



The Medical Property Investment Fund Limited  
Unaudited Interim Report for the period ended 30 June 2004



Investing in the future of  
primary health care property

0845 458 0869  
[www.mpif.net](http://www.mpif.net)

The Medical Property Investment Fund aims to acquire and develop modern primary health care premises and existing GP owned surgeries capable of further expansion to create large scale, contemporary facilities, accommodating GPs and other complementary medical services.



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## Highlights

The Medical Property Investment Fund is a support services company listed on the London Stock Exchange. The Fund was launched in November 2003 and has financial resources of circa £400m to invest in primary care.

- + 30 sites acquired (a further seven in solicitors' hands)
- + Over £100m of capital committed  
(as at 01 September 2004)
- + Growing pipeline of acquisitions and developments
- + First Interim Operating Profit of £1.5m
- + First Interim Dividend 1.33p per Ordinary Share<sup>1</sup>



## Investment Manager's Report

This Interim Report is published in respect of the period from incorporation of the business on 07 October 2003 to 30 June 2004. The Ordinary Shares were admitted to the Official List of the London Stock Exchange on 21 November 2003.

### Results

I am pleased to report an extremely satisfactory start for the Company during its first seven months of operations since flotation on the London Stock Exchange.

As at 30 June 2004, the Company had acquired 28 properties and a further two properties had been acquired under conditional contract. In addition, a further seven properties were in solicitors' hands of which three have exchanged subsequent to the period end.

Following the recent announcement of the Company's investment in the specialist primary care developer, British Health Enterprise, the total capital committed by the Company is now in excess of £100m with an estimated average net initial yield on completion of circa 7%.

During the period, total income of £3.9m produced an operating profit of £1.5m which is in line with budget. The Company has adopted a conservative accounting policy by absorbing 100% of property acquisition expenses from the date of purchase. The consequential net loss for the period was £719,018.

An interim dividend of 1.33p per Ordinary Share has been declared to shareholders on the register as at 24 September 2004 (ex-dividend date 22 September 2004). In the absence of unforeseen circumstances and in line with the Prospectus, the Board intends to pay a total dividend of 4p per Ordinary Share in respect of the period to 31 December 2004.

As at 30 June 2004 the Company had net assets of £133.3m and no bank borrowings. The net asset value per Ordinary Share as at 30 June 2004 was 95.2p compared to 94.0p as at 31 March 2004.

### **Operating Review**

During the period under review, the principal focus has been on locating suitable acquisition opportunities. A regional infrastructure has been established to facilitate links with Strategic Health Authorities, Primary Care Trusts ("PCTs"), GP practices and local developers. Management activity has also been directed towards developing a market presence and promoting an awareness of the aims and objectives of The Medical Property Investment Fund. Deal sourcing to date has comprised investment purchases of completed rent producing properties, forward purchase commitments and various development projects.

The acquisition of two significant investment portfolios has been considered during the period. In each case we concluded that the portfolio premium sought by the respective vendors would not deliver long term shareholder value. Further portfolio opportunities will be considered provided they offer growth potential and investment returns in line with the Company's strategy.

Since the period end, the Company has announced the acquisition of a 70% interest in the share capital of British Health Enterprise ("BHE"). This company is a specialist developer of primary care centres and hospital main entrance "retail malls". It is also actively involved with developments through three LIFT<sup>1</sup> companies, two of which have reached financial closure. The purchase consideration and capital commitments on completion total £31m and include existing assets, LIFT consortium investments and a development pipeline in non-LIFT areas. This investment also brings to the Group the specialist development and LIFT expertise of the BHE management team. We believe this union and the opportunities embedded within BHE's existing development programme will deliver high quality investment purchases with good long term income growth prospects.

<sup>1</sup> Local Improvement Finance Trusts are part of the Government's aim to procure investment in primary care and community-based facilities and services.

# Investment Manager's Report

(continued)

## Industry Trends

The benefits of practicing from modern premises are clearly recognised by health professionals across the sector and the demand for new facilities continues to grow. Government policy continues to support the renewal of this primary care infrastructure and significant procurement activity is taking place across the private development sector as well as within LIFT designated areas.

Historically many developments in the sector have relied on 100% bank finance as a prerequisite to undertaking new projects. As a result, new developments are dependent on being fully pre-let in order to satisfy banking requirements before commencement of construction works on site. This process leads to developments with a limited opportunity for future expansion and extends the pre-development timetable causing frustration to both GP practices and PCTs.

GPs themselves are taking a much greater interest in the premises from which they practice as modern facilities aid the delivery of clinical services required under the new GMS contract with the NHS. They want larger buildings to accommodate a wider range of services for patients and recognise the importance of good premises when recruiting new Doctors. However, the appetite for ownership of premises has reduced as working practices in the medical profession have become more diverse and GPs are tending to prefer greater career flexibility in contrast to a long term, full time partnership position. This trend is increasing the requirements for external equity investment sympathetic to the needs of the modern medical practice.

## Strategy

The cornerstones of the Company's strategy are in line with the Prospectus. The investment market continues to be very buoyant with yields on secondary locations and smaller lot sizes particularly keen. We have adopted a highly selective approach in this segment of the market whilst we have actively built up our expertise to participate in the larger third party development opportunities as well as our various LIFT interests.



The Medical Property Investment Fund is ideally placed to address industry trends, by offering GPs and PCTs a genuine alternative to bank financed developments and as a natural partner for the long term ownership and ongoing investment in primary care premises. We are prepared to invest in unlet space and build schemes larger than initial requirements. This makes us especially well positioned to invest in the bigger projects or the “one stop shops” where there is an opportunity to attract complementary medical providers and services alongside a traditional GP practice.



Looking ahead, we believe that the Company's active involvement in the development process will be a key driver of shareholder value and, as a result, more resources are being allocated to this part of the business.

#### **Outlook**

We are pleased with the development of the Company since flotation last November. In the coming months, we will be focusing on expanding our presence in the market place and seeking ways to improve the effective procurement of new primary health care centres.

Earlier this year the Government announced changes to the way in which it revenue funds new developments through “growth monies” and identifies priority projects. This has caused some delay in new schemes getting underway and the creation of completed investment stock. Despite this disruption, opportunities for the Company are continuing to emerge from a number of different sources. These include the opportunity to partner with PCTs and GPs in facilitating the move to modern sites sourced through our own development team; working with house builders and third party developers in the forward funding of new schemes; and also the selective purchasing of existing investments from GPs and other investors.

The Company is involved in a number of exploratory projects with its existing asset base including strategic tie-ups with other complementary operators of primary care assets (e.g. pharmacies and related health providers).

We are on track to deliver the asset-backed income growth identified in the Prospectus and over the next 12 months, we will continue to focus on building the Company's portfolio of properties and developments.

**Richard Burrell**  
**Berrington Fund Management Limited**

13 September 2004

# Portfolio Listings

as at 01 September 2004

## South East and East Anglia:

The Graham Practice Medical Centre,  
London E12

Isidore Medical Centre, London SE15

The Keat's Group Practice, London NW3

Kensington Park Health Centre, London W14

Orchards Health Centre, Barking, Essex

Mill Hill Surgery, London W3

Queensbridge Group Practice, London E8

Rushgreen Medical Centre, Romford, Essex

Wideway Medical Centre, Mitcham, Surrey

## South West and South Wales:

Priory Road Health Clinic, Swindon, Wiltshire\*

## Midlands:

Heartlands Hospital Retail Mall, Birmingham\*

Long Lane Surgery, Coalville, Leicester

Thomas Walker Medical Centre, Peterborough

## North West and North Wales:

Allt Goch Medical Centre, Flint, Flintshire

Ashfields Primary Care Centre, Sandbach,  
Cheshire

Denton Medical Practice, Denton, Manchester

Earnswood Medical Centre, Crewe, Cheshire

Elizabeth Street Surgery, Blackpool, Lancashire

Green Bank Surgery, Warrington, Cheshire

Ropewalks One, Liverpool\*

## North East, Yorks and Scotland:

Ashby Turn Primary Care Centre,  
Scunthorpe, North Lincolnshire

Beechwood Medical Centre, Ovenden,  
Halifax, West Yorkshire

Bonnyrigg Medical Centre, Bonnyrigg,  
West Lothian\*

Craven Road Medical Centre, Leeds,  
West Yorkshire

Outwood Park Medical Centre, Outwood,  
Wakefield, West Yorkshire

Major Oak Medical Practice, Edwinstowe,  
Nottinghamshire

Middlestown Medical Centre, Middlestown,  
Wakefield, West Yorkshire

Northgate Surgery, Pontefract, West Yorkshire

The Rossington Practice, Rossington,  
Doncaster, South Yorkshire

Victoria Medical Centre, Barnsley,  
South Yorkshire

Waverley Medical Centre, Stranraer, Scotland

The Willows Medical Centre, Queensbury,  
Bradford, West Yorkshire

York District General Hospital Retail Mall,  
York, Yorkshire

\* Currently under construction

## Current Sites

33 sites as at  
01/09/04



# Unaudited Consolidated Statement of Operations

for the period from 07 October 2003 to 30 June 2004

	Notes	07/10/2003 to 30/06/2004 Unaudited £
<b>Income</b>		
Rent receivable		1,617,978
Bank & other interest		2,238,835
<b>Total Income</b>	3	3,856,813
<b>Expenses</b>		
Interest payable and similar charges		4,970
Investment Manager's fees		1,607,950
Legal and professional fees		120,491
Property management expenses		55,987
Audit, tax and accountancy fees		60,060
Administration fee		70,251
Directors' fees		143,287
Insurance		22,742
Other expenses		237,652
Bank charges		2,395
<b>Total Expenses</b>		2,325,785
<b>Operating Profit</b>	3	1,531,028
Acquisition costs net of revaluation surpluses		(2,250,046)
<b>Net Loss for the Period</b>		(719,018)
Loss transferred to reserves		(719,018)
<b>Basic and Diluted Loss per Ordinary Share</b>	4	(0.50p)

# Unaudited Consolidated Balance Sheet

as at 30 June 2004

	Notes	30/06/2004 Unaudited £
<b>Non-current Assets</b>		
Investment properties	5	47,355,092
		47,355,092
<b>Current Assets</b>		
Cash and cash equivalents		85,308,824
Debtors		1,776,065
		87,084,889
<b>Total Assets</b>		<b>134,439,981</b>
<b>Current Liabilities</b>		
Creditors		1,179,162
<b>Total Liabilities</b>		<b>1,179,162</b>
<b>Net Assets</b>		<b>133,260,819</b>
<b>Capital and Reserves</b>		
Share capital	6	14,000,000
Share premium		119,979,837
Reserves		(719,018)
<b>Issued Capital and Reserves</b>		<b>133,260,819</b>
<b>Net Asset Value per Ordinary Share</b>		<b>95.20p</b>

The unaudited financial statements on pages 8 to 12 were approved at a meeting of the Board of Directors held on 13 September 2004 and signed on its behalf by:

Dr Mark Jackson, Chairman )  
 )  
 Graham Chase, Director )

# Unaudited Company Balance Sheet

as at 30 June 2004

	30/06/2004 Unaudited £
<b>Non-current Assets</b>	
Investment in subsidiary companies	5,484,824
Loans to subsidiary companies	42,925,749
	<b>48,410,573</b>
<b>Current Assets</b>	
Cash and cash equivalents	84,668,166
Debtors	526,596
	<b>85,194,762</b>
<b>Total Assets</b>	<b>133,605,335</b>
<b>Current Liabilities</b>	
Creditors	344,516
<b>Total Liabilities</b>	<b>344,516</b>
<b>Net Assets</b>	<b>133,260,819</b>
<b>Represented by:</b>	
<b>Capital and Reserves</b>	
Share capital	14,000,000
Share premium	119,979,837
Reserves	(719,018)
<b>Issued Capital and Reserves</b>	<b>133,260,819</b>

The unaudited financial statements on pages 8 to 12 were approved at a meeting of the Board of Directors held on 13 September 2004 and signed on its behalf by:

Dr Mark Jackson, Chairman )  
)  
Graham Chase, Director )

# Unaudited Consolidated Cash Flow Statement

for the period from 07 October 2003 to 30 June 2004

	07/10/2003 to 30/06/2004 Unaudited £
<b>Operating Activities</b>	
Rent received	1,464,845
Bank and other interest received	2,036,044
Expenses paid	(2,567,294)
Interest paid and similar charges	(4,970)
<b>Net Cash Inflow from Operating Activities</b>	<b>928,625</b>
<b>Investing Activities</b>	
Purchase of investment properties	(49,599,638)
<b>Net Cash Outflow from Investing Activities</b>	<b>(49,599,638)</b>
<b>Financing Activities</b>	
Issue of Ordinary Shares	140,000,000
Issue costs paid on issuance of Ordinary Shares	(6,020,163)
<b>Net Cash Inflow from Financing Activities</b>	<b>133,979,837</b>
<b>Increase in Cash and Cash Equivalents</b>	<b>85,308,824</b>
Cash and cash equivalents at 07 October 2003	–
<b>Cash and Cash Equivalents at 30 June 2004</b>	<b>85,308,824</b>

# Notes to the Unaudited Financial Statements

## For the period from 07 October 2003 to 30 June 2004

1. The Company was incorporated on 07 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 loss per Ordinary Share is based on the net loss for the period and on 140 million Ordinary Shares in issue.
5. The figure for investment properties at 30 June 2004 is based on valuations determined by FPD Savills.
6. Share Capital

<b>Consolidated and Company Authorised</b>	<b>£</b>
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

	<b>Number of Shares</b>	<b>Share Capital £</b>
<b>Ordinary Shares of 10p each issued and fully paid</b>		
Balance issued during the period and at 30 June 2004	140,000,000	14,000,000

7. On 30 July 2004 the Company acquired 70% of the share capital of BHE Holdings Ltd, and 100% of the share capital of BHE (Bonnyrigg) Ltd and BHE (Heartlands) Ltd, for a consideration of £4m plus 2,403,846 Ordinary Shares in the Company.
8. On 13 September 2004 a dividend of 1.33p per Ordinary Share was declared to shareholders on the register at 24 September 2004, giving a total amount of £1,862,000.
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](http://www.mpif.net).
10. The interim financial statements were approved at a meeting of the Board of Directors held on 13 September 2004.

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.

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**+** MEDICAL  
**+** PROPERTY  
**+** FUND

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