeline of development and investment opportunities or from General Practice Investment Corporation Limited's ("GPI") pipeline pursuant to a framework agreement with MedicX Fund.

It is intended that those properties will be capable of accommodating GP practices and a range of complimentary 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 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

The Company has a policy to pay a progressive dividend with quarterly payments. The Board discuss the dividend policy each quarter when dividends are approved and annually when the policy is agreed whilst setting the budget for the forthcoming year and updating the five year forecast.

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 solvency of the Company if the dividend level was maintained without an alternative source of funding being secured.

The Board is maintaining the Company's progressive dividend policy for the forthcoming year. In response to the current very low interest rate environment, the Company's current dividend cover and continued low rental growth, the dividend increase will be 0.04p per Ordinary Share. Therefore, subject to unforeseen circumstances, the Directors expect that the Company will pay dividends totaling 6.04p in respect of the financial year ending 30 September 2018.

Dividend cover measured against adjusted earnings was 59.2% for the year to 30 September 2017 (2016: 64.0%). Underlying dividend cover, which is dividend cover adjusted to reflect completion of the properties under construction was (assuming full annual rent on all properties and a full year of associated interest costs and other expenses) 69.5% (2016: 68.5%).

As the Fund continues to grow, achieve rental increases, deploy capital and complete properties under construction, together with the cap on the Investment Adviser base fee, it is expected that dividend cover and underlying dividend cover will improve further and will align themselves over the medium term.

On 1 November 2017, the Directors announced a quarterly dividend of 1.5p per Ordinary Share in respect of the period 1 July 2017 to 30 September 2017. The dividend will be paid on 29 December 2017 to shareholders on the register as at close of business on 17 November 2017 (the "Record Date"). The corresponding ex-dividend date was 16 November 2017.

The Company has offered qualifying shareholders the opportunity to take new Ordinary Shares in the Company, credited as fully paid, in lieu of the cash dividend to be paid on 29 December 2017, by participating in the Scrip Dividend Scheme (the "Scheme") put in place by the Company on 5 May 2010 and most recently updated in November 2017.

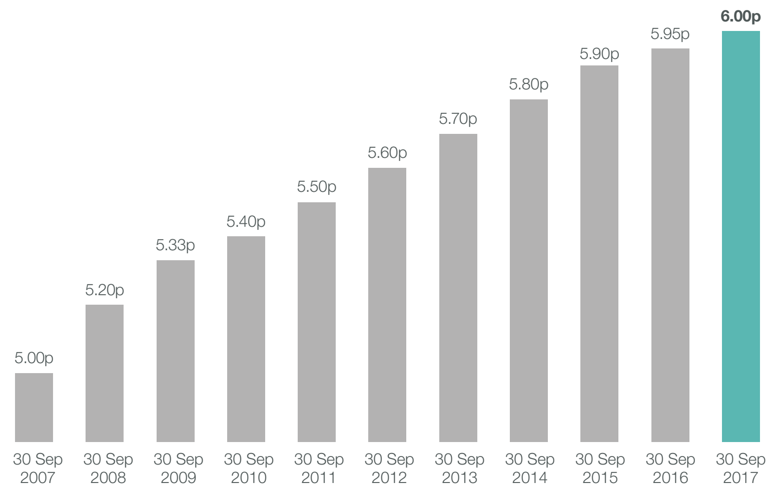
Shareholders are encouraged to consider the advantages of the Scheme. For further information on the Scheme, together with a copy of the Scheme Document (containing the terms and conditions of the Scheme) and relevant mandate forms, please refer to the Scrip Dividend portal on the Company's website (www.medicxfund.com/investors/scrip-dividend-scheme). Of the dividends paid in the year ended 30 September 2017, 2.8% were in the form of scrip dividends. The benefit to the Company was that cash of £0.7 million was retained by the Company which would otherwise have been paid out.

The Fund pays a high proportion of its return in the form of a dividend, yielding 7.5% based upon the closing share price of 80.5 pence on 6 December 2017. As a consequence of this, part of the dividend is paid from capital rather than income.

DIVIDEND YIELD

6.6%

ON 91pps
30 SEPTEMBER 2017
(2016: 6.7%)



DIVIDEND GROWTH

Principal risks and uncertainties

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 Company may not receive rental income when due and/or the total income received may be lower than due under the current contract. • A change in political policies as a result of the referendum vote for the UK to exit the EU is likely to continue to cause uncertainty in the economic environment and create volatility in prices, interest rates, investment yields and inflation. • 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 stated that one of its policy objectives is to increase the provision of primary healthcare services in the community so a reduction in funding or support in this sector is considered unlikely 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 14.1 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 advisors. 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. The Investment Adviser attends meetings and industry events where the benefits and value for money of private sector third party development are presented.	↑

Operational risks

Description	Mitigation	Movement
Property yields: • A significant reduction in property yields could result in them falling below the cost of capital, or not being available with an acceptable rate of return and low 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 a number of risks related to cyber security which include the risk of having the internal systems of the Investment Adviser infiltrated, information corrupted or information stolen	• The security of the systems are internally monitored and regularly reviewed. Training is provided to employees of the Investment Adviser on cyber security matters to increase awareness and vigilance. Incident management is used to establish 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 the refinancing risk. The Company maintains relationships with a number of potential financing sources ensuring a range of financing options. • The Investment Adviser also regularly monitors and manages the debt facilities and reports on a regular basis to the Board. • The Company has maintained its acquisition discipline and dividend policy whilst putting in place two new debt facilities during the year to bring down the cost of capital. The Company also has 14.8 million Ordinary Shares under its block listing which can be sold quickly and cost effectively to meet demand at a price near to the prevailing market share price.	↔
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.	↓
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 REIT 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 Report of the Directors on pages 40 to 43, the Corporate governance statement on pages 44 to 47 and the Report of the Audit Committee on pages 48 to 51.

Viability statement

In accordance with provision C.2.1 of the 2014 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. The principal risks are set out on pages 30 and 31. 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 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 48 to 51 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.

Corporate responsibility

Our approach

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

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

Our principles	Performance in 2017
BUSINESS CONDUCT 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.	During the year the performance of the Fund's suppliers was reviewed. As a matter of good governance the valuation mandate was subject to a completive tender with the outcome that the engagement with Jones Lang LaSalle was renewed. 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 reported process.
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.	The Group believes its investment in mainly modern purpose-built primary healthcare assets which are designed and configured with its tenants in mind and which are highly utilised offer good value for money for the NHS, HSE, its tenants and the health economy.
FINANCIAL REPORTING 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.	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.

Corporate responsibility continued

Our principles	Performance in 2017
GOVERNANCE 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	During the year the Group 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.
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 corporate responsibility related issues, such as health and safety and environmental matters. The Group will monitor its suppliers with regard to their business conduct, including their management of corporate responsibility related risks and opportunities, and, when appropriate, may seek to work with suppliers to address issues perceived by the Group as potentially having an impact on the value of the Group's portfolio. It is in the interest of the Group to encourage good business conduct in its supply chain, so as to help protect and enhance the value of the Group's portfolio. On this basis, the Group will work with its suppliers to ensure that its portfolio functions effectively, meeting the needs of tenants, service users and local communities, and with minimal negative impact on the environment. The Company 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. As a matter of good governance the valuation mandate was subject to a competitive tender with the outcome that the engagement with Jones Lang LaSalle was renewed. No issues arose concerning the governance or corporate and environmental responsibility of suppliers during year and as a result no engagements were terminated. The Company 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.
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.	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, encouraging putting in sensory gardens and more recently the Group has committed to a scheme that includes a charity tenant intending to deliver social prescribing and wellness advice.

Our principles

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 Group may be required to make statements or provide reports to regulatory bodies, government agencies or other government departments, as well as to the media. The Group 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.

Performance in 2017

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 Advisor held in the region of 50 shareholder 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 publically 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

Social and environmental policies

The Fund is committed to social and environmental matters and has published its policies on both which can be found on its website at http://www.medicxfund.com/corporate-responsibility.

As set out above, the Fund regards corporate responsibility as integral to how it conducts its business.

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.

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.

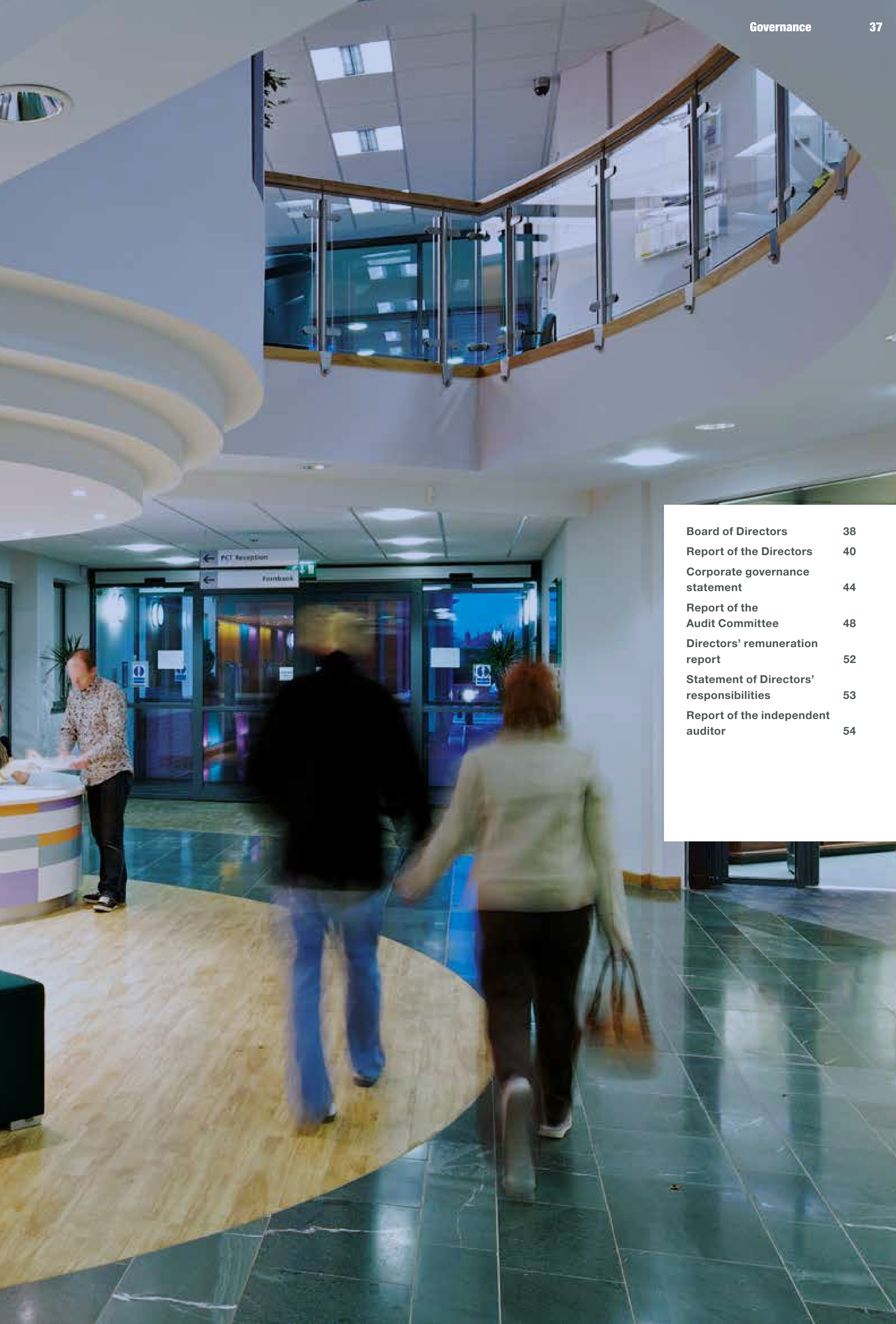
Commitment to the environment

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.

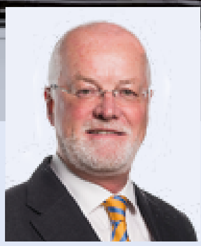
Wherever possible we are committed to minimising or negating any detrimental impacts caused by our development partners in the pursuit of our investment objectives including:

- 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; and
- In all new developments, insisting that smart meters and monitoring systems are used wherever possible.


House
Surgery
Lytham Primary Care Centre


PCT Reception
Fernbank

Board of Directors
AN EXPERIENCED TEAM



David Staples
Non-Executive Chairman

Appointed to the Board:
October 2008 and has served as Chairman since his appointment

Experience:
David Staples is a Fellow Chartered Accountant and a Chartered Tax Adviser. He also holds the Institute of Directors' Diploma in Company Direction.

For thirteen years until 2003, Mr. Staples was a partner with PwC and led the tax practice in the South East of England advising several well-known family and owner managed businesses. Mr. Staples is currently a non-executive director of three other listed companies: Global Fixed Income Realisation Limited, Aberdeen Private Equity Fund and Henderson Far East Income Limited. He is also a non-executive director of five private equity funds advised by Apax Partners. Mr. Staples is resident in Guernsey.

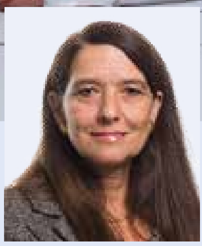
John Hearle
Non-Executive Director

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.

Mr. Hearle 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 Mr. Hearle'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. Mr. Hearle is resident in the UK.



Laure Duhot

Non-Executive Director

Appointed to the Board:
29 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, Ms. Duhot 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 MIC Limited and The Guinness Partnership, where she is also a member of the group audit & risk committee. Ms. Duhot is resident in the UK.

Steve Le Page

Non-Executive Director

Appointed to the Board:
November 2014 and Audit Committee Chairman in December 2014

Experience:
Steve Le Page is a Chartered Accountant and a Chartered Tax Adviser. Mr. Le Page 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.

Mr. Le Page 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, Mr. Le Page has built a small portfolio of non-executive director roles, including the London listed funds Highbridge Multi-Strategy Fund Limited and Volta Finance Limited (both of which he serves as chairman of the audit committee), and also Princess Private Equity Holding Limited.

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

Helen Mahy CBE

Non-Executive Director

Appointed to the Board:
1 April 2017

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.

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

In 2015 Ms. Mahy 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. Ms. Mahy is resident in the UK.

Report of the Directors

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 subsidiaries (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 pages 30 and 31.

Results, dividends and share price

The results for the year are shown on page 60. One quarterly dividend of 1.4875p per Ordinary Share was paid in December 2016, and three quarterly dividends of 1.5p per Ordinary Share were paid in March, June and September 2017. The Directors have approved a further quarterly dividend of 1.5p per Ordinary Share to be paid on 29 December 2017.

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 and the quarterly dividend to be paid on 29 December 2017 will also be subject to a scrip alternative. The amounts disclosed for dividend payments are the cash equivalent values.

As at 30 September 2017, the Ordinary Share price was 91.0p per share.

Share issues

During the year, shares from treasury were issued 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. During the current year 823,083 shares were issued from the treasury reserve leaving a balance of 7.4 million.

During the year the Company made two applications to the UK Listing Authority for a block listing of 17,769,108 Ordinary Shares of no par value on 28 February 2017 and 14,771,668 Ordinary Shares of no par value on 14 August 2017. During the year the Company issued 39,750,217 Ordinary Shares of no par value generating net proceeds of £34.5 million. Further details of each share issuance can be seen in note 13 of the financial statements.

Financial instruments

The Group uses financial instruments in its operations. The financial instruments of the Group at 30 September 2017 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 11, 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 2017. A more detailed analysis of the Group's financial risk management is provided in note 17 of the financial statements.

Taxation

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

The 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 the conditions.

The Guernsey registered subsidiary holding property in the Republic of Ireland is subject to Irish tax on income arising on investment properties situated in Ireland, after deducting allowable finance costs, capital allowances and expenses, and Irish Capital Gains Tax would be payable in the event that any Irish property were 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.

Management

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

The 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 last 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 amended as a consequence 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's fee structure was unchanged as were the renewal terms which now 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 has the ability to 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.

Following competitive tenders during the year, the Company appointed IAG Depositary Services Limited to act as its depositary with effect from 1 October 2017 and the Company reappointed Jones Lang LaSalle as the Fund's UK valuer.

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 28.

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.

Since 1 October 2016, Helen Mahy was appointed to the Board with effect from 1 April 2017 and Laure Duhot was appointed to the Board with effect from 29 September 2017. Both are also members of the Audit Committee.
On 29 September 2017 Shelagh Mason resigned from the Board and ceased to be a member of the Audit Committee at the same time.

Report of the Directors continued

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 three 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 44 to 47, which includes reviewing the structure, composition and size of the Board, plus the experience and independence of individual directors, and also includes an assessment of the Chairman. Towards the end of 2015 the Board engaged Optimus Group Limited, an independent third party consultant 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. The next independent review is therefore scheduled for 2018. The Board is satisfied with its own performance and is of the view that the current structure and composition, which has recently changed significantly with relocation of the Company's control and management and adoption of new articles of incorporation, is appropriate and meets the needs of the business. All Directors remain independent as described in further detail in the Corporate governance statement shown on pages 44 to 47.

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

	7 Dec 2017	30 Sep 2017	30 Sep 2016
D Staples (Chairman)	**97,982**	**97,982**	91,683
J Hearle	**31,999**	**31,999**	29,942
H Mahy	**28,604**	**28,604**	–
S Le Page (Audit Committee Chairman)	**–**	**–**	–
L Duhot	**–**	**–**	–
Total	**158,585**	**158,585**	121,625

No Director is under a contract of service with the Company. Details of Directors' remuneration are described in the Directors' remuneration report on page 52 and in note 2 to the financial statements.

Alternative Investment Fund Management Directive (AIFM Directive)

The Company is categorised as a Non-EU Alternative Investment Fund ("AIF") for the purposes of the AIFM Directive. With effect from 1 October 2017 OAIFM was appointed as the AIF Manager for the purpose of the Directive. Previous to the appointment of OAIFM the Company was self-managed and registered under the Directive's national private placement regime in the UK with effect from 22 July 2014.

Substantial shareholdings

At 7 December 2017 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
Architas Multi-Manager Limited	37,688,489	8.79
Investec Wealth & Investment Limited	33,781,026	7.88
CCLA Investment Management	32,030,575	7.47
Brewin Dolphin Securities	29,272,238	6.83
Valu-Trac Investment Management Limited	23,990,586	5.60
BlackRock Inc.	21,368,868	5.09

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 2018 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 11 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 particular reference to the utilisation of, and continued access to existing debt facilities and also 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
Non-Executive Director

11 December 2017

Corporate governance statement

Introduction

The Board has put in place a framework for corporate governance which it believes is appropriate for an investment company and which will enable the Company to comply with the relevant provisions of the UK Corporate Governance Code published in September 2014 by the Financial Reporting Council (the "Code"). 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.

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.

As detailed in the Viability statement, the Directors have carried out a robust assessment of the principal risks facing the company/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 the position of MedicX Fund Limited, being an investment company with an external investment adviser. In particular, 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. No separate senior independent director has been appointed as in the view of the Directors it is not necessary to do so given the size and composition of the Board. 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 considered 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 and 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, having considered feedback from shareholders and in keeping with best practice, the Board has decided that it is appropriate for each director 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 against its strategy is reviewed at most 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 dividends to shareholders and any other matters of corporate governance where a meeting of the Board is considered necessary.

The performance of the Board is assessed annually, and once every three years an independent facilitator is engaged in accordance with the recommendations set out by the AIC. In particular the following areas are assessed:

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

The Company maintains a policy that the Board should have a balance of skills that are complimentary 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.

During 2015, Optimus Group Limited ("Optimus"), an independent consultant, was engaged to facilitate the three yearly independent review of Board effectiveness. The next independently led assessment is expected to be performed in 2018.

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 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.
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 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 into account best practice with regards to board diversity.

A management engagement committee is not considered necessary as all the non-executive directors are considered independent of the Investment Adviser, and 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 his own fees whereupon the Audit Committee Chairman leads. The Directors' fees are set with regard to those of comparable investment companies and also take into account factors such as complexity, time requirements and responsibilities of the roles. For further information, refer to the Directors' remuneration report on page 52.

The numbers of scheduled Board meetings held during the year to 30 September 2017 along with the attendance of the Directors were as follows:

	Scheduled	
Board of Directors	Held	Attended
D Staples	5	5
S Le Page	5	5
S Mason (resigned 29 September 2017)	4[1]	4
J Hearle	5	5
H Mahy (appointed 1 April 2017)	2[1]	2
L Duhot (appointed 29 September 2017)	1[1]	1

1 Adjusted to reflect period of appointment during the year

Corporate governance statement continued

In addition, ten ad-hoc meetings of the Board were held during the year, as well as six committee meetings.

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

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 in light of the fact that the Board as a whole has two new members who were appointed in the current year. The Directors are aware that Mr. Hearle has served the Board for eleven 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 and longer term success of the Company. Succession planning is regularly discussed at board meetings. Mr. Hearle who has served on the Board for eleven years has put himself forward for re-appointment as have the other Directors except the Chairman. Ms. Mahy and Ms. Duhot who were appointed in the current year, will also be up for election in accordance with the Articles. 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 and as planned Mrs. Mason retired from the Board on 29 September 2017 which coincided with the appointment of Ms. Duhot and the Company's entry into the UK REIT regime. The Chairman will step down immediately before the February 2018 AGM and will be 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, or a shareholder in Aitchison Raffety, however, he remains a non-executive director and consultant and receives an arm's length remuneration for his services. The fees paid to Aitchison Raffety in the year were under 0.3% of the overall fee income of Aitchison Raffety. The Board are satisfied that Mr. Hearle is independent of the Investment Adviser despite this relationship as Mr. Hearle is sufficiently removed from the teams that perform the work for the Investment Adviser and the Company, and there are several other suppliers of similar professional services currently engaged by both the Investment Adviser and the Company. 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 (AIFM Directive)

The Company is categorised as a Non-EU Alternative Investment Fund ("AIF") for the purposes of the AIFM Directive. 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 AIFM Directive 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 AIFM directive, which is available to all current and potential investors.

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

From January 2018 the Company expects to publish 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 in particular can assess a whole range of different investment products.

Non-mainstream pooled investments

On 20 December 2013, the Company announced that it conducted its affairs so that its shares would meet the definition of 'excluded securities' under the FCA's rules relating to the restrictions on the retail distribution of unregulated collective investment schemes and close substitutes which came into effect on 1 January 2014. This is because the Company could satisfy sections 1158 and 1159 of the Corporation Tax Act 2010 (which would qualify it for approval as an investment trust if it was resident in the UK). The effect of this is that the Company has been excluded from the FCA's restrictions which apply to non-mainstream pooled investment products.

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 risk/reward balance to which they are exposed by the holding of shares in the Company. In addition to the annual and interim reports that are available to shareholders, regularly updated information is available on the Company'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 brokers, the Board receives regular updates on investors' views and attitudes from the Company's broker and the Investment Adviser. During the year several investor update meetings were held between the shareholders and one or more of the Chairman, the Investment Adviser and the Broker. The results of these meetings were reported to the Board as part of the formal reporting undertaken by both the Broker and Investment Adviser.

Should any shareholder wish to raise any matter with the Board or Investment Adviser, they can write to the Company at its registered address as disclosed on page 89 in 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
Non-Executive Director

11 December 2017

Report of the Audit Committee

I am pleased to present what is now my third Audit Committee report for the Fund.

"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 are David Staples and Helen Mahy, and until 29 September 2017, Shelagh Mason who was then replaced by Laure Duhot. The Board consider that the inclusion of the Chairman of the Board on the Audit Committee is appropriate due to the small size of the Board, and in order that the members of the Committee can benefit from Mr. Staples' professional qualifications and experience as a Chartered Accountant.

There is no formal third party 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.

Responsibilities

The Committee meets at least three times a year and meets the internal and external auditors at least annually without the presence of the Investment Adviser. Attendance by the Committee's members at the three meetings held in the year to 30 September 2017 is noted 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 the terms.

Table of attendance

During the financial year the Committee met in December 2016, May 2017 and September 2017. Over this period there were changes in Committee membership and therefore the number of scheduled meetings in the table below have been reported on the basis of the number of scheduled meetings during the time of each member's appointment to the Committee.

		Scheduled	
Audit Committee		Held	Attended
D Staples		3	3
S Le Page		3	3
S Mason	(stood down on 29 September 2017)	2	2
H Mahy	(appointed on 1 April 2017)	2	2
L Duhot	(appointed on 29 September 2017)	1	1
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 2017 with all four current members in attendance.

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 conversion, members of the Audit Committee were involved in the evaluation of the various proposals from potential depositaries and AIF managers. In both cases, the Committee satisfied itself on various evaluation criteria before recommending the appointment of the current service providers to the Board;
- As a matter of good governance, during the year the Fund's valuation mandate was put out to tender and the Committee reviewed the process and invitation letters sent to parties that were invited to offer their services;
- 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 and the wider team contributions for the year; and
- The Committee has also been involved in recommending to the Board the Company's approach to compliance with the new corporate offence of failure to prevent tax evasion and Packaged Retail and Insurance-based Investment Products ("PRIIPs") which affect the Company from 1 October 2017 and 1 January 2018 respectively.

The Company intends to fully comply with the PRIIPs regulations and is in the process of preparing its Key Information Document which will be made available to current and potential investors.

Auditor appointment

KPMG LLP was re-appointed as auditor of the Company at the Annual General Meeting on 9 February 2017, and their audit of these financial statements is the fifth 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 and the Investment Adviser. 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 are 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 situations 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 2017. The Committee considers KPMG LLP to be independent of the Company.

On the basis of 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 February 2018.

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 30 and 31 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 and its market.
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

Report of the Audit Committee continued

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 Internal Auditor 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 and oversight is enhanced by the continued appointment of Roffe Swayne (an independent firm of registered auditors and chartered accountants) as internal auditor during the year. The scope of the internal audit reviews are determined by the Audit Committee to ensure full coverage of key risk areas. The internal auditor continued its programme of rolling reviews during the year to 30 September 2017 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.

In addition to the external independent audit function, Octopus Investments group has an internal function and compliance team that exercise some oversight over the activities of the Investment Adviser and Manager. During the year the Committee received presentations from the Octopus Investments internal audit team who have not identified any material weaknesses.

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 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 2017 and also 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 £18.7 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 valuation reports are included in the quarterly board papers together with an analysis of large and unusual specific property valuation movements. Overall the Audit Committee is satisfied with the valuation reporting process and the amounts disclosed in the group financial statements.

The Investment Adviser also informed the Committee that during the course of the year the external valuer was regularly challenged on the assumptions used in the valuation of the Fund's portfolio, to ensure robust and appropriate methods were being applied to accurate underlying data. The Investment Adviser also informed the Committee that consistent with the previous year two assets were recorded at cost at the year end on the basis that these sites were owned but development had not commenced at the year end. In neither case were there any indicators of impairment.

Misstatements

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

11 December 2017

Directors' remuneration report

The Board presents its Directors' remuneration report in respect of the year ended 30 September 2017.

Remuneration policy

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

The remuneration policy of the Company is to pay its non-executive directors fees that are appropriate for the role and the amount of time spent in discharging their duties, that are broadly in line with those of comparable investment companies and that are sufficient to attract and retain suitably qualified and experienced individuals. The Chairman of the Board and the Audit Committee Chairman are entitled to receive fees at a higher level than those of the other directors, reflecting their additional duties and responsibilities. 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

The annual remuneration of the Directors is stipulated in the relevant letter of appointment. 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 Director's duties. There were no payments for extra or special services in the last two years ended 30 September 2017.

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

	2017 £'000	2016 £'000
D Staples (Chairman)	**46**	46
S Mason	**31**	31
S Le Page (Audit Committee Chairman)	**36**	36
J Hearle	**35**	31
H Mahy[1]	**16**	–
L Duhot[2]	**–**	–
Total	**164**	144

1 H Mahy was appointed on 01 April 2017
2 L Duhot was appointed on 29 September 2017 and received no remuneration for the year ended 30 September 2017.

During the year, the Directors who held shares received dividends on their holdings in the Company as disclosed on page 42. With the Scrip Dividend Scheme in place throughout the year, Mr. Staples and Mr. Hearle elected to receive their dividends in the form of new Ordinary Shares whereas Ms. Mahy received a cash dividend. The cash or cash equivalent value of the dividends received by each Director is disclosed in the table below.

	2017 £	2016 £
D Staples (Chairman)	**5,522**	5,222
S Mason	**1,848**	1,748
J Hearle	**1,803**	1,706
H Mahy	**429**	–
Total	**9,602**	8,676

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. In addition, no remuneration was received by any director in a form other than cash. Directors are entitled to be reimbursed for reasonable expenses incurred in the performance of their duties.

The 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 Annual General Meeting to be held on 8 February 2018.

By order of the Board

Helen Mahy
Non-Executive Director

11 December 2017

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 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 38 and 39.

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 ended 30 September 2017 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 Group financial statements:

- give a true and fair view of the state of the Group's affairs as at 30 September 2017 and of its profit for the year then ended;
- are in accordance with International Financial Reporting Standards as adopted by the European Union; and
- comply with the requirements of 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 Group in accordance with, UK ethical requirements including the FRC Ethical Standard 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	£7.1 million (2016: £6.0 million) 1% (2016: 1%) of total assets
Lower materiality applied to certain items	£0.6m (2016: £0.6m) 4% adjusted PBT (2016: 5%)
Coverage	100% adjusted (2016: 100%) of Group total assets
Risks of material misstatement	**vs 2016**
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 judgement, 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. We summarise below the key audit matters (unchanged from 2016), in decreasing order of audit significance.

The risk
Valuation of investment properties (£680.4 million; 2016: £612.3 million) Refer to page 48 (Audit Committee Report), page 66 (accounting policy) and pages 73 to 75 (financial disclosures). **Subjective valuation** The Group's investment properties balance represents the majority of the Group's total assets. Investment properties are held at fair value in the Group's financial statements. The majority of the portfolio is externally valued by qualified independent valuers. The fair value of each property requires significant judgement and estimation, in particular over the key assumptions of the estimated rental value and the yield.

Our response

Our procedures included:

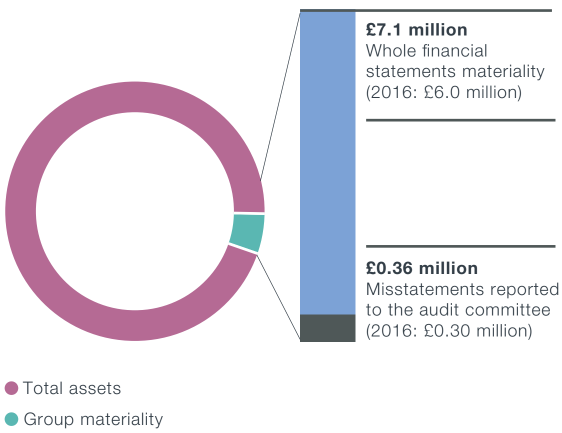
- **Test of detail:** Assessment of the information provided by the Group to the external valuers, which included comparing the rental values used in the valuation to the property database and agreeing a sample of this information back to underlying leases.
- **Assessing valuer's credentials:** Using our own chartered surveyors we evaluated the competence, experience and independence of the external valuers.
- **Methodology choice:** We included our own chartered surveyors as part of our audit team to assist us in critically assessing whether the valuations are in accordance with the RICS Valuation Professional Standards "The Red Book" and IFRS and that the methodology adopted is appropriate by reference to acceptable valuation practice.
- **Benchmarking assumptions:** Meeting with the Group's external valuers to understand the assumptions and methodologies used. Challenging the key assumptions upon which the valuations are based by making a comparison to our own understanding of the industry and market comparable transactions. The key assumptions are affected by subjective assessments of a number of factors including location, quality and condition of the building as well as tenant credit rating.
- **Assessing transparency:** We also considered the adequacy of the Group's disclosures about the degree of estimation and sensitivity to key assumptions made when valuing these 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 £7.1 million (2016: £6.0 million), determined with reference to a benchmark of Group total assets of which it represents approximately 1% (2016: 1%).

Total assets
£720.7 million
(2016: £641.8 million)

Group Materiality
£7.1 million
(2016: £6.0 million)



In addition, we applied a lower materiality of £0.6 million (2016: £0.6 million) to rental income, finance costs, performance fees and investment advisory fees which represents 4% (2016: 5%) of profit before tax £33.3m, excluding net valuation gains of £18.7m and losses on disposals of £0.07m. 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.

Report of the independent auditor continued
to the members of MedicX Fund Limited

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £0.36 million (2016: £0.30 million) or £0.03 million (2016: £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.

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 and covered 100% (2016: 100%) of total Group revenue, Group profit before taxation and total Group assets.

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 these respects.

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 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 Risk Management 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

Under the Companies (Guernsey) Law, 2008, we are required 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 53, 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. The risk of not detecting a material misstatement resulting from fraud or other irregularities is higher than for one resulting from error, as they may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control and may involve any area of law and regulation not just those directly affecting 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.

Bill Holland
for and on behalf of KPMG LLP

Chartered Accountants
and Recognised Auditor
15 Canada Square
Canary Wharf
London
E14 5GL

11 December 2017

Consolidated statement of comprehensive income
For the year ended 30 September 2017

	Notes	2017 £'000	2016 £'000
Income			
Rent receivable	1	**37,108**	35,145
Service charge income	1	**114**	–
Other income		**193**	372
Total income		**37,415**	35,517
Direct property expenses		**(1,354)**	(1,195)
Service charge expenses		**(114)**	–
Net rental income		**35,947**	34,322
Share of net profit of equity accounted joint venture	20	**13**	–
Realised and unrealised valuation movements			
Net valuation gain on investment properties	8	**18,654**	15,523
(Loss)/profit on disposal of investment properties	8	**(65)**	31
		18,589	15,554
Expenses			
Investment advisory fee	19	**3,867**	3,852
Investment advisory performance fee	19	**–**	1,553
Property management fee	19	**925**	889
Administrative fees	19	**115**	116
Audit fees	3	**175**	171
Professional fees and other expenses		**603**	584
REIT conversion expenses		**240**	–
Directors' fees	2	**163**	144
Total expenses		**6,088**	7,309
Profit before interest and tax		**48,461**	42,567
Finance costs	4	**(15,581)**	(15,529)
Finance income	5	**432**	1,149
Net finance costs		**(15,149)**	(14,380)
Profit before tax		**33,312**	28,187
Taxation	6	**5,312**	(1,556)
Profit attributable to equity holders of the parent		**38,624**	26,631
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss:			
Foreign currency translation differences – foreign operations		**(95)**	53
Total comprehensive income attributable to equity holders of the parent		**38,529**	26,684
Earnings per Ordinary Share			
Basic and diluted	7	**9.4p**	7.1p

Consolidated statement of financial position
As at 30 September 2017

	Notes	2017 £'000	2016 £'000
Non-current assets			
Investment properties	8	**680,355**	612,264
Investments in equity accounted joint venture		**1,035**	–
Total non-current assets		**681,390**	612,264
Current assets			
Trade and other receivables	9	**7,176**	8,519
Cash and cash equivalents	15	**32,145**	20,968
Total current assets		**39,321**	29,487
Total assets		**720,711**	641,751
Current liabilities			
Trade and other payables	10	**18,682**	19,923
Loans due within one year	11	**2,213**	1,983
Total current liabilities		**20,895**	21,906
Non-current liabilities			
Loans due after one year	11	**370,583**	334,307
Head lease liabilities	12	**1,456**	1,430
Rental deposits		**–**	60
Deferred tax liability	6	**575**	5,887
Total non-current liabilities		**372,614**	341,684
Total liabilities		**393,509**	363,590
Net assets		**327,202**	278,161
Equity			
Share capital	13	**–**	–
Share premium	13	**269,419**	234,846
Treasury shares	13	**(6,148)**	(6,835)
Foreign currency translation reserve	14	**(42)**	53
Other reserve	14	**63,973**	50,097
Total attributable to equity holders of the parent		**327,202**	278,161
Net asset value per share			
Basic and diluted	7	**76.3p**	71.7p

The presentation of the comparative period has been updated to show the foreign currency translation reserve separately from the other reserve.

The financial statements were approved and authorised for issue by the Board of Directors on 11 December 2017 and were signed on its behalf by

Helen Mahy
Non-Executive Director

11 December 2017

Consolidated statement of changes in equity
For the year ended 30 September 2017

	Notes	Share premium £'000	Treasury shares £'000	Foreign currency translation reserve £'000	Other reserve £'000	Total equity £'000
Balance at 1 October 2015		**232,770**	**(24,321)**	**–**	**45,648**	**254,097**
Shares issued from block listing		1,763	–	–	–	1,763
Shares sold from treasury		503	16,909	–	–	17,412
Scrip issue of shares from treasury (net of costs)		26	577	–	–	603
Share issue costs		(216)	–	–	–	(216)
Dividends paid	16	–	–	–	(22,182)	(22,182)
Transactions with owners		2,076	17,486	–	(22,182)	(2,620)
Profit attributable to equity holders of the parent		–	–	–	26,631	26,631
Other comprehensive income:						
Foreign currency translation differences		–	–	53		53
Total comprehensive income for the year		–	–	53	26,631	26,684
Balance at 30 September 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**

The presentation of the comparative period has been updated to show the foreign currency translation reserve separately.

Consolidated statement of cash flows
For the year ended 30 September 2017

	Notes	2017 £'000	2016 £'000
Operating activities			
Profit before taxation		**33,312**	28,187
Adjustments for:			
Net valuation gain on investment properties	8	**(18,654)**	(15,523)
Loss/(profit) on disposal of investment properties	8	**65**	(31)
Share of net profit of equity accounted joint venture		**(13)**	–
Finance income	5	**(432)**	(1,149)
Finance costs	4	**15,581**	15,529
		29,859	27,013
Decrease/(increase) in trade and other receivables		**1,336**	(1,736)
(Decrease)/increase in trade and other payables		**(1,616)**	672
Decrease in rental deposits held		**(60)**	–
Interest paid		**(14,479)**	(14,616)
Interest received		**61**	75
Net cash inflow from operating activities		**15,101**	11,408
Investing activities			
Acquisition of investment properties		**(29,706)**	(15,732)
Cash acquired with subsidiaries		**–**	(631)
Proceeds from sale of investment properties	8	**1,164**	121
Additions to investment properties and properties under construction		**(21,101)**	(20,039)
Payment for the acquisition of joint venture		**(1,025)**	–
Dividends received from joint venture		**3**	–
Net cash outflow from investing activities		**(50,665)**	(36,281)
Financing activities			
Net proceeds from issue of share capital		**34,526**	18,962
New loan facilities drawn	11	**39,880**	–
Repayment of borrowings	11	**(2,810)**	(1,895)
Loan issue costs	11	**(859)**	(554)
Repayment of acquired loans		**–**	(6,000)
Dividends paid	16	**(24,013)**	(21,582)
Net cash inflow/(outflow) from financing activities		**46,724**	(11,069)
Increase/(decrease) in cash and cash equivalents		**11,160**	(35,942)
Effects of currency translation on cash and cash equivalents		**17**	–
Opening cash and cash equivalents		**20,968**	56,910
Closing cash and cash equivalents	15	**32,145**	20,968

Notes to the financial statements
For the year ended 30 September 2017

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.

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 particular reference to the utilisation of, and continued access to, existing debt facilities and also 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.

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.

Impact of revision to International Financial Reporting Standards

The accounting policies applied are consistent with those of the annual financial statements for the year ended 30 September 2016, except that the Group has adopted and applied IFRS11 'Joint Arrangements' and IAS28 'Investments in Associates and Joint Ventures' in evaluating and accounting for its new interest in joint venture undertakings. As disclosed at the foot of the Consolidated Statement of Financial Position and the Consolidated Statement of Changes in Equity, the presentation of the comparative figure for the foreign currency translation reserve has been detailed separately to the other reserve to make the component clearer.

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. 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 and does issue finance 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 Company 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 2017. 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 a group of 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.

Notes to the Financial statements continued
For the year ended 30 September 2017

1. Principal accounting policies continued

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.

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.

In rare situations where the Group has purchased a site intended to be developed, but where construction has not started, the site is held at cost unless there are indications of a significant change in value. Two sites with a combined cost and net book value of £2.7 million were not formally revalued at 30 September 2017.

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 11, were 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 life 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.

Notes to the financial statements continued
For the year ended 30 September 2017

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.

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 each party venture has 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:

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.

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.

Rent reviews

The Group estimates and accrues the expected uplift in rent for rent reviews from the effective review date to the period end. This estimation of future rent takes into account the terms of the underlying occupational leases and the available observable market rental evidence.

Compliance with the UK REIT regime

As a consequence of the Group's REIT Status, income and capital gains on the qualifying property rental business are exempt from corporation tax. In order that the Group maintains this status it must continue to meet a number of conditions each accounting period. The Group comfortably meets these criteria and therefore deferred taxes are recognised on the basis of ongoing REIT status.

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 into which it has made an equity investment because there is no contractual right to guaranteed cash returns.

2. Directors' fees

	2017 £'000	2016 £'000
During the year the directors received the following fees:		
D Staples (Chairman)	**46**	46
S Mason	**31**	31
S Le Page (Audit Committee Chairman)	**36**	36
J Hearle	**35**	31
H Mahy	**15**	–
Total charged in the Consolidated Statement of Comprehensive Income	**163**	144

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 2017, payable to KPMG LLP (2016: KPMG LLP).

	2017 £'000	2016 £'000
Group audit fees for the current year	**108**	106
Audit fees for the subsidiaries	**46**	45
Total Group audit fees	**154**	151
Review of the interim report	**21**	20
Total audit and other fees	**175**	171

4. Finance costs

	2017 £'000	2016 £'000
Interest payable on long-term loans	**15,762**	15,326
Amortisation of facility costs	**336**	431
	16,098	15,757
Interest capitalised on properties under construction	**(517)**	(228)
	15,581	15,529

During the year interest costs on funding attributable to investment properties under construction were capitalised at an effective interest rate of 4.29% (2016: 4.45%). The funding was sourced from all of the loan facilities outlined within note 11. Where properties under construction were secured against a specific loan, the interest for that facility was capitalised.

Notes to the financial statements continued
For the year ended 30 September 2017

5. Finance income

	2017 £'000	2016 £'000
Bank interest receivable	**54**	75
Foreign exchange gain	**378**	1,074
	432	1,149

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.

6. Taxation

	2017 £'000	2016 £'000
Deferred tax		
(Credit)/charge for the year	**(5,312)**	1,556
Total tax (credit)/charge	**(5,312)**	1,556

On 29 September 2017, the Group elected to become a UK REIT with effect from 1 October 2017. The UK REIT rules exempt income and gains of the Group's UK property rental business from corporation tax. On entry to the UK REIT regime, UK deferred tax liabilities related to revaluation gains were released.

For the year under review, the Company does not have any profits chargeable to tax in jurisdictions outside Guernsey. The Company has obtained exempt company status in Guernsey under the terms of Income Tax (Exempt Bodies) (Guernsey) Ordinance 1989 so that it is exempt from Guernsey taxation on income arising outside Guernsey and on bank interest receivable. The Company is, therefore, only liable to a fixed fee of £1,200 per annum. The Directors intend to conduct the Group's affairs such that the Company continues to remain eligible for the exemption.

A reconciliation of the actual tax charge to the notional tax charge applying the average standard rate of UK corporation tax of 19.5% (2016: 20.0%) is set out below:

	2017 £'000	2016 £'000
Profit before tax	**33,312**	28,187
Profit before tax multiplied by the average standard rate of corporation tax in the UK of 19.5% (2016: 20.0%)	**6,496**	5,637
Expenses/(income) not deductible/taxable for tax purposes	**833**	(1,860)
Profits not subject to UK taxation	**(4,838)**	(1,858)
Adjustments in respect of prior periods	**–**	614
Change in closing deferred tax rate	**–**	(977)
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 (credit)/charge	**(5,312)**	1,556

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Deferred Taxation

	Fair value gains £'000	Accelerated capital allowances £'000	Unrelieved management expenses £'000	Total £'000
At 1 October 2015	**770**	**6,085**	**(2,524)**	**4,331**
Provided in the year	178	531	847	1,556
At 30 September 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**

At 30 September 2017 the Group has recognised deferred tax liabilities on the revaluation of its properties located in the Republic of Ireland at a rate of 33%.

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 £38,624,000 (2016: £26,631,000) and on 413,134,343 (2016: 374,517,179) Ordinary Shares, being the weighted average aggregate of Ordinary Shares in issue calculated over the year, excluding amounts held in treasury. This gives rise to a basic and diluted earnings per Ordinary Share of 9.4 pence (2016: 7.1 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 £327,202,000 (2016: £278,161,000) and on 428,640,144 (2016: 388,066,844) Ordinary Shares being the aggregate of Ordinary Shares in issue at the year end, excluding amounts held in treasury. This gives rise to a basic and diluted net asset value per Ordinary Share of 76.3 pence per Ordinary Share (2016: 71.7 pence per Ordinary Share).

Notes to the financial statements continued
For the year ended 30 September 2017

7. Earnings and net asset value per Ordinary Share continued
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:

	2017 £'000	2016 £'000
Profit attributable to equity holders of the parent	**38,624**	26,631
Adjusted for:		
Deferred tax (credit)/charge	**(5,312)**	1,556
Revaluation gain	**(18,654)**	(15,523)
Fair value gain on acquired loans	**–**	(30)
EPRA earnings	**14,658**	12,634
EPRA EPS	**3.5p**	3.4p
Company specific adjustments:		
Performance fee	**–**	1,553
REIT conversion fees and expenses	**240**	–
Adjusted earnings	**14,899**	14,187
Adjusted earnings per Ordinary Share – basic and diluted	**3.6p**	3.8p
Weighted average number of Ordinary Shares	**413,134,343**	374,517,179

	2017 £'000	2016 £'000
Net assets	**327,202**	278,161
Adjusted for:		
Deferred tax liability	**575**	5,887
EPRA net assets	**327,777**	284,048
EPRA net asset value per Ordinary Share – basic and diluted	**76.5p**	73.2p

	2017 £'000	2016 £'000
Net assets	**327,202**	278,161
Adjusted for:		
Fair value of debt	**(42,574)**	(59,134)
EPRA NNNAV	**284,628**	219,027
EPRA NNNAV per Ordinary Share – basic and diluted	**66.4p**	56.4p
Ordinary Shares in issue at the year end	**428,640,144**	388,066,844

8. Investment properties

	Completed investment properties £'000	Properties under construction £'000	Total investment properties £'000
Fair value 1 October 2015	**544,490**	**8,989**	**553,479**
Additions	22,527	20,825	43,352
Disposals at valuation	(90)	–	(90)
Transfer to completed properties	14,928	(14,928)	–
Revaluation	15,555	(32)	15,523
Fair value 30 September 2016	**597,410**	**14,854**	**612,264**
Additions	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 movement on opening balance	–	440	440
Fair value 30 September 2017	**661,127**	**19,228**	**680,355**

	Total investment properties £'000
Fair value per JLL UK valuation report	**603,380**
Fair value per JLL Ireland	**18,366**
Sites purchased for forward funding schemes	2,339
Ground rents recognised as finance leases	1,430
Rent incentives	(1,513)
Cost to complete properties under construction	(11,738)
Fair value 30 September 2016	**612,264**
Fair value per JLL 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**

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 held within the United Kingdom as at 30 September 2017. 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 6.53% (2016: 6.1%) of what would otherwise be the purchase price).

Notes to the financial statements continued
For the year ended 30 September 2017

8. Investment properties continued

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 below although purchasers' costs are lower since Irish stamp duty was generally charged at a rate of 2% (Notional purchasers cost of 4.46% were therefore assumed). Subsequent to the year end, the rate of Irish stamp duty on commercial properties was increased from 2% to 6%. This will put pressure on the reported net valuation of the Irish properties by approximately 4% after October 2017 however, the C&W have advised that tightening yields are expected to compensate for this and result in valuations holding ground.

The sites purchased for forward funding schemes were acquired before the year end, and as part of the acquisition process were valued by JLL, and are valued at cost which approximates to fair value at 30 September 2017.

The freehold and long leasehold interests in the property investments of the Group were valued at an aggregate of £689,926,000 as at 30 September 2017 (2016: UK only; £621,746,000) 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 £0.88 per €1 for those assets located in the Republic of Ireland.

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. During the year, the Group tendered the valuation contract for the UK properties and after a robust competitive process, JLL retained the valuation contact.

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.

The valuer's fee is a set fee applied to the number of properties in the portfolio, the JLL fees for the year were £97,000 (2016: £77,000).

On 14 December 2016 one investment property was sold for cash of £837,500. The sale price was close to the net book value and after deducting sales cost a loss on disposal of £25,000 was recorded.

On 11 August 2017, one investment property was sold for cash of £391,000 after the de-recognition of associated loans. After deducting sales cost a loss on disposal of £18,000 as recorded.

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

During the prior year, a garage, which was acquired as part of a portfolio acquisition, was disposed of because it did not fit the criteria of the Group acquisition policy. This was disposed of for cash of £121,000 which resulted in a profit on disposal of £31,000.

The average net initial yield for assets located within the UK at 30 September 2017 was 5.08% (2016: 5.25%).

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 2017 (and as at 30 September 2016), 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 considered to be based on a number of significant assumptions. If the valuation yield were to shift by 0.25% on each property, this would result in an impact on the valuation of the properties of approximately £36 million. If rent reviews of 2% were achieved on the full portfolio with no yield movement the valuation of properties would increase by approximately £14 million.

The property yields of the Fund excluding two outlying properties range from 7.62% to 3.81%.

The property ERVs of the Fund range from £104 to £387 per square metre.

The majority of investment properties are charged as security for the long-term loans as disclosed in note 11.

Of the completed investment properties £154,662,000 (2016: £141,823,000) are long leasehold properties.

During the year the loan facilities, as disclosed in note 11, were utilised to fund development work on investment properties under construction. Interest costs of £517,000 (2016: £228,000) attributable to development work in progress were capitalised during the year.

9. Trade and other receivables

	2017 £'000	2016 £'000
Rent receivable	**4,030**	4,376
Other debtors and prepayments	**3,146**	4,143
	7,176	8,519

Notes to the financial statements continued
For the year ended 30 September 2017

10. Trade and other payables

	2017 £'000	2016 £'000
Trade payables	**1,266**	1,470
VAT payable	**908**	233
Other payables	**508**	771
Interest payable and similar charges	**3,353**	3,092
Accruals	**3,360**	5,207
Deferred rental income	**9,287**	9,150
	18,682	19,923

11. Loans

	2017 £'000	2016 £'000
Total facilities drawn down	**373,544**	336,705
Loan issue costs	**(15,544)**	(14,662)
Amortisation of loan issue costs	**5,917**	4,683
Fair value arising on acquisition of subsidiaries	**11,645**	11,645
Amortisation of fair value adjustment on acquisition	**(4,979)**	(4,064)
	370,583	334,307
Loans due within one year	**2,213**	1,983
	372,796	336,290

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

The Group has eight primary debt facilities drawn. On 6 March 2017 the Group completed a seventh debt facility with a new lender, the Bank of Ireland, for up to €29.1 million. At 30 September 2017 an amount of €14.0 million has been drawn down. On 27 July 2017 the Group entered into an eighth debt facility, for which £27.5 million has been drawn. On 11 August 2017, the group sold an investment property which had a small loan facility attached which was repaid from the net proceeds. In addition the Group has a revolving loan facility with RBS. The RBS facility was undrawn at 30 September 2017. Details of each facility are disclosed below. Repayments of the loans listed above fall due as follows:

	2017 £'000	2016 £'000
Due within one year	**2,213**	1,983
Between one and two years	**2,517**	2,288
Between two and five years	**8,802**	8,403
Over five years	**359,264**	323,616
Due after one year	**370,583**	334,307
	372,796	336,290

	Interest rate	Expiry date	2017 £'000	2016 £'000
Aviva £100m loan facility	5.008%	December 2036	**99,682**	99,679
Aviva £50m loan facility	4.370%	February 2032	**49,035**	48,984
Aviva PMPI loan facility	4.450%	February 2027		
		November 2032		
		October 2031	**57,750**	59,445
Aviva GPG loan facility	4.130%-5.000%	December 2031 onwards	**22,173**	22,649
Aviva Fakenham loan facility	4.130%-5.000%	December 2031 onwards	**3,997**	4,098
Aviva Verwood loan facility[1]	6.250%	July 2026	**–**	827
Standard Life loan note facility	3.838%	October 2028	**49,276**	49,483
Loan note facility #2	3.000%	September 2028	**27,500**	–
RBS loan facility	2.000%	September 2019	**(247)**	(332)
Loan note facility	3.990%	December 2028	**49,506**	49,474
Bank of Ireland facility	3.030%	September 2024	**11,911**	
Current portion of long term loans			**2,213**	1,983
			372,796	336,290

1 During the year, the £827,000 Aviva Verwood loan facility was repaid in full following the sale of the property.

Covenants

All of the 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 £6,666,000 as at 30 September 2017 (30 September 2016: £7,581,000).

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 LIBOR rate. The approximate mark to market liability of the total fixed rate debt to the Group was £42,574,000 as at 30 September 2017 (30 September 2016: £59,134,000).

Fair value hierarchy

The valuation of loans is classified in accordance with the fair value hierarchy described in note [1]. As at 30 September 2017 (and as at 30 September 2016), 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.

Notes to the financial statements continued
For the year ended 30 September 2017

11. Loans continued
Cash flow movements

During the year, the principal cash flow movements on the Group's loan facilities were as follows:

	2017 £'000	2016 £'000
Draw down of Bank of Ireland facility	**12,380**	–
Draw down of Loan note #2 facility	**27,500**	–
New loan facilities drawn	**39,880**	–
Repayment of mortgage principal	**(897)**	(66)
Repayment of Aviva PMPI loan facility	**(1,326)**	(1,267)
Repayment of Aviva GPG loan facility	**(486)**	(466)
Repayment of Aviva Fakenham loan facility	**(101)**	(96)
Repayment of long-term borrowings	**(2,810)**	(1,895)
Aviva £100m loan facility costs	**(12)**	–
Aviva GPG loan facility costs	**–**	(11)
Aviva Fakenham loan facility costs	**–**	(67)
RBS loan facility costs	**(22)**	(320)
Loan note facility #2 costs	**(226)**	–
Standard Life facility costs	**(12)**	(156)
Bank of Ireland facility costs	**(587)**	–
Loan issue costs	**(859)**	(554)

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

12. Head lease liabilities

	30 September 2017		30 September 2016	
	Present value £'000	Minimum lease payments £'000	Present value £'000	Minimum lease payments £'000
Due within one year	**93**	**102**	93	102
Between one and five years	**297**	**407**	299	407
Over five years	**1,066**	**7,745**	1,038	7,806
	1,456	**8,254**	1,430	8,315
Less future interest costs	**–**	**(6,798)**	–	(6,885)
	1,456	**1,456**	1,430	1,430

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

13. 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 30 September 2016	**396,252,182**	
Shares issued under Company's Block listing facility:		
4 October 2016	3,000,000	88.50p
20 October 2016	1,250,000	88.00p
26 October 2016	1,500,000	87.50p
17 November 2016	1,000,000	87.25p
18 November 2016	1,000,000	87.25p
28 November 2016	1,150,000	87.75p
19 December 2016	1,000,000	87.25p
5 January 2017	2,750,000	88.00p
27 January 2017	1,600,000	88.00p
9 February 2017	2,000,000	87.50p
17 February 2017	5,000,000	87.50p
21 March 2017	2,000,000	87.00p
4 April 2017	1,500,000	88.00p
12 April 2017	1,500,000	87.00p
13 April 2017	2,500,000	87.00p
25 April 2017	500,000	88.00p
26 April 2017	3,181,818	88.00p
2 May 2017	1,500,000	88.00p
3 May 2017	1,700,000	88.00p
9 May 2017	1,850,000	88.75p
18 May 2017	1,300,000	90.25p
15 June 2017	968,399	90.25p
Total shares issued as at 30 September 2017	**436,002,399**	
Shares held in treasury (see below)	(7,362,255)	
Total voting rights in issue as at 30 September 2017	**428,640,144**	

Demand for shares remained strong throughout the year and the Company issued 39,750,217 shares during the first three quarters of the financial year. In order to satisfy the demand the Company made two applications to the UK Listing Authority for a block listing of 17,769,108 Ordinary Shares of no par value on 28 February 2017 and 14,771,668 Ordinary Shares of no par value on 14 August 2017. At 30 September 2017 the Company had 14,771,668 Ordinary Shares remaining under its block listing facility.

Notes to the financial statements continued

For the year ended 30 September 2017

13. Share capital continued

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

	Number of shares	Price per share
Total shares held in treasury as at 30 September 2016	**8,185,338**	**83.50 pence**
Shares utilised in lieu of cash payment of dividends:		
31 December 2016	(402,011)	89.30 pence
31 March 2017	(163,434)	88.05 pence
30 June 2017	(147,743)	90.25 pence
28 September 2017	(109,895)	89.55 pence
	(823,083)	
Total shares held in treasury as at 30 September 2017	**7,362,255**	

The closing value of shares held in treasury issued at 83.50 pence per share each is £6,148,000 (2016: £6,834,000).

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

14. Other reserves

The movement in other reserve is set out in the Consolidated Statement of Changes in Equity on page 62.

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 that they are satisfied on reasonable grounds that the Company will immediately after the distribution satisfy the solvency test prescribed in the 2008 Law and that it satisfies any other requirements in 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.

15. Cash and cash equivalents

	2017 £'000	2016 £'000
Cash and balances with banks	**32,145**	20,968

Cash and cash equivalents comprise cash held by the Group and short term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximates their fair value.

Included in the above amounts are balances that are held in restricted accounts which are not immediately available for use by the Group of £5,245,000 (2016: £100,000). These amounts are ring-fenced for investment in the completion of the properties under construction which they finance.

16. Dividends

	Year ended 30 September 2017 £'000	Year ended 30 September 2017 Dividend per share	Year ended 30 September 2016 £'000	Year ended 30 September 2016 Dividend per share
Quarterly dividend declared and paid 30/31 December	**5,858**	**1.4875p**	5,385	1.475p
Quarterly dividend declared and paid 31 March	**6,071**	**1.5000p**	5,538	1.4875p
Quarterly dividend declared and paid 30 June	**6,392**	**1.5000p**	5,585	1.4875p
Quarterly dividend declared and paid 28/30 September	**6,427**	**1.5000p**	5,674	1.4875p
Total dividends declared and paid during the year	**24,748**		22,182	
Quarterly dividend declared after year end	**6,430**	**1.5000p**	5,858	1.4875p
Cash flow impact of scrip dividends paid on:				
30 December 2016	**359**		164	
31 March 2017	**144**		142	
30 June 2017	**133**		153	
28 September 2017	**99**		141	
Total cash equivalent value of scrip shares issued	**735**		600	
Cash payments made for dividends declared and paid	**24,013**		21,582	

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 2017, the Board approved a dividend of 1.5 pence per share, bringing the total dividend declared in respect of the year to 30 September 2017 to 6.0 pence per share. The record date for the dividend was 17 November 2017 and the payment date is 29 December 2017. The amount disclosed above is the cash equivalent of the declared dividend. The option to issue scrip dividends in lieu of cash dividends, with effect from the quarterly dividend paid in June 2010, was approved by a resolution of shareholders at the Company's Annual General Meeting on 10 February 2010. On 1 November 2017 the Board announced an opportunity for qualifying shareholders to receive the December 2017 dividend in new Ordinary Shares fully paid up instead of cash.

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 2017 and 30 September 2016 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 [11], 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 in 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 89.7% (2016: 89%) 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.

Notes to the financial statements continued
For the year ended 30 September 2017

17. Financial instruments risk management continued

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

	2017 £'000	2016 £'000
Financial assets		
Rent receivable	**3,146**	4,376
Other current assets	**4,030**	4,143
Cash and cash equivalents	**32,145**	20,968

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 £2,697,000 (2016: £3,862,000) is neither impaired nor past due. £466,000 (2016: £514,000) is past due and of this £198,000 (2016: £216,000) is more than 120 days past due. The Company takes active steps to recover all amounts and has assessed that a provision of £50,000 (2016: £51,000) 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 has committed approximately €50 million to 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 €29.1 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 £100,000,000 (2016: £100,000,000), £50,000,000 (2016: £50,000,000) and £59,777,000 (2016: £59,777,000) were negotiated at a fixed rate of interest of 5.008%, 4.37% and 4.45% respectively. 12 of the Aviva GPG and Fakenham loan facilities are also fixed, with a weighted average interest rate of 4.29%, as disclosed in note [11]. The remaining two Aviva GPG loan facilities are charged at variable interest rates with a 2.5% margin.

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 of £30 million were available between 16 May 2017 and 1 September 2017.

The Group's private loan note facility of £50,000,000 (2016: £50,000,000) has a fixed rate of 3.99% and the loan note facility with Standard Life of £50,000,000 has a fixed rate of 3.838%.The new private loan note entered into on 27 July 2017 of £27,500,000 has a fixed rate of 3.000%.

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 2017 on this facility is 3.03%.

These facilities represented 99.5% of the drawn borrowing facilities at the year end and if the RBS loan facility was fully drawn at the year end, the exposure to variable rate borrowings would be approximately 8%. Therefore the Directors consider interest rate risk on borrowings to be immaterial and do not consider it appropriate to perform sensitivity analysis on these items.

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.

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

	Due or due less than one month £'000	Due between 1 and 3 months £'000	Due between 3 months and 1 year £'000	Due between 1 and 5 years £'000	Due after 5 years £'000	Total £'000
Trade and other payables	1,234	–	–	–	–	1,234
Accruals	127	901	2,332	–	–	3,360
Non-current borrowings						
Principal	–	–	–	11,319	360,012	371,331
Interest payments	2,731	977	12,522	64,173	140,224	220,627
	2,731	977	12,522	75,492	499,488	591,958
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	***1,514***	***1,402***	***3,891***	***11,319***	***359,264***	***377,390***
Future costs of non-current borrowings	***2,738***	***999***	***12,591***	***64,173***	***140,224***	***220,725***
Balances at 30 September 2017	**4,252**	**2,401**	**16,482**	**75,492**	**499,488**	**598,115**

Notes to the financial statements continued
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17. Financial instruments risk management continued

	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	1,470	–	–	–	–	1,470
Accruals	2,009	217	2,981	–	–	5,207
Non-current borrowings						
Principal	–	–	–	10,691	326,014	336,705
Interest payments	1,798	–	9,309	59,100	144,901	215,108
	1,798	–	9,309	69,791	470,915	551,813
Current portion of non-current borrowings						
Principal	164	324	1,495	–	–	1,983
Interest payments	369	623	2,942	–	–	3,934
	533	947	4,437	–	–	5,917
Liabilities at 30 September 2016	***3,643***	***541***	***4,476***	***10,691***	***326,014***	***345,365***
Future costs of non-current borrowings	***2,167***	***623***	***12,251***	***59,100***	***144,901***	***219,042***
Balances at 30 September 2016	**5,810**	**1,164**	**16,727**	**69,791**	**470,915**	**564,407**

18. Commitments

At 30 September 2017, the Group had commitments of £21.3 million (2016: £21.2 million) to complete properties under construction including sites purchased for forward funding schemes.

19. Material contracts

Investment Adviser

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

(i) a tiered investment advisory fee set at 0.50% per annum on healthcare property assets up to £750 million, 0.40% per annum payable on assets between £750 million and £1 billion, and 0.30% per annum payable on assets over £1 billion subject to a total minimum annual fee of £3.878 million or, if lower, the fee that would have been payable under the 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.

Currently the investment advisor fee is being charged at £3.878 million per annum. The annual performance fee is 15% of the amount by which the total shareholder return (using an average share price for the month of September) exceeds a compound hurdle rate calculated from the 69.0 pence issue price at 8 April 2009, subject to a high watermark. If in any year the total shareholder return falls short of this hurdle, the deficit in the total shareholder return has to be made up in subsequent years before any performance fee can be earned. The compounding of the hurdle rate is adjusted upwards to compound from the high watermark level at which the performance fee was last earned.

The hurdle rate applied in the year ended 30 September 2017 was 10% per annum (2016: 10%). The high watermark used for the calculation of the performance fee for the year to 30 September 2017 was the price which would have given a compounded 10% total shareholder return over the high watermark at 30 September 2016 (89.60 pence per share) with dividends reinvested. The current high watermark as at 30 September 2017 is set with reference to the theoretical share price, which would have triggered a performance fee for 2017, of approximately 92.25 pence per share which will form a base for measuring shareholder return over the next year for the purpose of assessing whether a performance fee is payable.

The investment advisory base fee and performance fee earned in aggregate in any one financial year cannot be paid in excess of 1.5% of gross assets (excluding cash), such limit being equivalent to the investment advisory base fee that was in existence prior to the change. The excess, if any, of the aggregate of the investment advisory base fee and performance fee earned in any one financial year over 1.5% of gross assets (excluding cash) is not payable but is carried forward to future years or termination of the Investment Advisory Agreement, subject at all times to the annual 1.5% of gross assets (excluding cash) fee limit. On 29 September 2017 the Investment Advisor Agreement was amended following the Company's entry into the UK REIT regime. The fee structure remained unchanged and the with revised notice terms to provide a rolling contract subject to the Company's ability to serve two years' notice.

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 no additional fee.

During the year, the agreements with Octopus Healthcare Adviser Ltd gave rise to £4,792,000 (2016: £6,362,000) of fees as follows:

	2017 £'000	2016 £'000
Expensed to the consolidated statement of comprehensive income:		
Investment advisory fee	**3,867**	3,852
Investment advisory performance fee	**–**	1,553
Property management fees	**925**	889
Capitalised as part of property acquisition costs:		
Corporate acquisition fees	**–**	68
Total Fees	**4,792**	6,362

Of these fees, £Nil (2016: £Nil) remained unbilled and £1,146,000 (2016: £1,116,000) remained outstanding at the end of the year.

Administrator

Each Group company 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 1 May 2015. Under these agreements fees were incurred totalling £115,000 (2016: £116,000) for the provision of corporate secretarial services to all Group companies and other administrative services.

Of these fees £25,000 (2016: £1,000) remained unbilled or outstanding at the year end.

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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 2017 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

	2017 £'000
1 October	–
Equity accounted share of net profits	13
Dividends received	(3)
Preference share capital	1,025
Total	**1,035**

All of the dividends received in the current year were paid in cash.

Financial information related the joint venture is set out below.

	2017 £'000
Non-current assets	–
Current assets (100%)	967
Current liabilities (100%)	(17)
Net assets reported	**950**
Proportion of the Group's rights (99.99%)	**950**
Revenue (100%)	24
Expenses (100%)	(11)
Net profit (100%)	**13**

21. Related party transactions

During the year 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 £940,000 of preferred share capital into the joint venture. In the period, dividends of £3,000 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 2017 the Group had entered into leases in respect of investment properties for the following rental income, excluding any future rent reviews:

	2017 £'000	2016 £'000
Amounts receivable under leases		
Within one year	**40,003**	37,177
Between one and five years	**160,014**	148,707
After more than five years	**372,609**	389,210
Total	**572,626**	575,094

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 2017:

Name	Country of incorporation	Principal activity	Ownership percentage	Nominal value of shares in issue	Type of share held
Held directly:					
MedicX Properties I Limited	Guernsey	Property Investment	100%	2	Ordinary
MedicX Properties II Ltd	England & Wales	Property Investment	100%	2	Ordinary
MedicX Properties III Ltd	England & Wales	Property Investment	100%	1,000	Ordinary
MedicX Properties IV Ltd	England & Wales	Property Investment	100%	50,000	Ordinary
MedicX Properties V Limited	Guernsey	Property Investment	100%	2	Ordinary
MedicX Properties VI Limited	Guernsey	Property Investment	100%	Nil	Ordinary
MedicX Properties VII Limited	Guernsey	Property Investment	100%	Nil	Ordinary
MedicX GPG Holdings Limited	Guernsey	Property Investment	100%	Nil	Ordinary
MedicX Properties VIII 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 (Verwood) Ltd	England & Wales	Non Trading	100%	1,000	Ordinary
CSPC (3PD) Limited	England & Wales	Holding company	100%	550	Ordinary
Primary Medical Properties Limited	England & Wales	Holding company	100%	8,420	Ordinary
Primary Medical Property Investments Limited	England & Wales	Property Investment	100%	966,950	Ordinary
DK Properties (Woolston) Ltd*	England & Wales	Property Investment	100%	2	Ordinary
GPG No5 Limited	England & Wales	Property Investment	100%	48,500	Ordinary
MedicX LHP Limited*	England & Wales	Dormant	100%	100,000	Ordinary
MedicX LHF Limited*	England & Wales	Dormant	100%	1	Ordinary
MedicX (Fakenham) Ltd	England & Wales	Property Investment	100%	100	Ordinary

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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 on the basis of the adjusted gearing ratio. This is calculated as net debt divided by adjusted capital. Net debt is calculated as total debt, per the statement of financial position, less cash and cash equivalents. Adjusted capital comprises total assets less cash and cash equivalents and goodwill. 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 2017 and 30 September 2016 were as follows:

	2017 £'000	2016 £'000
Total debt	**372,796**	336,290
Less: cash and cash equivalents	**(32,145)**	(20,968)
Net debt	**340,651**	315,322
Total assets	**720,712**	641,751
Less: cash and cash equivalents	**(32,145)**	(20,968)
Adjusted capital	**688,567**	620,783
Adjusted gearing ratio	**0.50:1**	0.51:1

25. Post year end events

On 16 November the Group completed the sale of five primary healthcare properties located in Wolverhampton, Southampton, Gravesend, Leicester and Grimsby. The total gross sale price was £5.6 million representing a gain of approximately £250,000 over the 30 September 2017 valuation. This disposal was in line with the Fund's strategy of seeking to sell smaller assets or those with shorter leases with a lower likelihood of providing primary healthcare services over the long term.

On 20 November, the Group contracted to acquire, by way of forward funding at a cost of £4.6 million, a new primary healthcare medical centre near Glynneath in the Vale of Neath, South Wales.

The property is due to be completed in September 2018 and will be 1,536 m^2, let to the Health Board, the Vale of Neath Practice and a local pharmacy on leases with a term of 20 years from practical completion.

The acquisition was made under a framework agreement which gives the Fund the right to forward fund new primary healthcare schemes from Healthcare Property Company Ltd, a leading developer of primary healthcare centres.

As described in the Investment Adviser's report the Fund's pipeline stood at £175 million at 30 September 2017. Since then £38.2 million of UK schemes have moved forward into legal due diligence and the Fund has secured two sites and conditionally exchanged contracts on a third asset with initial consideration of £3.5 million having been deployed.

Company information

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John Hearle
Shelagh Mason
(resigned: 29 September 2017)
Helen Mahy
(appointed: 1 April 2017)
Laure Duhot
(appointed: 29 September 2017)

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