

The Medical Property Investment Fund Limited
Unaudited Interim Report for the six months ended 30 June 2005



Investing in the future of
primary health care property

0845 458 0869

www.mpif.net



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Highlights

72

Sites acquired

The Medical Property Investment Fund Limited is a support services company listed on the London Stock Exchange investing in primary care property and related businesses.

£260m

Capital committed

These unaudited interim results are in respect of the six month period to 30 June 2005.

1.66p

Interim dividend

- ✦ Excellent progress over six months with 72 sites now acquired (and a further 13 sites in solicitors' hands)¹
- ✦ Over £260m of capital committed¹
- ✦ Estimated average net initial yield on capital committed circa 6.7%
- ✦ Acquisition of the Apollo portfolio completed successfully
- ✦ Substantial pipeline of new acquisitions and developments
- ✦ Good progress in the formation of Healthcare Pharmacies Limited
- ✦ Post election government policy shifting to increased emphasis on primary care provision closer to patients
- ✦ Initial £100m revolving credit facility agreed with National Australia Bank providing an all-in cost of funds of 5.4% fixed under a 20 year swap arrangement
- ✦ Interim dividend up 25% to 1.66p² (1.33p last year)

¹ As at 1 September 2005

² Ex-dividend date 21 September 2005, Record date 23 September 2005, Payment date 14 October 2005



Investment Manager's Report

This unaudited Interim Report is published in respect of the six months to 30 June 2005.

Results

I am pleased to report an extremely satisfactory first half of the year.

As at 1 September 2005, the Company had acquired or exchanged contracts on 52 income producing properties and had 20 development sites. A further 13 properties were in solicitors' hands.

Following completion of the Apollo portfolio acquisition described in the circular to shareholders dated 15 June 2005 and certain other acquisitions and developments, the total capital committed by the Company is now in excess of £260m with an estimated average net initial yield on completion of circa 6.7%. The Company is on target to invest or commit £400m by the end of 2006.

During the period, total income of £4.0m (2004¹: £3.9m) produced a net profit for the period of £3,328,000 (2004¹: net loss £719,000).

An interim dividend of 1.66p (1.33p last year) per Ordinary Share has been declared to shareholders on the register as at 23 September 2005 (ex-dividend date 21 September 2005). In the absence of unforeseen circumstances and in line with the Prospectus, the Board intends to pay a total dividend of 5p (4p last year) per Ordinary Share in respect of the year to 31 December 2005.

As at 30 June 2005 the Company had net assets of £136.2m and no bank borrowings. The net asset value per Ordinary Share as at 30 June 2005 was 95.63p. The Company's property portfolio, as stated in the balance sheet as at 30 June 2005, shows an aggregate net initial yield of 7.0%. The transaction costs relating to the balance of the Apollo portfolio which completed after the period end, will amount to a net asset value reduction of 3.6p per Ordinary Share.

The Company has settled rent reviews on 12 properties during the first six months of 2005 resulting in an aggregate increase of 30.7% on the passing rent relating to those properties. As at 30 June 2005, the portfolio had an average rent of £141.70 per square metre on GMS space and an average weighted income un-expired term of 19.85 years.



Operating Review

The national infrastructure and marketing initiatives established on behalf of the Company are now helping to drive significant deal flow. This has led to a continued strengthening of the transaction pipeline which includes acquisitions via sale and leasebacks, investment purchases and the forward funding of new developments.

The recent completion of the acquisition of the Apollo portfolio has provided the Company with seven purpose built primary care centres, a multi-let Health Park and four developments due to be completed by the end of March 2006. The portfolio has added significant critical mass to the Company's investment portfolio and has strengthened its presence in a number of geographical locations. There are also further opportunities to expand income from the properties acquired.

The Company's development activities continue to be extended and this is reflected in the number of schemes under construction or at an advanced stage of negotiation. Assembling new developments is time consuming and, by partnering with specialist, regionally-based developers, the Company has been able to increase its reach in terms of the number of developments it is able to pursue. The Company is continuing to trial a fast track procurement process by adopting a speculative approach in certain cases which should unlock some substantial and high quality schemes.

At the end of last year, the Company set up its own pharmacy business, Healthcare Pharmacies Limited. This is in direct response to the increasing role of pharmacy as an integral part of the service provision within larger primary health care developments. As at 1 September 2005, Healthcare Pharmacies Limited had been granted its first pharmacy licence and there are a further eight applications pending. More licence applications are expected to be made as the Company's property portfolio expands.

The Company has recently agreed terms with National Australia Bank for the first tranche of its banking facility and amounts under the facility will begin to be drawn down shortly. The facility is a three year revolving credit facility of £100m and the terms allow for full flexibility in the event of a re-financing once the Company's property portfolio becomes larger. The Company has entered into a 20 year interest rate swap at a rate of 4.5725% which together with the margin and related fees provides the Company with an all-in fixed cost of funds of 5.4%.



Industry Trends

Government announcements post the general election have reinforced pre-election NHS policy and it is clear that there is a continuing shift in emphasis to bring a wider range of medical and support services into the community and closer to the patient. These initiatives are supported by an increased allocation of the NHS budget in favour of the primary health care sector of circa £8.9bn by 2008.

The key policy initiative to encourage a more “service led” culture within the primary care sector is the establishment of Practice Based Commissioning (PBC). Under PBC the whole health budget for a practice registered patient list, including the costs of hospital appointments and operations, is devolved to the GP practice. In addition, PBC will offer GP practices the opportunity to expand the range of services provided from their own facilities.

It is anticipated that the development and adoption of PBC will be a major catalyst for change within the primary and intermediate care sectors. Many of the details, including the speed of adoption by the larger GP practices, are as yet unclear but the provision of a supporting infrastructure to allow medical professionals to embrace the opportunities of PBC will be a key ingredient. This supporting infrastructure will also need to accommodate the increasing operational demands required from the interaction between GPs, practice nursing staff, pharmacists and other clinicians which is becoming crucial to the new model of efficient service delivery.

It is expected that a White Paper on further NHS reforms will be announced by the end of the year and the Company is confident that its flexible business model can be closely aligned to the new government initiatives on healthcare delivery.

Strategy and Outlook

The transfer of ownership of primary care premises by doctors and PCTs will be a continuing trend as further NHS reforms are introduced. The Company will be an active acquirer of such assets where redevelopment and relocation opportunities are possible. The Company will also continue to acquire completed investment properties and portfolios.



PBC and the expansion of primary healthcare capacity will require a continual upgrade of premises infrastructure and capital investment. This will need to accommodate the shift of certain services previously based in hospitals, for example diagnostics and specialist consultants. At the same time, there are a large number of providers of medical services from both the private and public sector keen to co-locate in new primary health care developments.

As the Company's development pipeline gathers momentum and PBC becomes more prevalent, the Company intends to pursue innovative and sustainable ways to work with the larger GP practices as well as accommodating other service providers both locally and through its national network. To achieve this, the Company intends to establish a new generation of medical buildings under the name of "Assura Health and Wellness Centres". These centres will offer a modern serviced health platform to practices wishing to expand their range of activities. A number of pilot sites are being considered and the first trial scheme will open in early 2006. More announcements on this important initiative will be made in due course.

Whilst the investment market is buoyant the Company's balance sheet strength will allow it to purchase and develop larger lot sizes as well as take on speculative space. This, combined with an ability to process transactions quickly, will continue to provide quality opportunities.

The outlook for the Company is very positive and there is significant earnings potential assisted by the favourable reforms taking place within the NHS. The Company has a strong pipeline of deals and developments, it has established an integrated pharmacy model and it now intends to expand its serviced premises vision via its new Assura Health and Wellness Centres.

Richard Burrell
Berrington Fund Management Limited
9 September 2005

¹ The interim period figures to 30 June 2004 were in respect of a nine month period rather than the current six month period under review.

Portfolio Listings

as at 1 September 2005

South East and South West:

Aylesham Health Centre, Aylesham, Kent*

Cassidy Medical Centre, London SW6

Cranleigh Community Hospital & Health Centre, Cranleigh, Surrey*

Ewen Henderson Court, London SE14

The Graham Practice Medical Centre, London E12

Houghton Close Surgery, Ampthill, Bedfordshire

Isidore Crown Medical Centre, London SE15

The Keat's Group Practice, London NW3

Kensington Park Health Centre, London W14

Kingskerswell Health Centre, Kingskerswell, Devon

Medical Centre, Eastbourne, East Sussex

The Merritt Medical Centre, Chessington, Surrey

Mill Hill Surgery, London W3

Orchards Health Centre, Barking, Essex

Oxted Health Centre, Oxted, Surrey*

Priory Health Park, Wells, Somerset

Priory Road Health Clinic, Swindon, Wiltshire

Queensbridge Group Practice, London E8

Rush Green Medical Centre, Romford, Essex

St Stephen's Walk, Ashford, Kent*

Turners Hill Medical Centre, Cheshunt, Hertfordshire*

Tylers Ride, South Woodham Ferrers, Essex*

West Byfleet Health Centre, West Byfleet, Surrey

Weston Lane, Southampton, Hampshire*

Wideway Medical Centre, Mitcham, Surrey

Midlands, North West and Wales:

Allt Goch Medical Centre, Flint, Flintshire

Ashfields Primary Care Centre, Sandbach, Cheshire

Barnton Medical Centre, Northwich, Cheshire*

Benefits Agency Examination Clinic, Festival Park, Stoke-on-Trent, Staffordshire

Brookhouse Road, Gnosall, Staffordshire*

The Collegiate Medical Centre, Manchester, Lancashire

Dene Drive, Winsford, Cheshire*

Denton Medical Practice, Denton, Manchester, Lancashire

Dunwoody Way, Crewe, Cheshire*

Earnswood Medical Centre, Crewe, Cheshire

Elizabeth Street Surgery, Blackpool, Lancashire

Farndon Health Centre, Farndon, Cheshire

Green Bank Surgery, Warrington, Cheshire

Hall-ith-Wood Medical Centre, Bolton, Lancashire*

Heartlands Hospital Retail Mall, Birmingham, West Midlands

Linbridge Surgery, Liverpool, Merseyside*

Long Lane Surgery, Coalville, Leicester, Leicestershire

Main Street, Branston, Burton-upon-Trent, Staffordshire*

Ropewalks One, Liverpool, Merseyside*

Saint Hilary Brow Group Practice, Wallasey, Wirral

Sunderland Street, Macclesfield, Cheshire*

Thomas Walker Medical Centre, Peterborough, Cambridgeshire

The Wand Medical Centre, Birmingham, West Midlands*

Weaverham Surgery, Weaverham, Cheshire

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South East and
South West

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Midlands, North
West and Wales

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North East, Yorks
and Scotland

North East, Yorks and Scotland:

Ashby Turn Primary Care Centre,
Scunthorpe, North Lincolnshire

Beechwood Medical Centre, Ovenden,
Halifax, West Yorkshire

Bonnyrigg Health Centre, Bonnyrigg, Mid
Lothian

Church Walk Surgery, Metheringham,
Lincolnshire

Craven Road Medical Centre,
Leeds, West Yorkshire

Glenholme Surgery, Bradford, West
Yorkshire

Hessle Medical Centre, Hessle, Kingston
upon Hull*

Ling House Medical Centre, Keighley,
West Yorkshire

Major Oak Medical Practice,
Edwinstowe, Nottinghamshire

Middlestown Medical Centre,
Middlestown, Wakefield, West Yorkshire

Mountcastle Health Centre, Edinburgh,
Mid Lothian

North Ormesby Medical Village, North
Ormesby, Middlesbrough, Teesside*

Northgate Surgery, Pontefract,
West Yorkshire

Outwood Park Medical Centre,
Outwood, Wakefield, West Yorkshire

Park Edge Practice, Leeds, West Yorkshire

The Rossington Practice, Rossington,
Doncaster, South Yorkshire

St James's Hospital Retail Mall, Leeds,
West Yorkshire*

Victoria Medical Centre, Barnsley,
South Yorkshire

Walderslade Practice, Southgate,
Hoyland, South Yorkshire

Waverley Medical Centre, Stranraer,
Dumfries and Galloway

West Hill Primary Care Centre,
Aberdeen, Grampian

The Willows Medical Centre,
Queensbury, Bradford, West Yorkshire

**York District General Hospital Retail
Mall,** York, Yorkshire

* Development sites

Current Sites

72 sites as at 1 September 2005



Management and Administration

Directors:

Dr Mark Jackson
Dr John Curran
Graham Chase
Peter Pichler
Fred Porter
Colin Vibert

Investment Committee:

Richard Burrell
Peter Dickson
Andrew Darke
Peter Hadley
Heather Lewis
Tim Meggitt
Andrew Motley
Richard Taylor

Registered Office:

East Wing
Trafalgar Court
Admiral Park
St. Peter Port
Guernsey
Channel Islands
GY1 6HJ

Investment Manager:

Berrington Fund Management Limited
East Wing
Trafalgar Court
Admiral Park
St. Peter Port
Guernsey
Channel Islands
GY1 6HJ

Property Manager:

Barlows Asset Management Limited
Chepstow House
Dee Hills Park
Chester
CH3 5AR

Administrator and Secretary:

Mourant Guernsey Limited
East Wing
Trafalgar Court
Admiral Park
St. Peter Port
Guernsey
Channel Islands
GY1 6HJ

Auditors:

Ernst & Young LLP
14 New Street
St. Peter Port
Guernsey
Channel Islands
GY1 4AF

Independent Property Valuer:

Savills Commercial Limited
20 Grosvenor Hill
London
W1K 3HQ

Bankers:

Barings (Guernsey) Limited
Trafalgar Court
Les Banques
St. Peter Port
Guernsey
GY1 3DA

Legal Advisers:

Addleshaw Goddard
100 Barbirolli Square
Manchester
M2 3AB

Stockbroker:

Cenkos Securities Limited
6.7.8 Tokenhouse Yard
London
EC2R 7AS

Unaudited Consolidated Statement of Operations

for the period from 1 January 2005 to 30 June 2005

	Notes	1/01/2005 to 30/06/2005 Unaudited £	7/10/2003 to 30/06/2004 Unaudited £	7/10/2003 to 31/12/2004 Audited £
Income				
Rent receivable		2,066,208	1,617,978	3,399,736
Fees receivable		504,231	–	358,488
Bank and other interest		1,453,907	2,238,835	3,829,875
Total Income	3	4,024,346	3,856,813	7,588,099
Expenses				
Interest payable and similar charges		–	4,970	43,448
Investment Manager's fees		1,345,902	1,607,950	2,958,265
Salaries		581,581	–	409,520
Legal and professional fees		128,033	120,491	189,893
Property management expenses		151,544	55,987	186,546
Audit fees		18,452	–	35,000
Tax and accountancy fees		20,000	60,060	22,560
Administration fee		44,955	70,251	113,453
Directors' fees		103,945	143,287	243,287
Insurance		13,885	22,742	37,686
Advertising, PR and marketing		113,767	–	260,420
Other expenses		492,622	237,652	409,168
Depreciation		9,216	–	350
Bank charges		9,814	2,395	9,503
Total Expenses		3,033,716	2,325,785	4,919,099
Net Profit before Investment Result	3	990,630	1,531,028	2,669,000
Movement in unrealised gain/(loss) on revaluation of properties		2,263,087	(2,250,046)	(508,027)
Minority interest		85,501	–	69,703
Net Profit/(Loss) before Taxation		3,339,218	(719,018)	2,230,676
Taxation		(11,301)	–	–
Net Profit/(Loss) for the Period		3,327,917	(719,018)	2,230,676
Dividends	7	(3,802,183)	–	(1,893,971)
Retained (Loss)/Profit		(474,266)	(719,018)	336,705
Basic and Diluted Profit/(Loss) per Ordinary Share	4	2.34p	(0.50p)	1.58p

Unaudited Consolidated Balance Sheet

as at 30 June 2005

	Notes	30/06/2005 Unaudited £	30/06/2004 Unaudited £	31/12/2004 Audited £
Non-current Assets				
Property	5	79,009,164	47,355,092	51,739,136
Investments		4,232	–	4,232
Goodwill		5,867,768	–	5,867,768
Tangible fixed assets		31,864	–	20,078
		84,913,028	47,355,092	57,631,214
Current Assets				
Cash and cash equivalents		36,254,599	85,308,824	66,650,944
Debtors		8,626,282	1,776,065	4,615,396
Development work in progress		8,906,919	–	10,071,702
		53,787,800	87,084,889	81,338,042
Total Assets		138,700,828	134,439,981	138,969,256
Current Liabilities				
Creditors		2,513,755	1,179,162	2,222,416
Total Liabilities		2,513,755	1,179,162	2,222,416
Net Assets		136,187,073	133,260,819	136,746,840
Represented by:				
Capital and Reserves				
Share capital	6	14,240,385	14,000,000	14,240,385
Share premium		122,239,453	119,979,837	122,239,453
Reserves		(137,561)	(719,018)	336,705
		136,342,277	133,260,819	136,816,543
Minority interests		(155,204)	–	(69,703)
Total Equity		136,187,073	133,260,819	136,746,840
Net Asset Value per Ordinary Share		95.63p	95.20p	96.03p

The unaudited financial statements on pages 10 to 16 were approved at a meeting of the Board of Directors held on 9 September 2005 and signed on its behalf by:

Dr Mark Jackson, Chairman

Graham Chase, Director

Unaudited Company Balance Sheet as at 30 June 2005

	Notes	30/06/2005 Unaudited £	30/06/2004 Unaudited £	31/12/2004 Audited £
Non-current Assets				
Investments in subsidiary companies		23,181,866	5,484,824	15,696,868
Loans		81,479,629	42,925,749	53,299,452
		104,661,495	48,410,573	68,996,320
Current Assets				
Cash and cash equivalents		31,406,383	84,668,166	66,340,103
Debtors		275,451	526,596	1,515,910
		31,681,834	85,194,762	67,856,013
Total Assets		136,343,329	133,605,335	136,852,333
Current Liabilities				
Creditors		156,256	344,516	105,493
Total Liabilities		156,256	344,516	105,493
Net Assets		136,187,073	133,260,819	136,746,840
Represented by:				
Capital and Reserves				
Share capital	6	14,240,385	14,000,000	14,240,385
Share premium		122,239,453	119,979,837	122,239,453
Reserves		(292,765)	(719,018)	267,002
Total Equity		136,187,073	133,260,819	136,746,840

The unaudited financial statements on pages 10 to 16 were approved at a meeting of the Board of Directors held on 9 September 2005 and signed on its behalf by:

Dr Mark Jackson, Chairman

Graham Chase, Director

Unaudited Consolidated Statement of Changes in Equity

for the period from 1 January 2005 to 30 June 2005

	1/01/2005 to 30/06/2005 Unaudited £	7/10/2003 to 30/06/2004 Unaudited £	7/10/2003 to 31/12/2004 Audited £
Equity at 1 January	136,746,840	–	–
Retained (loss)/profit	(474,266)	(719,018)	336,705
Minority interest	(85,501)	–	(69,703)
Issue of Ordinary Shares, net of issue costs	–	133,979,837	136,479,838
Equity at 30 June	136,187,073	133,260,819	136,746,840

Unaudited Consolidated Cash Flow Statement

for the period from 1 January 2005 to 30 June 2005

	1/01/2005 to 30/06/2005 Unaudited £	7/10/2003 to 30/06/2004 Unaudited £	7/10/2003 to 31/12/2004 Unaudited £
Operating Activities			
Rent received	1,980,575	1,464,845	3,285,877
Fees received	417,051	–	358,488
Bank and other interest received	1,107,935	2,036,044	3,829,875
Expenses paid	(3,538,715)	(2,567,294)	(5,240,581)
Interest paid and similar charges	–	(4,970)	(43,448)
Net Cash (Outflow)/Inflow from Operating Activities	(33,154)	928,625	2,190,211
Investing Activities			
Purchase of property	(21,278,243)	(49,599,638)	(53,228,913)
Purchase of investments	–	–	(4,232)
Purchase of fixed assets	(20,997)	–	(20,428)
Acquisition of subsidiary, net of cash acquired	–	–	(5,867,768)
Cost of development work in progress	(5,108,882)	–	(10,071,702)
Short term loan to associated company	(152,886)	–	(932,091)
Net Cash Outflow from Investing Activities	(26,561,008)	(49,599,638)	(70,125,134)
Financing Activities			
Issue of Ordinary Shares	–	140,000,000	142,500,000
Issue costs paid on issuance of Ordinary Shares	–	(6,020,163)	(6,020,162)
Dividend paid	(3,802,183)	–	(1,893,971)
Net Cash (Outflow)/Inflow from Financing Activities	(3,802,183)	133,979,837	134,585,867
(Decrease)/Increase in Cash and Cash Equivalents	(30,396,345)	85,308,824	66,650,944
Cash and Cash Equivalents at 1 January 2005	66,650,944	–	–
Cash and Cash Equivalents at 30 June 2005	36,254,599	85,308,824	66,650,944

Notes to the Unaudited Financial Statements

for the period from 1 January 2005 to 30 June 2005

1. The Company was incorporated on 7 October 2003 and commenced trading following Admission of its shares to the Official List of the London Stock Exchange on 21 November 2003.
2. The results for the period, which are not statutory accounts and which have not been audited, have been prepared on a going concern basis under the historical cost convention, except for the measurement at fair value of investment properties.
3. All turnover and operating profit arose from continuing operations.
4. Basic and diluted profit per Ordinary Share is based on the net profit for the period and on 142,403,847 Ordinary Shares in issue (period ended 30 June 2004 – 140,000,000, weighted average number of shares for the period ended 31 December 2004 – 140,909,564).
5. The figures for investment properties at 30 June 2005, 30 June 2004 and 31 December 2004 are based on valuations determined by Savills Commercial Limited.

6. Share Capital

		£
Consolidated and Company Authorised		
200,000,000 Ordinary Shares of 10p each		20,000,000
20,000,000 Preference Shares of 10p each		2,000,000
		22,000,000
	Number of Shares	Share Capital £
Ordinary Shares issued and fully paid		
142,403,847 Ordinary Shares of 10p each	142,403,847	14,240,385
Total Share Capital	142,403,847	14,240,385

7. Dividends Paid on Ordinary Shares

	No. of Ordinary Shares	Rate pence	1/01/2005 to 30/06/2005 £	Rate pence	7/10/2003 to 30/06/2004 £	Rate pence	7/10/2003 to 31/12/2004 £
Dividend paid	142,403,847	2.67	3,802,183	–	–	1.33	1,893,971

8. On 9 September 2005 a dividend of 1.66p per Ordinary Share was declared to shareholders on the register at 23 September 2005, giving a total amount of £2,363,904.
9. A copy of this statement has been sent to every shareholder. Further copies are available from the Company's registered office or from the website www.mpif.net.
10. The interim financial statements were approved at a meeting of the Board of Directors held on 9 September 2005.

Medical Property Fund is a trading name used by representatives of Berrington Fund Management LLP and/or Berrington Fund Management Limited, which is the investment manager to The Medical Property Investment Fund Limited. Berrington Fund Management LLP is Authorised and regulated by the Financial Services Authority.

If you would like more information, please call **0845 458 0869** or contact Berrington Fund Management at your nearest office:

Regus House
Chester Business Park
Chester
CH4 9QR
Tel: +44 (0) 1244 893681

15 Stratton Street
London
W1J 8LQ
Tel: +44 (0) 20 7659 6271

You can also visit our website:
www.mpif.net



0845 458 0869

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