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USI GROUP HOLDINGS AG

ANNUAL REPORT AND ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2009

USI®

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DIRECTORS AND ADVISORS

DIRECTORS

Dr. iur. Victor Lanfranconi (Executive Chairman)
Dr. Robert Bider (Non-Executive)
Mr. Armin Hilti (Non-Executive)
Dr. Volkert Klaucke (Non-Executive)
Mr. William Vanderfelt (Non-Executive)
Mr. David Quint (Executive)
Dr. Doraiswamy Srinivas (Executive)

AUDITORS

PricewaterhouseCoopers AG
Birchstrasse 160
8050 Zurich
Switzerland

COMPANY SECRETARY

Dr. Doraiswamy Srinivas

ASSET MANAGER

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Switzerland

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Switzerland

REGISTERED NUMBER

CH-020.3.922.903-6

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CHAIRMAN'S STATEMENT

The Company is pleased to report its financial results for the year ended 31 December 2009.

The Company's two principal assets at 31 December 2009 were a 94.9% interest in a partnership which owns four buildings in Leipzig, Germany leased to the Free State of Saxony (the "Leipzig Properties") and a 25.16% equity holding in Public Service Properties Investments Limited ("PSPI") a property investment company listed on the Alternative Investment Market ("AIM") of the London Stock Exchange which primarily invests in property leased to specialist operators in the care home sector in the UK and Germany.

The Leipzig Properties were constructed in 1995 and leased until 31 March 2020 to the Free State of Saxony (Covenant strength AAA), which has the right to extend the lease for an additional period of 5 years. Annual rent payable under the lease is currently €8.9 million and is subject to periodic escalations. The purchase price for this acquisition was €166 million, which was principally financed by a €121 million senior debt facility lead by the Royal Bank of Scotland plc – Niederlassung, Frankfurt ("RBS") which was concluded on 4 January 2008. The gross market value of the Leipzig Properties at 31 December 2009 was €183.9 based on an independent valuer retained by the Company.

Shareholders will recall that in December 2008, the RBS syndicate commissioned its own valuation of the Leipzig Properties which concluded that their market value was €158 million at that time even though all of the rental income had been received without interruption in accordance with the terms of the lease and all debt service covenants contained in the RBS facility had continued to be met in all respects. As a result, the Company found it necessary to raise additional equity and secure some second mortgage funding during 2009 in order to repay €14.6 million of the RBS facility and to restore the 70% loan to value ("LTV") ratio contained in the RBS facility agreement based on the lower valuation.

In December 2009, RBS commissioned another valuation of the Leipzig Properties which concluded that their gross market value was €149.3 million.. The RBS syndicate notified the Company on 5 March 2010 that the LTV ratio in the RBS loan facility had again risen above 70%, the maximum permitted. The Company believes that the new RBS valuation is unjustifiably conservative and does not take account of the credit worthiness of the sovereign tenant, the stability of the cash flows, the replacement value of the Leipzig Properties or the potential rents that could be achieved on expiration of the lease, matters referred to in the note on Critical Estimates later in this report. The Company has challenged the RBS syndicate on a number of assumptions used in preparation of its most recent valuation report and identified various errors in the calculations included therein. Despite repeated requests to the RBS syndicate and the valuer, the Company was not consulted in the preparation of this report. The Company is presently negotiating with the RBS syndicate and the bank's valuer to re-assess various assumptions used in its report in the hope that it can demonstrate that the Company remains in compliance with the LTV covenant. Nevertheless, the Company is taking steps to secure a re-financing of the RBS facility which the Company aims to complete prior to the end of 2010.

The Company would stress that all rental income has been received from the Leipzig Properties without interruption in accordance with the terms of the lease and that all debt service covenants contained in the RBS facility have continued to be met in all respects. The Company remains very happy with its investment in the Leipzig Properties and believes that they continue to offer excellent long-term value for the Company's shareholders.

The Company's investment in PSPI has been held since that Company listed on AIM through an initial public offering ("IPO") in March 2007. In March 2010, PSPI announced an 8.3% increase in the total dividends payable in respect of 2009. In addition, PSPI raised an additional CHF 41 million (£25 million) through an Open Offer to existing shareholders in April 2010. The proceeds of the Open Offer will primarily be used for capital expenditure to expand the UK care home portfolio. As part of the Offer, PSPI indicated that the forecast dividend for 2010 would be 10% of the issue price of the new shares, which would imply a further 7.6% increase over the total dividend payable for 2009. The Company subscribed for a further 3.75 million shares in PSPI as part of the Open Offer and it now holds 20.07% of PSPI's enlarged capital base.

PSPI reported a 34% increase in earnings per share for 2009, adjusted to exclude non cash and one off items. Net assets at 31 December 2009 were CHF 171 million (2008 – CHF 158 million) and it maintains a conservative loan to value ratio of only 53% (2008 – 56%). The Swiss Franc depreciated by 8% against sterling between the end of 2008 and the end of 2009 resulting in a positive foreign exchange movement of approximately CHF 3 million which has been adjusted through the translation reserve in the Company's balance sheet.

Overall, the Company is reporting a loss of CHF 3.0 million for the year ended 31 December 2009 compared to a loss of CHF 5.4 million for the year ended 31 December 2008. However, these numbers reflect several non cash items and one off items relating to alleged non-compliance with the LTV covenant breach on the Leipzig Properties at the end of 2008 which, if excluded, would have resulted in an adjusted loss for 2009 of CHF 1.2 million compared to a loss of CHF 0.7 million for 2008.

Gross assets at 31 December 2009 were CHF 369 million compared to CHF 365 million at the end of 2008. Investment properties at the end of 2009 totalled CHF 273 million compared to CHF 271 million at the end of 2008 primarily as a result of a CHF 2.2 million increase in the fair value of the Leipzig Properties as determined by the independent valuer retained by the Company.

Investment in associates (i.e. PSPI) was CHF 43 million at the end of 2009 compared to CHF 40 million at the end of 2008 due to the foreign exchange movements reported above. Had exchange rates remained stable from the date of acquisition of the Company's principal investments, there would have been no need for a foreign exchange translation reserve of approximately CHF 25 million to be reflected in the Company's balance sheet.

Shareholders' funds at 31 December 2009 were CHF 126 million compared to CHF 118 million at 31 December 2008 as a result of raising new capital during 2009 and deducting the capital distribution to shareholders. The Company issued 154,176 new shares during 2009 at an average price of CHF 110 per share (compared to an average market price of CHF 118.5 per share for the year). The Company raised CHF17 million and distributed CHF 7.4 million by way of a par value capital reduction during 2009. The Directors intend to establish an appropriate distribution policy for 2009 and subsequently once the re-financing of the Leipzig Properties referred to above has been arranged.

Our Company's objective is to focus on investment opportunities which offer predictability and sustainability of cash flow, preservation of capital and potential for further capital appreciation. We believe that this objective is particularly appropriate at this time in view of prevailing global market conditions. The Company is actively reviewing investment opportunities in government tenanted properties in Continental Europe and elsewhere and Management is proposing an increase in authorised share capital at the forthcoming Annual General Meeting to support these potential acquisitions. Progress has been made regarding the acquisition of government tenanted properties aggregating nearly CHF 375 million in Lausanne and the Canton of Berne and, in addition, the Company has been approached by a large, well regarded fund management group based in Germany regarding a possible joint venture to source and acquire government properties in Luxembourg, Germany and Switzerland. Management intends to pursue these opportunities actively and expects to report further details in the coming months.

Full details of the Company's board members and other relevant information are available from the Company's website at www.usigroupholdings.ch.

USI Group Holdings AG
Dr. iur. V. Lanfranconi (Chairman)
Approved by the board: 27 April 2010

USI GROUP HOLDINGS AG
DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2009

The Directors present their report and the audited consolidated financial statements to the shareholders for the year ended 31 December 2009.

PRINCIPAL ACTIVITY

The Company's principal activity is that of an investment holding company. The consolidated income statement is set out on page 7. The activities of the subsidiaries are that of investment property companies or intermediate financing and holding companies.

DIRECTORS

The Directors of the Company at 31 December 2009, all of whom have been directors for the whole of the year then ended unless otherwise indicated were:

Dr. iur. Victor Lanfranconi (Executive Chairman)
Dr. Robert Bider (Non-Executive)
Mr. Armin Hilti (Non-Executive)
Dr. Volkert Klaucke (Non-Executive)
Mr. William Vanderfelt (Non-Executive)
Mr. David Quint (Executive)
Dr. Doraiswamy Srinivas (Executive)

SECRETARY

The secretary of the Company at 31 December 2009 was Dr. Doraiswamy Srinivas, who has been secretary since his appointment on 30 June 2005.

AUDITORS

The appointed auditors are PricewaterhouseCoopers AG, Zurich, Switzerland.

DIRECTORS' INTERESTS

The following Directors' interests in the shares of the company were as stated below:

	31 December 2009	**31 December 2008**
Dr. iur. V. Lanfranconi	541,656	465,739
Dr. Robert Bider	Nil	Nil
Mr. Armin Hilti	1,992	1,586
Dr. Volkert Klaucke	Nil	Nil
Mr. William Vanderfelt	17,365	13,822
Mr. David Quint	Nil	Nil
Dr. Doraiswamy Srinivas	Nil	Nil

The Company has in issue 63,739 (2008 - 53,013) shares indirectly held by RP&C International (Guernsey) Limited. David Quint and Dr. Doraiswamy Srinivas are both directors of RP&C International Inc, the parent company of RP&C International (Guernsey) Limited. The shares are held by Monkwell Investments Limited (formerly USI Limited), a company incorporated in the British Virgin Islands.

By order of the board

Dr. iur. Victor Lanfranconi
Chairman

Date: 27 April 2010

Report of the statutory auditors
to the general meeting of
USI Group Holdings AG
Zurich

PricewaterhouseCoopers AG
Birchstrasse 160
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Report of the statutory auditor on the consolidated financial statements

As statutory auditor, we have audited the consolidated financial statements of USI Group Holdings AG, which comprise the consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet, consolidated cash flow statement, consolidated statement of changes in shareholders' equity and notes to the consolidated financial statements (pages 7 to 42 and 48 to 50) for the year ended 31 December 2009.

Board of Directors' Responsibility

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS), article 13 of the Additional Rules for the Listing of Real Estate Companies of the SIX Swiss Exchange and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards as well as the International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements for the year ended 31 December 2009 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law and article 13 of the Additional Rules for the Listing of Real Estate Companies of the SIX Swiss Exchange.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Patrick Balkanyi Audit expert Auditor in charge	Adrian Steiner Audit expert

Zurich, 27 April 2010

USI GROUP HOLDINGS AG
CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2009

	NOTE	2009 CHF	2008 CHF
Revenue		13,350,031	13,954,325
Fair value gain on investment properties	11	2,203,940	-
Administrative expenses	6a	(4,719,993)	(4,676,235)
Other income / (expenses)	6b	225,596	450,807
Net financial income / (expenses)	7	499,709	953,750
Operating profit		11,559,283	10,682,647
Net finance costs	8	(16,741,486)	(15,584,352)
Share of profit / (loss) of associates	12	2,533,881	(188,590)
Loss before income tax		(2,648,322)	(5,090,295)
Income tax expense	21	(352,630)	(265,188)
Loss for the year		(3,000,952)	(5,355,483)
Attributable to:			
Equity holders of the Company		(3,000,952)	(5,355,483)
		CHF per share	**CHF per share**
Basic loss per share	9	(3.50)	(6.65)
Diluted loss per share	9	(3.50)	(6.65)

The notes on pages 12 to 42 form part of these financial statements.

	2009 CHF	**2008 CHF**
Loss for the period	(3,000,952)	(5,355,483)
Other comprehensive income		
Cash flow hedges	582,736	(7,271,862)
Tax relating to cash flow hedges	(93,654)	888,240
Currency translation differences	2,387,134	(25,751,067)
Other comprehensive income for the period	2,876,216	(32,134,689)
Total comprehensive income for the period	(124,736)	(37,490,172)
Attributable to:		
Equity holders of the Company	(124,736)	(37,490,172)

The notes on pages 12 to 42 form part of these financial statements.

USI GROUP HOLDINGS AG
CONSOLIDATED BALANCE SHEET
FOR THE YEAR ENDED 31 DECEMBER 2009

	NOTE	2009 CHF	2008 CHF
ASSETS			
Non-current assets			
Investment property	11	273,479,102	271,428,571
Investments in associates	12	42,973,682	39,855,735
		316,452,784	311,284,306
Current assets			
Receivables and prepayments	15	44,291,109	40,620,131
Cash and cash equivalents		8,279,390	12,797,029
Total current assets		52,570,499	53,417,160
TOTAL ASSETS		369,023,283	364,701,466
EQUITY			
Capital and reserves			
Share capital	17	67,837,767	64,619,736
Share premium	17	11,617,985	5,691,010
Treasury shares	17	(1,144,164)	(664,533)
Cash flow hedging reserve		(5,034,582)	(5,523,664)
Translation reserve		(25,226,134)	(27,613,268)
Retained earnings		78,051,712	81,052,664
TOTAL EQUITY		126,102,584	117,561,945
LIABILITIES			
Non-current liabilities			
Borrowings	18	32,889,802	15,369,549
Derivative financial instruments	16	3,127	21,127
Deferred taxation	19	3,261,836	2,817,594
Other financial liability	20	3,729,137	3,699,447
		39,883,902	21,907,717
Current liabilities			
Trade and other payables	22	58,556	59,152
Borrowings	18	193,442,602	213,493,865
Accruals	23	3,778,457	5,297,721
Derivative financial instruments	16	5,757,182	6,381,066
		203,036,797	225,231,804
Total liabilities		242,920,699	247,139,521
TOTAL EQUITY AND LIABILITIES		369,023,283	364,701,466

The notes on pages 12 to 42 form part of these financial statements.

USI GROUP HOLDINGS AG
CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2009

	NOTE	2009 CHF	2008 CHF
Cash flow from operating activities			
Cash generated by operations	24	5,503,631	7,740,302
Interest paid		(14,867,553)	(11,197,790)
Income tax paid		(5,165)	-
Net cash used by operating activities		(9,369,087)	(3,457,488)
Cash flow from investing activities			
Purchase of investment property	11	-	(265,938,576)
Cash paid for loans and receivables	15	-	(40,265,795)
Dividends received	12	1,724,962	2,044,550
Interest received		411,420	2,140,876
Net cash used in investing activities		2,136,382	(302,018,945)
Cash flow from financing activities			
Proceeds from borrowings	18	17,533,161	238,715,791
Payments in relation to borrowings		(220,028)	(2,773,241)
Purchase of treasury shares	17	(479,631)	(664,533)
Repayment of borrowings	18	(22,152,909)	-
Payment of swap breakage costs	8	(978,942)	-
Capital increases	17	16,959,359	4,827,876
New issue costs	17	(417,367)	(85,098)
Par value capital reduction	17	(7,396,986)	(7,126,746)
Net cash (used) / generated by financing activities		2,846,657	232,894,049
Increase / (decrease) in cash and cash equivalents		(4,386,048)	(72,582,384)
Movement in cash and cash equivalents			
At start of year		12,797,029	87,515,075
Increase / (decrease)		(4,386,048)	(72,582,384)
Foreign currency translation adjustments		(131,591)	(2,135,662)
At end of year		8,279,390	12,797,029

In 2007, the Company acquired an investment property (see Note 11), the major payment to the vendor in relation to this acquisition was made in 2008.

The notes on pages 12 to 42 form part of these financial statements.

USI GROUP HOLDINGS AG
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2009

		Attributable to equity holders of the Company						
	NOTE	**Share capital**	**Share premium**	**Treasury Shares**	**Translation reserve**	**Retained Earnings**	**Cash flow hedging reserve**	**Total Equity**
		CHF	**CHF**	**CHF**	**CHF**	**CHF**	**CHF**	**CHF**
Balance as of 1 January 2008		**69,385,681**	**3,309,033**	**-**	**(1,862,201)**	**86,408,147**	**859,958**	**158,100,618**
Profit / (loss) for the year		-	-	-	-	(5,355,483)	-	(5,355,483)
Other comprehensive income								
Foreign currency translation		-	-	-	(25,751,067)	-	-	(25,751,067)
Cash flow hedges – net of tax		-	-	-	-	-	(6,383,622)	(6,383,622)
Total comprehensive income		-	-	-	(25,751,067)	(5,355,483)	(6,383,622)	(37,490,172)
Transactions with owners								
Purchase of own shares	17	-	-	(664,533)	-	-	-	(664,533)
Par value capital reduction	17	(7,126,746)	-	-	-	-	-	(7,126,746)
Issue of new shares	17	2,360,801	2,467,075	-	-	-	-	4,827,876
New issue costs	17	-	(85,098)	-	-	-	-	(85,098)
Balance as of 31 December 2008		**64,619,736**	**5,691,010**	**(664,533)**	**(27,613,268)**	**81,052,664**	**(5,523,664)**	**117,561,945**
Balance as of 1 January 2009		64,619,736	5,691,010	(664,533)	(27,613,268)	81,052,664	(5,523,664)	117,561,945
Profit / (loss) for the year		-	-	-	-	(3,000,952)	-	(3,000,952)
Other comprehensive income								
Foreign currency translation		-	-	-	2,387,134	-	-	2,387,134
Cash flow hedges – net of tax		-	-	-	-	-	489,082	489,082
Total comprehensive income		-	-	-	2,387,134	(3,000,952)	489,082	(124,736)
Transactions with owners								
Purchase of own shares	17	-	-	(479,631)	-	-	-	(479,631)
Par value capital reduction	17	(7,396,986)	-	-	-	-	-	(7,396,986)
Issue of new shares	17	10,615,017	6,344,342	-	-	-	-	16,959,359
New issue costs	17	-	(417,367)	-	-	-	-	(417,367)
Balance as of 31 December 2009		**67,837,767**	**11,617,985**	**(1,144,164)**	**(25,226,134)**	**78,051,712**	**(5,034,582)**	**126,102,584**

The cashflow hedging reserve represents the Group's share of the Cash Flow hedging reserves of associated companies, specifically PSPI and the interest rate swap referred to in Note 16.

The notes on pages 12 to 42 form part of these consolidated financial statements.

1. GENERAL INFORMATION

USI Group Holdings AG (the "Company"), domiciled in Switzerland with its registered office at Bahnhofstrasse 106, CH-8001, Zürich, Switzerland, is the ultimate parent company of the USI Group. The Company and its subsidiaries (together the Group), is an investment property Group with a direct and indirect interest in portfolios in Continental Europe, the UK and the USA. It is principally involved in leasing real estate assets where the rental income is primarily generated directly or indirectly from governmental sources.

In March 2007, the Group disposed of 74.84% of its shareholding in Public Services Properties Investments Limited ("PSPI"). As the Group retains a significant influence its remaining shareholding has been accounted for using the equity method as an associated undertaking.

In December 2007, the Group acquired a 94.9% interest in a partnership owning 4 investment properties in Leipzig, Germany.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with and comply with International Financial Reporting Standards (IFRS), published by the International Accounting Standards Board (IASB) and comply with the requirements of the SIX Swiss Exchange's Listing Rules and the Additional Rules for the Listing of Real Estate Companies. The consolidated financial statements are reported in Swiss Francs unless otherwise stated and are based on the annual accounts of the individual subsidiaries at 31 December 2009 which have been prepared up according to uniform Group accounting principles.

During the preparation of the un-audited interim consolidated financial statements, the Group noted deferred tax income in respect of interest rate swap contracts had not been recognised in the cash flow hedging reserve in the equity table at 31 December 2008. This error, as defined by IAS 8 resulted in an understatement of the cash flow hedging reserve by CHF 888,240 and an overstated deferred tax liability by the same amount. These amounts have been adjusted in the balance sheet to 31 December 2008. There is no impact on income statement, cash flow statement or earnings per share nor is there any impact on the opening balances as at 1 January 2008, as the transactions were entered into during 2008.

The Group also noted that interest rate swaps of CHF 6,283,745 presented as derivative financial instruments within non-current liabilities should correctly have been shown as current liabilities. This error has also been adjusted in accordance with IAS 8, in the balance sheet as at 31 December 2008 and has no impact on the income statement, cash flow statement or earnings per share nor on the opening balances as at 1 January 2008.

Additionally, the contractual undiscounted cash flow table on page 21 has been revised for the prior year to be consistent with the current year presentation. A short-term credit facility in addition to two financial liability instruments have now been included.

The financial information included in this document has been prepared on a consistent basis and using the same accounting policies of the audited financial statements for the year ended 31 December 2008.

The consolidated financial statements are prepared under the historical cost convention as modified by the revaluation of investment properties, other financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss. The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results can differ from those estimates (Note 4).

The Group has adopted the following new standards, amendments to standards and interpretations which are mandatory for the financial year ended 31 December 2009, the impact of which is detailed in Note 2.3.

IFRS 7 'Financial instruments – Disclosures' (amendment) – effective 1 January 2009. The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. The change in accounting policy results in additional disclosures

2.1 Basis of preparation (continued)

IAS 1 (revised). ‘Presentation of financial statements’ – effective 1 January 2009. The revised standard prohibits the presentation of items of income and expenses (‘non-owner changes in equity’) in the statement of changes in equity, requiring ‘non-owner changes in equity’ to be presented separately from owner changes in equity in a statement of comprehensive income. As a result the group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. Comparative information has been re-presented so that it also is in conformity with the revised standard. The change in accounting policy impacts presentation.

IAS 23 (amendment), ‘Borrowing costs’ (effective from 1 January 2009). The amendment requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The option of immediately expensing those borrowing costs is removed.

IFRS 8 ‘Operating segments’(effective from 1 January 2009). IFRS 8 replaces IAS 14. The new standard requires a ‘management approach’, under which segment information is presented on the same basis as that used for internal reporting purposes. The Group has applied IFRS 8 from 1 January 2009.

IAS 40 ‘Investment properties’(effective from 1 January 2009) IAS 40 requires investment property under construction to be measured at fair value with changes in the fair value being recognised in the income statement when fair value can be determined readily. However, where fair value is not readily determinable, the property is measured at cost until the earlier of the date the construction is completed and the date at which the fair value becomes readily determinable.

The following new standards, amendments to standards and interpretations have been issued but are not effective for 2009 and have not been early adopted:

- Amendments to IFRS 3 – ‘Business combinations’ (applicable to business combinations occurring in accounting periods beginning or after 1 July 2009, prospective application. Early application permitted if IAS 27R also adopted.). The amendment entails several changes in the application of the acquisition method. Subsequent changes to the purchase price which depend on future events are recognised in profit or loss (when a liability) instead of goodwill. A step acquisition will result in re-measurement of the previous investment to fair value, through the income statement. All transaction costs will be expensed. It is possible that future purchases of PSPI Ltd. will be considered a business acquisition and as such will need to be reviewed closely against the amendments to the standard.

- Amendments to IAS 27 – ‘Consolidated and separate financial statements’ (effective as from 1 July 2009, prospective for measurement of non-controlling interest. Early application permitted if IFRS 3R also adopted.) Choice of whether to account for non-controlling interest at time of a business combination at fair value (i.e. incl. goodwill) or based on their proportionate share of the net assets (i.e. excl. goodwill). The amendment requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control (“economic entity model”). When control over a previous subsidiary is lost. Any remaining non-controlling interest in the entity is re-measured to fair value and the resulting gain or loss is recognised in the income statement. This change is not expected to have any material impact on the Group’s financial statements.

- IAS 38 (amendment), ‘Intangible Assets’. The amendment is part of the IASB’s annual improvements project published in April 2009 and the Group will apply IAS 38 (amendment) from the date IFRS 3 (revised) is adopted. The amendment clarifies guidance in measuring the fair value of an intangible asset acquired in a business combination and it permits the grouping of intangible assets as a single asset if each asset has similar useful economic lives. The amendment will not result in a material impact on the Group’s financial statements.

- IFRS 9 ‘Financial Instruments’ (effective from 1 January 2013). The standard will replace IFRS 39 and introduces new requirements for classifying and measuring financial assets that must be applied starting 1 January 2013, with early adoption permitted. The Group has not early adopted IFRS 9. The new standard will not result in a material impact on the Group’s financial statements.

- IFRIC 17, ‘Distribution of non-cash assets to owners’ (effective on or after 1 July 2009). The interpretation is part of the IASB’s annual improvements project published in April 2009. This interpretation provides guidance on accounting for arrangements whereby an entity distributes non- cash assets to shareholders either as a distribution of reserves or as dividends. IFRS 5 has also been amended to require that assets are classified as held for distribution only when they are available for distribution in their present condition and the distribution is highly probable. The Group will apply IFRIC 17 from 1 January 2010. It is not expected to have a material impact on the Group’s financial statements.

2.1 Basis of preparation (continued)

- IFRS 5 (amendment), 'Measurement of non-current assets (or disposal groups) classified as held-for-sale'. The amendment is part of the IASB's annual improvements project published in April 2009. The amendment provides clarification that IFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. It also clarifies that the general requirement of IAS 1 still apply, particularly paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty) of IAS 1. The Group will apply IFRS 5 (amendment) from 1 January 2010. It is not expected to have a material impact on the Group's financial statements.

- IAS 1 (amendment), 'Presentation of financial statements'. The amendment is part of the IASB's annual improvements project published in April 2009. The amendment provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. The Group will apply IAS 1 (amendment) from 1 January 2010. It is not expected to have a material impact on the Group's financial statements.

- IFRIC 19 'Extinguishing Financial Liabilities with Equity Instruments' (effective for annual periods beginning or after 1 July 2010. The interpretation clarifies the requirements of IFRS when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity's shares or other equity instruments to settle the financial liability fully or partially. IFRIC 19 is not relevant for the Group as it is not the Group's intention to settle financial liabilities with equity instruments.

2.2 Principles of consolidation

The results of subsidiary undertakings, which are those entities in which the Group has an interest of more than one half of the voting rights or otherwise has power to exercise control over the operations, are consolidated. Subsidiaries are consolidated from the date on which control is transferred to the Group and they cease to be consolidated from the date that control ceases. The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. All intercompany transactions, balances and unrealised gains and losses on transactions between Group companies are eliminated. Where necessary, accounting policies for subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

2.3 Amendments to accounting and valuation principles

In connection with the application of IFRS 8 and IAS 40, the following accounting and valuation principles were amended:

Segmental reporting

Segmental reporting has been prepared in accordance with IFRS 8 (Operating Segments).

The chief operating decision maker has been identified as the board of directors, who review the Group's internal reporting and management information in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

It has been determined that the board of directors reviews management information, considers the business and makes decisions based on the nature of the underlying business. As such, the Group has been organised into the following segments:

- Investments in Government Tenanted Property
- Investments in Associated Undertakings
- Central Corporate Costs

The board of directors assess the performance of the business using a number of measures; however particular emphasis is placed on net profit.

Investment Property Development

The implementation of IAS 40 has had no impact on the financial statements for the period ending 31 December 2009.

2.4 Foreign currency transactions and translation

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of primary economic environment in which the entity operates ("the functional currency").

The consolidated financial statements are presented in Swiss Francs, which is the Company's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except where deferred in equity as qualifying cash flow hedges.

Group Companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet are translated at the closing rate at the date of the balance sheet.

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average 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

(iii) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign entity is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

The translation rates used are disclosed in Note 5 in the notes to the consolidated financial statements.

2.5 Investment property

Property held for long-term rental yields or for capital appreciation or both and not occupied by the Group is classified as investment property.

Investment property comprises freehold land and buildings. Investment property is initially recognised at historic cost including related transaction costs. After initial recognition investment property is held at fair value. Fair value is based on active market prices, adjusted if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. These valuations are performed in accordance with guidance issued by the International Valuation Standard Committee and are reviewed annually by external valuers.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. The fair value also reflects on a similar basis, any cash outflows that could be expected in respect of the property.

Subsequent expenditure is charged to the asset’s carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the income statement during the financial period in which they are incurred.

Changes in fair values are recorded in the income statement. Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the income statement, when necessary.

2.6 Leases

Finance lease

When assets are leased out under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income.

Lease income is recognised over the term of the lease using the net investment method, which reflects a constant periodic rate of return.

Operating lease

See Notes 2.10 and 2.19.

Lease classification

See Note 4 (d)

2.7 Loans and receivables

Loans are classified as non-current assets unless management has the express intention of holding the loans for less than 12 months from the balance sheet date, in which case they are included in current assets. The directors determine the classification of the loans at initial recognition and re-evaluate the designation at every reporting date.

Purchases and sales of loans are recognised on the trade date, which is the date that the Group commits to purchase or sell the asset. Loans are initially recognised at fair value plus transaction costs and are subsequently carried at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of loans is established when there is evidence that the Group will not be able to collect all amounts due according to the original terms of loans. In the case of loans, the financial position of the underlying companies and their ability to repay the preference share capital is considered in determining whether the loans are impaired.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement. Loans are derecognised when the rights to receive cash flows from the loans have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. When investments are sold the resulting gains and losses are included in the income statement as gains and losses from loans.

2.8 Impairment of assets

The recoverable amount of assets such as intangible assets and loans and receivables are estimated whenever there is an indication that the asset may be impaired. An impairment loss is recognised in the income statement whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of the net selling price and value in use, determined by discounting the future expected cash flows generated by the related asset.

The carrying amount of the Group's holding in associated undertakings is tested annually for impairment. The recoverable amount is calculated on the assumption that any sale would be made at fair value, consequently an exercise is performed to ascertain the value in use of the shareholding to ensure this exceeds the carrying amount. If the value in use is less than the carrying amount an impairment is recognised.

2.9 Accounting for derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in equity are recognised in the income statement in the periods when the hedged item will affect profit or loss (for instance when the forecast sale that is hedged takes place).

However, if the forecast transaction that is hedged results in the recognition of a non-financial asset or a liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the costs of the asset or liability.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

Put options that contain an obligation to purchase own equity instruments are recognised as a financial liability for the discounted, expected redemption amount. The liability is disclosed as Other Financial Liabilities (see Note 20).

2.10 Accounting for leases and accrued income

The Group currently treats all of its investment property leases as operating leases, however this classification is considered by the directors for each property on acquisition. An operating lease is a lease in which substantially all the risks and rewards of the asset (investment property) remain with the lessor and as such these assets remain in the Group's balance sheet. Lease payments from the lessee are recognised as rental income and as such disclosed in the income statement on a straight-line basis over the period of the lease.

Accrued income is provided to recognise guaranteed future income over the period of the lease. Accrued income is recognised under non-current assets for all amounts not released to the income statement within 12 months of the balance sheet date, and not receivable within 12 months. Amounts due to be released within 12 months of the balance sheet date are recognised in receivables under current assets.

2.11 Trade receivables and prepayments

Trade receivables and prepayments are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original term of the trade receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

2.12 Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand; deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. In the balance sheet, bank overdrafts are included in borrowings under current liabilities.

2.13 Share capital

Ordinary shares are classified as equity.

Any transaction costs of an equity transaction are accounted for as a deduction from equity to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided. The costs of an equity transaction that is abandoned are recognised as an expense.

Both reductions in the nominal value of, and reinvestments in, the registered shares are recorded within equity.

2.14 Trade Payables and other payables

Trade payables and other payables are recognised initially at fair value.

2.15 Dividends

Dividends are recorded in the Company's financial statements in the period in which they are approved by the Company's shareholders.

2.16 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Interest on borrowings is charged to the income statement.

Preference shares, which are mandatorily redeemable on a specific date, are classified as liabilities. The dividends on these preference shares are recognised in the income statement as an interest expense.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.17 Deferred income tax

Deferred income tax is recognised, using the liability method, on temporary timing differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using the tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Due to the tax jurisdictions of the Group companies no tax impact is anticipated.

2.18 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

2.19 Revenue recognition

Revenue consists of minimum lease rentals payable over the terms of the operating leases, recognised on a straight line basis, and incremental lease rentals payable under rent escalation clauses in the leases recognised as they arise. Every investment property is accounted for individually. Operating lease agreements are based on long-term leasing contracts.

2.20 Investments in associates

Investments in associates are accounted for using the equity method of accounting. These are entities in which the Group has significant influence and which are neither subsidiaries nor joint ventures. Significant influence is the power to participate in the financial and operating policy decisions of the acquired company but is not control or joint control over those policies (usually 20-50% of voting rights). Under the equity method, the investment in an associate is initially recognized at cost (including goodwill on acquisition) and the carrying amount is increased or decreased to recognize the Group's share of profit or loss of the acquired company after the acquisition date. In order to apply the equity method the most recent available financial statements of an associate are used. The net assets and results from associates are adjusted, if necessary, to comply with the Group's accounting policies.

The Group's share of equity in associated companies, consolidated using the equity method, is shown in the balance sheet as "Investments in associates" and its share of the results of operations for the year is shown in the income statement as "Share of profit of associates".

Associates acquired during the year are accounted for as "Investments in associates" from the date on which significant influence over the acquired company is transferred to the Group, and derecognized from that position as of the date the Group ceases to have significant influence over an associate.

2.21 Accruals

Accruals are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

3. FINANCIAL AND OTHER RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency and price risk, cash flow and fair value interest rate risk), credit risk and liquidity rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by the senior management of the asset manager under policies approved by the board of directors. Senior management identifies, evaluates and hedges financial risks. The board provides principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity

(a) Market risk

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Euro and Pound Sterling. Limited foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. However most operating entities have limited exposure to exchange risk outside their functional currencies.

The Group has investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group's foreign operations in Continental Europe are managed primarily through borrowings denominated in the relevant foreign currencies, although the directors monitor and permit currency exposure in this regard as an element of its financing strategy.

Historically the Group has not entered into any currency hedging transactions in respect of the net assets of subsidiaries denominated in currencies other than Swiss Francs. The Group will review this policy from time to time.

At 31 December 2009, if the Swiss Franc had increased by a three year average movement of 12.0% (2008 – 10.3%) against the Pound Sterling with all other variables held constant, profit for the year would have increased by CHF 48,910 (2008 CHF 115,674) different, mainly as a result of foreign exchange losses on translation of Pound Sterling denominated cash balances.

3. FINANCIAL AND OTHER RISK MANAGEMENT (CONTINUED)

At 31 December 2009, if the Swiss Franc had increased by three year average movement of 4.5% (2008 – 4.2%) against the Euro with all other variables held constant, profit for the year would have increased by CHF 12,061 (2008 – CHF 92,909) different due to foreign exchange losses on translation of Euro denominated cash balances.

Exchange rate volatility is calculated on the basis of historic price movements.

(ii) Cash flow and fair value interest rate risk

The Group's interest-rate risk mainly arises from long-term borrowings, derivative financial instruments and to a limited extent, from cash and cash equivalents. Borrowings issued at variable rates expose the Group to cashflow interest-rate risk. Borrowings issued at fixed rates and derivative financial instruments expose the Group to fair value interest-rate risk. Group policy is to maintain a significant percentage of its borrowings in fixed rate instruments. The board regularly meet to review levels of fixed and variable borrowings and takes appropriate action as required.

The table below shows the sensitivity of profit and equity to movements in market interest rates for continued business:

	CHF 2009	**CHF 2008**
Shift in basis points	0.5	0.5
Profit impact of increase	(919,810)	(836,230)
Profit impact of decrease	919,810	836,230
Equity impact of increase	(532,000)	(605,000)
Equity impact of decrease	532,000	605,000

(b) Credit Risk

Credit risk arises from cash, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to rental customers, including outstanding receivables. For banks and financial institutions, only independently rated parties with a minimum rating of 'A-' (as per Standard and Poors ratings) are accepted. The table below shows the credit limit and balance of the three major bank counterparties at the balance sheet date.

Counterparty	**2009 Rating**	**2008 Rating**	**2009 Balance**	**2008 Balance**
Bank A	A+	A+	4,693,335	4,483,662
Bank B	A-	A	414,005	2,872,295
Bank C	A	A	2,970,349	4,758,262

The Group's concentration of credit risk with non financial institutions is primarily with its rental customers. Management has assessed that the credit risk is low as the rental contracts are granted to, directly or indirectly, Governmental customers with good credit history and due to the good record of recovery of receivables. As a result the Group has not incurred any significant losses.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Due to the nature of the underlying businesses, the Group maintains flexibility in funding by maintaining availability under committed credit lines.

Management monitors rolling forecasts of the Group's liquidity reserve on the basis of expected cash flow.

3. FINANCIAL AND OTHER RISK MANAGEMENT (CONTINUED)

The table below analyses the Group's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

At 31 December 2009	**Less than 1 year**	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 Years**
Borrowings	208,782,745	19,284,052	20,821,327	-
Trade and other payables (Note 22)	58,556	-	-	-
Derivative financial instruments (Note 16)	5,752,466			
Other financial liabilities (Note 20)	-	-	3,729,137	-
Total	214,593,767	19,284,052	24,550,464	
At 31 December 2008				
Borrowings	240,917,110	525,000	17,744,560	-
Trade and other payables (Note 22)	59,126	-	-	-
Derivative financial instruments (Note 16)	6,283,745			
Other financial liabilities (Note 20)	-	-	3,699,447	-
Total	247,259,981	525,000	21,444,007	-

(d) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated balance sheet plus net debt. The Group's intention is to maintain the gearing ratio below 75%.

The gearing ratios at 31 December 2009 and 2008 were as follows:

	CHF 2009	**CHF 2008**
Total borrowings	226,332,404	228,863,414
Less: cash and cash equivalents	(8,279,390)	(12,797,029)
Net debt	218,053,014	216,066,385
Total equity	126,102,584	117,561,945
Total capital	344,155,598	333,628,330
Gearing ratio	63.36%	64.76%

3. FINANCIAL AND OTHER RISK MANAGEMENT (CONTINUED)

3.2 Fair value estimation

Effective 1 January 2009, the group adopted the amendment to IFRS 7 for financial instruments that are measured in the balance sheet at fair value, this requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the group's assets and liabilities that are measured at fair value at 31 December 2009:

	NOTE	Level 1	Level 2	Level 3	Total balance
Assets					
- Investments in associates	12	42,973,682	-	-	42,973,682
- Short term cash deposits	15	-	37,185,781	-	37,185,781
Total assets		42,973,682	37,185,781	-	80,159,463
Liabilities					
Financial liabilities at fair value through profit or loss					
-Derivatives financial instruments	16	-	5,752,466	-	5,752,466
-Other financial liabilities	20	-	-	3,729,137	3,729,137
-Short term credit facility	18	-	37,185,781	-	37,185,781
-Option fair value	16	-	-	3,127	3,127
-Warrant fair value	16	-	-	4,716	4,716
Total liabilities		-	42,938,247	3,736,980	46,675,227

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the group is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily FTSE 100 equity investments classified as trading securities or available-for sale.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting values discounted back to present value.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

3. FINANCIAL AND OTHER RISK MANAGEMENT (CONTINUED)

3.2 Fair value estimation

The following table presents the changes in level 3 instruments for the year ended 31 December 2009:

	Other financial liabilities	Options	Warrants	Total balance
At 31 December 2008	-	-	-	-
Additions	3,729,137	3,127	4,716	3,736,980
Disposals	-	-	-	-
At 31 December 2009	3,729,137	3,127	4,716	3,736,980

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstance. The Group makes estimates and assumptions concerning the future. By definition, the resulting accounting estimates may not equal the related actual results. The estimates and assumptions that may have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are described below.

(a) Estimate of fair value of investment properties

The best evidence of fair value is current prices in an active market for similar lease and other contracts. In the absence of such information, the Group determines the amount within a range of reasonable fair value estimates. In making this judgement, the Group considers information from a variety of sources including:

i) current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences;
ii) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and
iii) discounted cash flow projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts, and (where possible) from external evidence such as market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of cash flows.

(b) Principal assumptions for management’s estimations of fair value

If information on current or recent prices or assumptions underlying the discounted cash flow approach investment properties are not available, the fair values of investment properties are determined using discounted cash flow valuation techniques. The Group uses assumptions that are mainly based on market conditions existing at each balance date.

The principal assumptions underlying management’s estimation of fair value are those related to: the receipt of contractual rentals; expected future market rentals; void periods; maintenance requirements; and appropriate discount rates. These valuations are regularly compared to actual market yield data and actual transactions by the Group and those reported by the market.

Management relies on valuations produced by qualified independent valuation companies. Were the discounted rate used in preparing the independent valuation reports to differ by 5% to the rate used by the independent valuer, the net effect of the carrying amount of investment properties after deferred taxation would be an estimated CHF 10.9 million lower or CHF 12.2 million higher.

The expected future market rentals are determined based on the specific terms of the rental contracts. However, were rental income to differ by 10% to the amount in the current rental contract the net effect of the carrying amount of investment properties after deferred taxation would be an estimated CHF 23.0 million higher or lower.

Management has assumed that the current rent being received in respect of its investment property will be maintained on expiry of the lease. This is a material assumption in supporting the valuation of the investment property on each valuation date.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(c) Treatment of property acquisition in 2007

In December 2007, the Group acquired a 94.9% interest in a partnership owning 4 investment properties in Leipzig, Germany. This acquisition has been accounted for as an asset acquisition which comprises a group of assets without significant processes and activities and not as a business combination under IFRS 3. The acquired business did not constitute a business as defined by IFRS.

(d) Lease classification

The Group determines the classification of leases on each asset having regard to whether substantially all risks and rewards incidental to ownership of the asset is transferred to the lessee. Other than the long-term business lease described in Note 2.6, the Group has no operating leases.

(e) Impairment of investments in associates.

A sensitivity analysis has been performed to ascertain the sensitivity of the value of the Group's holding in PSPI to fluctuations in the fair value of items on its balance sheet. This revealed that a 5% movement in the value of the Investment Properties held by PSPI would result in a CHF 6.0m movement in the fair value of the Group's holding. Were this to be a downwards movement this would result in a potential impairment of CHF2.0 m as at 31 December 2009.

5. FOREIGN EXCHANGE RATES

	Balance Sheet		Income Statement and cash flow statement	
	2009 CHF	2008 CHF	average 2009 CHF	average 2008 CHF
GBP	0.6050	0.6547	0.59064	0.50246
USD	0.9636	0.9473	0.92362	0.92644
EUR	0.6723	0.6720	0.66245	0.63064

6. a) ADMINISTRATIVE EXPENSES

	2009 CHF	2008 CHF
Professional fees and other costs	1,353,652	856,870
Abort costs	241,962	-
Audit fees	179,808	165,602
Property rent, maintenance and sundry expenses	560,179	711,198
Capital tax expense	41,304	87,604
Management fees	2,343,088	2,854,961
	4,719,993	4,676,235

Included in property rent, maintenance and sundry expenses are repairs of CHF 143,318 (2008 – CHF 59,403) in respect of investment properties generating rental income. These costs were incurred in respect of investment properties where the group is responsible for structural and roof repairs. There were no repairs and maintenance costs incurred in respect of investment properties that did not generate rental income.

b) OTHER (INCOME) / EXPENSES

	2009 CHF	2008 CHF
Fair value adjustment through income statement	(225,596)	(450,807)
	(225,596)	(450,807)

The above balance represents the fair value adjustment charged to the income statement in relation to the liability from the put option. For further information refer to Note 20.

7. NET FINANCE INCOME / (EXPENSES)

	2009 CHF	2008 CHF
Interest Income	518,147	2,358,873
Other Income / (Expenses)		
- Net gain / (loss) from fair value adjustment of options and warrants (Note 16)	110,605	1,291,403
- Net foreign exchange losses	(129,043)	(2,696,526)
	499,709	953,750

8. NET FINANCE COSTS

	2009 CHF	2008 CHF
Interest Costs		
- Interest on notes	1,533,503	930,900
- Interest on mortgages	11,393,057	12,902,591
- Amortisation of debt issue costs	1,952,551	1,479,507
- Other interest and borrowing expenses	764,454	152,211
- Swap breakage costs	978,942	-
- Interest expense on put option	118,979	119,143
	16,741,486	15,584,352

9. EARNINGS PER SHARE

Basic (loss) / earnings per share (EPS) is calculated by dividing the net (loss) / profit attributable to shareholders by the weighted average number of ordinary shares outstanding during the period.

	2009 CHF	2008 CHF
Net profit / (loss) attributable to shareholders	(3,000,952)	(5,355,483)
Weighted average number of ordinary shares outstanding	857,304	804,932
Basic loss per share (CHF per share)	**(3.50)**	**(6.65)**

For diluted EPS, the weighted average number of shares outstanding is adjusted to assume conversion of all potentially dilutive shares arising on USI shares.

	2009 CHF	2008 CHF
Total		
Net dilutive profit / (loss) attributable to shareholders	(3,000,952)	(5,355,483)
Weighted average number of ordinary shares outstanding for dilutive earnings	857,304	804,932
Diluted loss per share (CHF per share)	**(3.50)**	**(6.65)**

9. EARNINGS PER SHARE (CONTINUED)

In January 2004, the Company issued CHF 7 million of 4% Senior Unsecured Pre-IPO Notes due in 2011. Each noteholder received warrants attached to the notes which may be exercised up to two years after a public offering of the Company's shares. The warrants entitle the noteholders to subscribe for the Company's shares at a discount to the public offering of shares between 5% - 20% depending on the timing of a public flotation of the Company's shares. As at 31 December 2009 CHF nil (2008- CHF nil) of 4% Senior Unsecured Pre-IPO Notes were outstanding. New warrants entitling the holders to 42,505 shares were issued at an exercise price of CHF 152.20 per share. These warrants may be cash settled by the Company up to the expiry date of 31 October 2010.

In July 2005, the Company approved a stock option plan for management. The plan allows for options of up to 6% of the issued number of shares to be awarded to management at an exercise price of CHF 161.91 per share. At 31 December 2009, no options had been awarded nor had conditional capital been created for this purpose.

In October 2006, the Company issued CHF 15 million of 3.5% subordinated Convertible Notes due in 2011 that are unconditionally and irrevocably guaranteed by, and convertible into registered shares of the Company.

Management has estimated that the maximum number of additional ordinary shares that could be issued at 31 December 2009 as 115,676 (2008 – 115,676). However due to the loss in the year these have an anti-dilutive effect and have not been considered in the calculation of diluted earnings per share.

10. DIVIDENDS

No dividends were paid in 2009 or 2008.

In August 2009, the Company completed a capital distribution to shareholders, whilst in October 2009 a rights issue and private share placement were completed as described in Note 17.

11. INVESTMENT PROPERTY

	2009 CHF	2008 CHF
As at 1 January	271,428,571	302,546,880
Net gains on fair value adjustment	2,203,940	-
Net changes in fair value adjustments due to exchange differences	(153,409)	(31,118,309)
As at 31 December	273,479,102	271,428,571
Fire Insurance Value	146,110,367	139,880,952

On 21 December 2007 the Group acquired a 94.9% interest in a partnership which owns 4 investment properties in Leipzig, Germany. These were acquired for a purchase price of €166 million which, in part, is was funded by senior debt of €121 million (See Note 18).

Valuation of the investment properties was made as at 31 December 2009 by Botta Management AG, (“Botta”) an independent Property Consultant. A discounted cash flow method was used to calculate market value assuming an 11 year calculation period and a terminal value. This resulted in a gross capital valuation of €183.86 million (2008 - €182.43 million).

The senior debt provider referred to in Note 18 commissioned its own valuation of the investment properties in December 2009 which was conducted by Jones Lang LaSalle (“JLL”) and indicated a gross capital valuation of €149.3 million compared to €158m confirmed by the same valuer at 31 December 2008. The principal differences in these valuations were a) a reduction in the discounted cash flow period considered from 20 to 11 years and b) an increase in the terminal value discount rate of 50 basis points to 8.0%.

The principal difference between the Botta and JLL valuations is that Botta used a 4.8% discount rate on the net cash flows and a 5.0% terminal value discount rate and the latter used a discount rate of 4.0% and an 8.0% terminal value discount rate.

The Company believes that the latest JLL valuation is overly conservative and does not take sufficient account of the credit worthiness of the sovereign tenant, the stability of the cash flows and the replacement value of the Leipzig Properties or the potential rents that could be achieved on the expiration of the lease. The terminal value discount rate appears to be far too conservation on the stated assumption of a 90% probability of renewal by the tenant at the scheduled maturity of the lease.

The fire insurance value is set at €98.23 million (2008 - €94.0m).

Further information required in accordance with the SIX Swiss Exchange’s Additional Rules for the Listing of Real Estate Companies can be found on pages 48 to 50. This information is part of the notes to the consolidated financial statements.

12. INVESTMENTS IN ASSOCIATES

	2009 CHF	2008 CHF
As at 1 January	39,855,735	59,105,155
Share of profits / (losses)	2,533,881	(188,590)
Exchange differences	2,240,771	(16,081,511)
Dividends received	(1,724,962)	(2,044,550)
Share of cashflow hedging reserve	68,257	(934,769)
As at 31 December	42,973,682	39,855,735

The Group's share of results of its associates and its share of the assets and liabilities are as follows:

Name	Country of Incorporation	Assets CHF	Liabilities CHF	Revenues CHF	Profits CHF	% Interest Held
Public Service Properties Investments Limited	British Virgin Islands	122,462,937	(79,489,255)	7,955,132	2,533,881	25.16%

The market price of shares in Public Service Properties Investments Limited ("PSPI") at 31 December 2009 was 70.00 (2008 - 40.50) pence per share. This values the Group's holding of 16,808,738 shares at £11,766,117 (CHF 19,452,921). PSPI is listed on the AIM Stock Exchange, London.

Impairment Test of Carrying Value

In accordance with IAS 36, "Impairment of Assets" an annual test has been performed to compare the recoverable amount with the carrying value to ensure that no impairment has occurred.

It has been assumed that any sale of PSPI would be performed at fair value. Consequently, all items on the balance sheet of PSPI as at 31 December 2009 have been compared on a line by line basis to their deemed fair value at the same date, less selling costs of 5%.

This has indicated that the recoverable amount of the holding in the associate exceeds its carrying value by CHF 4.0m and as such no impairment has occurred or been recognised in the financial statements.

Additionally a sensitivity analysis has been performed to ascertain the sensitivity of the value of the Group's holding in PSPI to fluctuations in the fair value of items on its balance sheet. This revealed that a 5% movement in the value of the Investment Properties held by PSPI would result in a CHF 6.0m movement in the fair value of the Group's holding. Were this to be a downwards movement this would result in a potential impairment of CHF 2.0m as at 31 December 2009.

On 13 April 2010, the Group purchased a further 3.75 million shares in PSPI at CHF 1.16 (£0.70) per share as part of an Open Offer to existing shareholders. PSPI raised CHF 41 million (£25 million) through the offer, which left the Group owning 20.07% of the enlarged capital base (see Note 28).

13. FINANCIAL INSTRUMENTS BY CATEGORY

Assets as per balance sheet 2009	Notes	Investments	Loans and receivables	Total
31 December 2009		CHF	CHF	CHF
Investments in associates	12	42,973,682	-	42,973,682
Receivables and prepayments	15	-	44,291,109	44,291,109
Cash and cash equivalents		-	8,279,390	8,279,390
Total		42,973,682	52,570,499	95,544,181

Cash and cash equivalents is denominated in the following currencies:

Pounds Sterling	407,480
Euro	3,238,331
Swiss Francs	4,633,579
	8,279,390

Liabilities as per balance sheet 2009		Liabilities – Fair value through income statement	Other financial liabilities	Total
		CHF	CHF	CHF
Borrowings	18	-	226,332,404	226,332,404
Other financial liabilities	20	3,729,137	-	3,729,137
Derivative financial instruments current	16	4,716	-	4,716
Derivative financial instruments non current	16	5,755,593	-	5,755,593
Total		9,489,446	226,332,404	235,821,850

Assets as per balance sheet 2008	Notes	Investments	Loans and receivables	Total
		CHF	CHF	CHF
Investments in associates	12	39,855,735	-	39,855,735
Receivables and prepayments	15	-	40,620,131	40,620,131
Cash and cash equivalents		-	12,797,029	12,797,029
Total		39,855,735	53,417,160	93,272,895

Cash and cash equivalents is denominated in the following currencies:

Pounds Sterling	1,123,050
Euro	6,975,754
Swiss Francs	4,698,225
Total	12,797,029

Liabilities as per balance sheet 2008		Liabilities – Fair value through income statement	Other financial liabilities	Total
		CHF	CHF	CHF
Borrowings	18	-	228,863,414	228,863,414
Other Financial Liabilities	20	3,699,447	-	3,699,447
Derivative financial instruments current	16	97,321	-	97,321
Derivative financial instruments non current	16	6,304,872	-	6,304,872
Total		10,101,640	228,863,414	238,965,054

14. INVESTMENTS IN SUBSIDIARIES

The subsidiaries of the Group are :	Country of Incorporation	Ownership Percentage	
		2009	2008
USIGH Limited	BVI	100%	100%
USI AG	Switzerland	100%	100%
USIGH II Investments Limited	BVI	100%	100%
USI III Investments Holdings Limited	BVI	100%	100%
USI IV Investments Holdings Limited	BVI	100%	100%
USI Germany Limited	BVI	100%	100%
USI Leipzig Limited	BVI	100%	100%
USI Verwaltungszentrum Leipzig GbR	Germany	94.9%	94.9%
Holdings in associated undertakings:			
Public Service Properties Investments Limited (formerly USI Group Holdings Limited)	BVI	25.16%	25.16%

15. RECEIVABLES AND PREPAYMENTS

	2009 CHF	2008 CHF
Other receivables	44,250,180	40,516,880
Prepayments	40,929	103,251
	44,291,109	40,620,131

Included in Other Receivables is an amount of CHF 37,185,781 (€25 million) which is held on short term deposit as collateral for the €25 million credit facility outlined in Note 18.

Included in Other Receivables is an amount of CHF 2,974,862 (€2 million) which was lent on 31 March 2008 to Ridgemont Holdings Limited, a subsidiary company of RP&C Inc. Interest of CHF 333,079 has been accrued in the year on this balance and is also included in Other Receivables.

Included in Other Receivables is an amount of CHF 2,440,830 (€1.65 million) which was lent during 2009 to Public Service Investment Properties Limited.

16. DERIVATIVE FINANCIAL INSTRUMENTS

Non-current liabilities	2009		2008	
	Assets CHF	Liabilities CHF	Assets CHF	Liabilities CHF
Option fair value	-	3,127	-	21,127

Option fair value
The option attached to the convertible note as described in Note 18 has been treated as an embedded derivative and has been recognised at fair value. The net change in fair value of this option has been recognised through the income statement.

The methodology is a Trinomial Model as used by Tsiveriotis and Fernandes which values the component of the value attributable to the possibility of the convertible bond ending up as equity separately from the component of the value attributed to the possibility of the bond ending up as debt. The approach is described by Hull in his book Options, Futures, and Other Derivatives. The valuation uses a risk free interest rate of 2.50% (2008 – 2.50%), credit spread rate of 3.00% (2008 – 3.00%) and a volatility of 18.5% (2008 – 20%).

Interest rate swap
The notional principle amount of the interest rate swap at 31 December 2009 was €106.4million. The principle repayment and interest payment profile of the swap matches that of the mortgage referred to in Note 18. At 31 December 2009 the fixed rate of the interest rate swap was 4.52% plus a margin of 1.20%.

The interest rate swap has been classified as non-current as the Group has no automatic right to cancel the instrument.

Current liabilities	2009		2008	
	Assets CHF	Liabilities CHF	Assets CHF	Liabilities CHF
Warrant fair value	-	4,716	-	97,321
Interest rate swaps – cashflow hedges	-	5,752,466	-	6,283,745
	-	5,757,182	-	6,381,066

Warrant fair value
The warrants may be exercised at anytime up to expiry on 31 October 2010 with an exercise price of CHF 152.20. The Black Scholes model has been used in calculating the fair value of the warrant using a volatility rate of 15% (2008 – 20%).

17. SHARE CAPITAL

	2009 CHF	2008 CHF
Authorised:		
Equity interests:		
985,298 (2008 – 831,122) Ordinary shares of CHF 68.85 (2008 – 77.75) each	67,837,767	64,619,736
Allotted, called up and fully paid:		
Equity interests:		
985,298 (2008 – 831,122) Ordinary shares of CHF 68.85 (2008 – 77.75) each	67,837,767	64,619,736

	Number of shares	Ordinary shares CHF	Share premium CHF	Total CHF
At 1 January 2008	**800,758**	**69,385,681**	**3,309,033**	**72,694,714**
Par value capital reduction	-	(7,126,746)	-	(7,126,746)
Issue of new shares	30,364	2,360,801	2,467,075	4,827,876
New issue costs	-	-	(85,098)	(85,098)
At 31 December 2008	**831,122**	**64,619,736**	**5,691,010**	**70,310,746**
Par value capital reduction	-	(7,396,986)	-	(7,396,986)
Issue of new shares	154,176	10,615,017	6,344,342	16,959,359
New issue costs	-	-	(417,367)	(417,367)
At 31 December 2009	**985,298**	**67,837,767**	**11,617,985**	**79,455,752**

Under the articles of association share capital may be increased by a maximum of CHF 23,139,177 through the issuance of up to 336,081 registered shares with a nominal value of CHF 68.85 each in respect of conditional capital for management, advisors, bondholders and creditors.

Under the articles of association, the board of directors may increase share capital in the amount of up to CHF 17,996,357 until 26 May 2011 through the issuance of up to 261,385 fully paid in additional registered shares with a nominal value of CHF 68.85 each.

Capital reduction and reinvestment

During 2009 a capital distribution of CHF 8.90 per share took place that reduced the share capital of USI Group Holdings AG from CHF 64,619,736 (831,122 with a nominal value of CHF 77.75 each) to CHF 57,222,750 (831,122 shares with a nominal value of CHF 68.85 each). Additionally a reinvestment of CHF 3,098,319 (45,001 shares at par value of CHF 68.85) took place with a subscription price of CHF 110.00 per share.

Rights Issue and Private Placement

On 29 September 2009, the Group completed a rights offering during which 59,695 new registered shares were validly subscribed at a subscription price of CHF 110.00 and a nominal value of CHF 68.85 each. This increased the share capital of the Group by CHF 4,110,001 (59,695 shares with a nominal value of CHF 68.85). 86,325 shares for which subscription rights were not duly exercised during the rights exercise period were offered in a private placement.

On 21 October 2009 the Group placed 49,480 registered shares under the private placement at a subscription price of CHF 110.00 per share and a nominal value of CHF 68.85 each. This increased the share capital of the Group by CHF 3,406,698 (49,480 shares with a nominal value of CHF 68.85).

In September 2008 the Company made a capital distribution of CHF 8.90 per share reducing the share capital of the Company from CHF 69,385,282 (800,758 with a nominal value of CHF 86.65 each) to CHF 62,258,934 (800,758 shares with a nominal value of CHF 77.75 each). On the same date the Company approved a reinvestment of CHF 2,360,801 (30,364 shares at par value of CHF 77.75) took place with a subscription price of CHF 159.00 per share.

17. SHARE CAPITAL (CONTINUED)

Treasury Shares	2009 shares	2008 shares	2009 CHF	2008 CHF
Balance at 1 January	**4,727**	-	664,533	-
Purchase of shares	6,353	4,727	721,857	664,533
Capital reinvestment	647	-	71,170	-
Par value capital reduction	-	-	(74,894)	-
Sale of shares	(1,812)	-	(238,502)	-
Balance at 31 December	**9,915**	**4,727**	**1,144,164**	**664,533**
Average price of shares purchased - CHF	**113.29**	**140.58**		
Average price of shares sold - CHF	**131.62**	**-**		

18. BORROWINGS

	2009 CHF	2008 CHF
Non-current		
Notes	32,889,802	15,369,549
	32,889,802	15,369,549
Current		
Mortgages	193,442,602	213,493,865
	193,442,602	213,493,865
Total borrowings	226,332,404	228,863,414

Notes consist of CHF 15 million convertible bonds due in 2011. The bonds have a principal amount of CHF 1,000, a cash coupon of 3.5%, a yield to maturity (including redemption premium) of 6.25% and a conversion price of CHF 175.26. The option has been treated as a derivative financial instrument and recognised at fair value as described in Note 16.

Additionally, during 2009 the Group secured €11.5 million of second mortgage funding. These take the form of a number of loan notes to third parties. They are secured against the properties in Leipzig, Germany, run for a five year term to May 2014 and attract 7.0% interest and 2.0% fees over this period.

During 2008, the funding of the acquisition of the investment properties in Leipzig, Germany was concluded. The acquisition was funded by the utilisation of €121 million of senior debt, with the balance being paid from existing cash resources of the Group. The senior debt runs for a three year term with a one year extension at the option of the borrower. Interest is payable quarterly at the Euribor rate plus a margin of 120 bps per annum. The senior debt is securitised by first ranking and fully enforceable land charges over the property acquired. The cost of arranging the financing totalled €3,343,786 and will be amortised over the initial term of the loan. On the same date an interest rate swap was executed for a principal sum to match that of the senior debt which fixed the interest rate payable over the 3 year term at 4.52% and provided a 100% hedge throughout its duration.

During 2009, the Group repaid €14.6 million of the above senior debt of €121 million. This was done in order to remedy the covenant breach for the period ending 31 December 2008 and bring the loan to value back within the 70% prescribed in the facility agreement.

As a result of the above repayment, the Group also terminated a proportionate amount of the interest rate swap associated with the borrowings. This resulted in a cash loss to the Group of CHF 978,942, based on the mark to market prices at the time of the transaction (see Note 8).

The borrowings in respect of the Leipzig properties have been included in current liabilities in both 2008 and 2009 as a result of the covenant breach referred to in Note 28.

On 30 November 2007 the Group entered into a one year agreement for a €25,000,000 credit facility. The full amount was drawn down on 3 January 2008 and renewed on 3 January 2009 for a further year. The average interest rate charged in 2009 was 1.09% (2008 – 4.58%) whilst the current interest rate is 0.69%.

18. BORROWINGS (CONTINUED)

The maturity of non-current is as follows:

	2009 CHF	2008 CHF
Between 1 and 2 years	-	-
Between 2 and 5 years	32,889,802	15,369,549
Over 5 years	-	-
Non-current borrowings	32,889,781	15,369,549

The carrying amounts and fair value of the non-current borrowings are as follows:

	Carrying amounts		Fair values	
	2009 CHF	2008 CHF	2009 CHF	2008 CHF
Notes	32,889,802	15,369,549	33,947,090	15,917,371
	32,889,802	15,369,549	33,947,090	15,917,371

The fair values are based on cash flows discounted using a rate based upon a borrowings rate of 6.25% to 9.00% (2008 – 6.25%).

The carrying amounts of the Group's total borrowings are denominated in the following currency:

	2009 CHF	2008 CHF
Swiss francs	16,004,372	15,369,549
Euros	210,328,032	213,493,865
	226,332,404	228,863,414

19. DEFERRED INCOME TAX

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

	2009 CHF	2008 CHF
Deferred tax liabilities to be recovered after more than 12 months	3,261,836	2,817,594

The gross movement on the deferred income tax account is as follows:

	2009 CHF	2008 CHF
Beginning of the year	2,817,594	3,903,384
Income statement charge	352,630	265,188
Recognition of deferred tax asset	98,286	(888,240)
Net changes due to exchange differences	(6,674)	(462,738)
End of the year	3,261,836	2,817,594

In prior years, deferred taxation has been provided on the fair value gains on Investment Property (see Note 11) at a rate of 15.83%.

20. OTHER FINANCIAL LIABILITIES

	2009 CHF	2008 CHF
Liability from put option	3,729,137	3,699,447
	3,729,137	3,699,447

The above financial liability relates to the minority holding of 5.1% in the acquired partnership USI Verwaltungszentrum GbR, therefore no minority is disclosed within equity.

The seller has an irrevocable right (put option) to sell its 5.1% holding at a value based on a pre-determined formula within the option agreement to USI during a specified period, the earliest date being 1 March 2013. In addition, included within the liability is the fair value of a 5.1% profit share arrangement implicit within the partnership agreement with the holder of the put option.

The Group (buyer) has an irrevocable right (call option) to buy the 5.1% holding at a value based on a pre-determined formula within the option agreement from the seller during a specified period, the earliest date being 1 March 2013.

The parties agree that the purchase for the shares corresponds to their market value which will be calculated on the basis of the following formula: 5.1% of the average net annual basic rent paid for the lease object in the years 2008 – 2012 (or in the 5 years preceding the year in which the purchase or sales option was executed, if not executed in the year 2013) (inclusive) x 4.2.

21. INCOME TAXES

	2009 CHF	2008 CHF
Current tax	-	-
Deferred tax (Note 19)	(352,630)	(265,188)
	(352,630)	(265,188)

The tax on the Group's profit before tax is based on the tax rate of the parent company of 7.83% (2008 - 7.83%).

	2009 CHF	2008 CHF
Loss before tax per consolidated income statement	(2,648,322)	(5,090,295)
Tax calculated at domestic tax rates applicable to profits in the respective countries	207,364	398,570
Tax losses for which no deferred tax asset was recognised	(298,156)	(319,048)
(Expenses) not tax deductible / income not taxable	(97,427)	(193,035)
Local tax rate different to parent tax rate	(164,411)	(151,675)
Tax charge	(352,630)	(265,188)

As at 31 December 2009, the Group had unused tax losses of CHF 22.7 million (2008 - CHF 18.9 million), which expires between 2010 and 2016 of which CHF 20.2 million expires after 5 years. These losses were not capitalised as it is unlikely that they will be utilised by the Group. The expenses not tax deductible / income not taxable includes companies in jurisdictions without any income tax.

22. TRADE AND OTHER PAYABLES

	2009 CHF	2008 CHF
Other payables	58,556	59,152
	58,556	59,152

23. ACCRUALS

	2009 CHF	2008 CHF
Accrued expenses re: acquisition of investment property	-	1,385,105
Other accrued expenses including interest	3,778,457	3,912,616
	3,778,457	5,297,721

24. CASH GENERATED FROM OPERATIONS

	NOTE	2009 CHF	2008 CHF
Loss for the year attributable to equity holders:		(3,000,952)	(5,355,483)
Adjustments for:			
- Interest expenses and other finance expenses		17,720,428	15,584,352
- Net foreign exchange losses	7	129,043	2,696,526
- Interest income	7	(518,147)	(2,358,873)
- Tax		443,257	265,188
- Changes in fair value of investment property/loans	11	(2,203,940)	-
- Changes in other liabilities		29,690	(450,807)
- Adjustment to rental income		-	150,641
- Changes in receivables and prepayments		(3,600,618)	(3,069,447)
- Changes in fair value of options and warrants		(110,605)	(1,291,403)
- Changes in trade and other payables		(596)	59,152
- Changes in accruals		(850,048)	1,321,866
- Loss / (profit) from associate	12	(2,533,881)	188,590
Cash generated / (used) by operations		5,503,631	7,740,302

25. RELATED PARTY TRANSACTIONS

Dr. iur. V. Lanfranconi is a director of the Group and also of some of the subsidiaries. Dr. iur. V. Lanfranconi is the majority beneficial owner of the Group's issued share capital. David Quint and Dr. Doraiswamy Srinivas are directors of RP&C International Inc (RP&C), the Group and some of its subsidiaries. William Vanderfelt is also a non executive director of RP&C and the Group. RP&C is the parent company of RP&C International (Guernsey) Limited which held 6.47% of the issued ordinary share capital of the Group at 31 December 2009 (31 December 2008 – 6.38%).

The Group was charged CHF 2,343,088 (2008 – CHF 2,840,551) management fees for services rendered by RP&C. One third of these fees received have been re-allocated to Dr. iur. V. Lanfranconi.

At 31 December 2009, RP&C was owed CHF 199,546 (2008 – CHF 1,620,267) by the Group of which Dr. iur. V. Lanfranconi was owed CHF 66,515 (2008 – CHF 540,089).

For the year ended 31 December 2009, the Group was charged CHF 284,550 (2008 – CHF 268,692) management fees and other charges for services rendered by Dr. iur. V. Lanfranconi.

For the year ended 31 December 2009, the Group was charged CHF 103,546 (2008 – CHF 123,904) other charges and expenses by RP&C.

During the year ended 31 December 2008, a loan of €2,000,000 was made to Ridgemont Holdings Limited, a wholly owned subsidiary of RPC International Inc. Interest totalling CHF 180,823 has been accrued during the year on this loan (2008 – CHF 144,000).

During the year a loan of €1,650,000 to Public Service Properties Investments Limited, a company in which the Group has a 25.16% shareholding. Interest totalling CHF 6,960 has been accrued in the year on this loan.

The following directors' fees were recognised in 2009 and 2008. Of these amounts, CHF Nil (2008 – CHF 42,275) was outstanding at the year end.

	2009 CHF	**2008 CHF**
Dr. Robert Bider	30,000	30,000
Mr. Armin Hilti	30,000	30,000
Dr. Volkert Klaucke	30,000	30,000
Mr. William Vanderfelt	30,000	30,000

The total compensation of key management are only directors fees in the total amount of CHF 120,000 (2008 – CHF 120,000) (Note 29).

26. EMPLOYEES

The Company had no employees at 31 December 2009 (2008 – none).

27. FINANCIAL COMMITMENTS

	2009 CHF	**2008 CHF**
Commitments for capital expenditure:		
Authorised and contracted for	nil	nil

28. SUBSEQUENT EVENTS

As referred to in Note 11, the Company received notice from one of its bankers on 5 March 2010 stating that the total value of the loan due to the bank was 74.5% of the collateral provided. This exceeded the 70% covenant referred to in the facility agreement with the bank, based on a valuation report prepared independently by JLL on its behalf. In order to bring the loan to value back to within the 70% prescribed in the facility agreement the Company would be required to repay approximately €6.6 million of the senior debt and incur other costs associated with any repayment. As a result, the bank informed the Company that a cash lock up event had occurred as the senior debt facility had not been reduced within the prescribed time. The effect of this notification was that the bank has blocked the surplus cash accruing for the benefit of the Company pending resolution of the covenant breach.

The Company has communicated to the bank its concerns over errors and overly conservative assumptions used in the new JLL valuation and is in discussion with both the bank and JLL to resolve the issue. The Company does not accept that a covenant breach has occurred if the valuation had been prepared on more reasonable assumptions. The Company has continued to meet all of its debt service covenants in respect of the borrowings and has met all other obligations from working capital resources. The bank has not declared an event of default, which would require the Company to repay all of the outstanding senior debt.

The Company has also informed the bank that it is in negotiations with other third party banks in order to refinance the senior debt.

On 26 March 2010, PSPI announced an Open Offer to raise £25 million (CHF41 million) through the issuance of approximately 35.6 million shares at a price of £0.70 (CHF 1.16) per share. The Group subscribed for 3.75 million shares at a cost of £2.63 million (approximately CHF 4.3 million). The Open Offer closed on 13 April 2010.

On 13 April 2010 PSPI repaid a loan to a subsidiary of the Company in the amount of €1.65 million plus accrued interest.

29. DISCLOSURE OF COMPENSATION AND PARTICIPATIONS OF BOARD OF DIRECTORS AND GROUP MANAGEMENT (As required by Art. 663b bis and Art. 663c. Swiss Code of Obligations)

2009	Basic Remuneration		Variable Remuneration		**Total**
All amounts in CHF					
Board of Directors (BoD)	Cash	Equities/ Options	Cash	Equities/ Options	
Dr.iur V. Lanfranconi	-	-	-	-	-
Dr. Robert Bider	30,000	-	-	-	30,000
Mr. Armin Hilti	30,000	-	-	-	30,000
Dr. Volkert Klaucke	30,000	-	-	-	30,000
Mr. William Vanderfelt	30,000	-	-	-	30,000
Mr. David Quint	-	-	-	-	-
Dr. Doraiswamy Srinivas	-	-	-	-	-
Total BoD	**120,000**	**-**	**-**	**-**	**120,000**
Group Management (GM)					
RP&C International Inc.	2,343,088	-	-	-	2,343,088
Total GM	**2,343,088**	**-**	**-**	**-**	**2,343,088**

Basic remuneration of Group Management relates to payments made by the Group in accordance with the asset management agreement.

On 31 December 2009, there were no loans or credit to individual members of the Board of Directors or Group Management.

As at 31 December 2009, the following numbers of participations were held by the Board of Directors and the Group Management (including persons closely related to these members):

All amounts in CHF	**Shares**	**Share Options**		
		Expiring 2010	**Expiring 2011**	**Expiring 2012**
Board of Directors (BoD)				
Dr. iur V. Lanfranconi	541,565	-	-	-
Dr. Robert Bider	-	-	-	-
Mr. Armin Hilti	1,992	-	-	-
Dr. Volkert Klaucke	-	-	-	-
Mr. William Vanderfelt	17,365	-	-	-
Mr. David Quint	-	-	-	-
Dr. Doraiswamy Srinivas	-	-	-	-
Total BoD	**560,922**	**-**	**-**	**-**
Group Management (GM)				
RP&C International Inc.	63,739	-	-	-
Total GM	**63,739**	**-**	**-**	**-**

29. DISCLOSURE OF COMPENSATION AND PARTICIPATIONS OF BOARD OF DIRECTORS AND GROUP MANAGEMENT (As required by Art. 663b bis and Art. 663c. Swiss Code of Obligations) (CONTINUED)

2008	Basic Remuneration		Variable Remuneration		**Total**
All amounts in CHF					
Board of Directors (BoD)	Cash	Equities/ Options	Cash	Equities/ Options	
Dr. iur. V. Lanfranconi	-	-	-	-	-
Dr. Robert Bider	30,000	-	-	-	30,000
Mr. Armin Hilti	30,000	-	-	-	30,000
Dr. Volkert Klaucke	30,000	-	-	-	30,000
Mr. William Vanderfelt	30,000	-	-	-	30,000
Mr. David Quint	-	-	-	-	-
Dr. Doraiswamy Srinivas	-	-	-	-	-
Total BoD	**120,000**	**-**	**-**	**-**	**120,000**
Group Management (GM)					
RP&C International Inc.	2,854,961	-	-	-	2,854,961
Total GM	**2,854,961**	**-**	**-**	**-**	**2,854,961**

Basic remuneration of Group Management relates to payments made by the Group in accordance with the asset management agreement.

On 31 December 2008, there were no loans or credit to individual members of the Board of Directors or Group Management.

As at 31 December 2008, the following numbers of participations were held by the Board of Directors and the Group Management (including persons closely related to these members):

All amounts in CHF	**Shares**	**Share Options**		
		Expiring 2009	**Expiring 2010**	**Expiring 2011**
Board of Directors (BoD)				
Dr.iur V. Lanfranconi	465,739	-	-	-
Dr. Robert Bider	-	-	-	-
Mr. Armin Hilti	1,586	-	-	-
Dr. Volkert Klaucke	-	-	-	-
Mr. William Vanderfelt	13,822	-	-	-
Mr. David Quint	-	-	-	-
Dr. Doraiswamy Srinivas	-	-	-	-
Total BoD	**481,147**	**-**	**-**	**-**
Group Management (GM)				
RP&C International Inc.	53,013	-	-	-
Total GM	**53,013**	**-**	**-**	**-**

30. SEGMENT INFORMATION

Year ended 31 December 2009	Investments in Government Tenanted Property CHF	Investments in Associated Undertakings CHF	Central Corporate Costs CHF	Total CHF
Revenue	13,350,031	-	-	13,350,031
Profit after tax	(158,619)	2,533,881	(5,376,214)	(3,000,952)
Assets				
Investment properties (Note 11)	273,479,102	-	-	273,479,102
Investments in associates (Note 12)	-	42,973,682	-	42,973,682
Cash	2,970,349	-	5,309,041	8,279,390
Segment assets for reportable segments	276,449,451	42,973,682	5,309,041	324,732,174
Liabilities				
Total borrowings (Note 18)	173,142,230	-	53,190,174	226,332,404
Segment liabilities for reportable segments	173,142,230	-	53,190,174	226,332,404

Year ended 31 December 2008	Investments in Government Tenanted Property CHF	Investments in Associated Undertakings CHF	Central Corporate Costs CHF	Total CHF
Revenue	13,954,325	-	-	13,954,325
Profit after tax	726,578	(188,590)	(5,893,471)	(5,355,483)
Assets				
Investment properties (Note 11)	271,428,571	-	-	271,428,571
Investments in associates (Note 12)	-	39,855,735	-	39,855,735
Cash	4,758,262	-	8,038,767	12,797,029
Segment assets for reportable segments	276,186,833	39,855,735	8,038,767	324,081,335
Liabilities				
Total borrowings (Note 18)	176,291,482	-	52,571,932	228,863,414
Segment liabilities for reportable segments	176,291,482	-	52,571,932	228,863,414

All revenue derived from Investments in Government Tenanted Property is derived from one external customer in Germany.

30.SEGMENT INFORMATION (CONTINUED)

Reportable segments' assets are reconciled to total assets as follows:

Year ended 31 December	**2009 CHF**	**2008 CHF**
Total reportable segment assets	324,732,174	324,081,335
Receivables and prepayments (Note 15)	44,291,109	40,620,131
Total assets per balance sheet	369,023,283	364,701,466

Reportable segments' liabilities are reconciled to total liabilities as follows:

Year ended 31 December	**2009 CHF**	**2008 CHF**
Total reportable segment liabilities	226,332,404	228,863,414
Derivative financial instruments (Note 16)	5,760,309	6,402,193
Other financial liability (Note 20)	3,729,137	3,699,447
Deferred taxation (Note 19)	3,261,836	2,817,594
Trade payables and accruals (Note 22 and 23)	3,827,013	5,356,873
Total liabilities per balance sheet	242,920,699	247,139,521

31. ASSESSMENT OF RISK (as required by Art. 663b bis Par 12, Swiss Code of Obligations)

Financial risk assessment and management is an integral part of the USI Group Holdings AG Group-wide enterprise risk management and is governed by policies reviewed by the Board of Directors. The policies provide guidance on operational risk limits, types of authorized financial instruments and monitoring procedures. Such monitoring procedures contain regular review of accounting policy assessment including changes in accounting policy, significant accounting matters, and items requiring significant management judgement and estimates. The implementation of the accounting policy, the adherence to the regulation and the monitoring on a day-to-day risk basis are carried out by the relevant accounting and treasury functions. Regular reporting on the review of the financial risk management is performed by the relevant accounting and controlling functions.

The Group has established a yearly process driven by management evaluating in detail financial risk assessment in the areas of accounting complexity, control environment, market dynamics, cultural and individual parameters. The major financial risks identified and therefore the most critical accounting policies consist of revenue recognition, accounting for acquisitions and strategic alliances, intangible assets and Impairments, accounting for associates, foreign exchange risk, equity based compensation and contingencies.

The major financial risks in the area of control environment consist of information systems complexity, outsourcing of critical processes, timely review of results, and the robustness of the documentation of processes. The major financial risks identified in the area of market dynamics consist of the local customs and practices, country specific risks and overall market dynamics.

32. BOARD APPROVAL

The consolidated financial statements on pages 7 to 42 are subject to approval by the AGM and have been authorised by the board of directors on 27 April 2010 and were signed on its behalf by:

Dr. iur. V. Lanfranconi, Chairman **Mr. Armin Hilti, Director**

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Report of the statutory auditor
to the general meeting of
USI Group Holdings AG
Zurich.

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements of USI Group Holdings AG which comprise the balance sheet, income statement and notes on pages 44 to 47, for the year ended 31 December 2009.

Board of Directors' Responsibility
The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements for the year ended 31 December 2009 comply with Swiss law and the company's articles of incorporation.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Patrick Balkanyi Audit expert Auditor in charge	Adrian Steiner Audit expert

Zurich, 27 April 2010

BALANCE SHEET
USI Group Holding AG

	2009 CHF	2008 CHF
ASSETS		
Cash and cash equivalents	4,626,926	4,694,818
Receivables third parties	1,334,340	969
Prepaid expenses	-	-
Inter-company	95,561,526	91,977,258
Marketable securities	1,144,164	567,240
Total current assets	**102,666,956**	**97,240,285**
Investments	4,327,978	4,327,978
Total non-current assets	**4,327,978**	**4,327,978**
TOTAL ASSETS	**106,994,934**	**101,568,263**
LIABILITIES		
Other current liabilities		
Shareholders	38,022	38,022
Accrued expenses	295,546	380,399
Total liabilities	**333,568**	**418,421**
Share capital	67,837,767	64,619,736
Legal reserves	27,555,232	25,681,043
Free reserves	13,855,839	14,335,468
Treasury shares	1,144,164	664,532
Accumulated deficit	(3,731,636)	(4,150,937)
Balance carried forward from prior year	-	-
Annual loss	*(3,731,636)*	*(4,150,937)*
Total shareholders' equity	**106,661,366**	**101,149,842**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**106,994,934**	**101,568,263**

INCOME STATEMENT
USI Group Holding AG

1 January – 31 December

	2009 CHF	2008 CHF
Other income	-	-
Other income		
Directors' fees	(84,557)	(84,552)
Professional fees	(409,092)	(371,726)
Tax consultancy	(11,621)	-
Audit fees	(132,563)	(96,000)
Listing fees	(8,958)	(8,917)
Insurance	(19,502)	(19,227)
Abort costs	(69,462)	-
Management charges	(2,343,088)	(2,854,960)
Capital tax expenses, reclaims and rent, maintenance and general administration	(477,205)	(532,732)
EBIT	**(3,556,048)**	**(3,968,114)**
Financial expenses	(80,255)	(114,063)
Foreign exchange losses	(96,955)	(70,440)
Financial income	1,622	1,680
Loss before income tax expenses	**(3,731,636)**	**(4,150,937)**
Income tax expense	-	-
NET LOSS	**(3,731,636)**	**(4,150,937)**

NOTES
USI Group Holding AG

To the financial statements at 31 December 2009

Disclosures required by Swiss law:

Company information

Capital reduction and reinvestment

During 2009 a capital distribution of CHF 8.90 per share took place that reduced the share capital of USI Group Holdings AG from CHF 64,619,736 (831,122 with a nominal value of CHF 77.75 each) to CHF 57,223,613 (831,122 shares with a nominal value of CHF 68.85 each). Additionally a reinvestment of CHF 3,098,319 (45,001 shares at par value of CHF 68.85) took place with a subscription price of CHF 110.00 per share.

Rights Issue and Private Placement

On 29 September 2009, the Group completed a rights offering during which 59,695 new registered shares were validly subscribed at a subscription price of CHF 110.00 and a nominal value of CHF 68.85 each. This increased the share capital of the Group by CHF 4,110,001 (59,695 shares with a nominal value of CHF 68.85). 86,325 shares for which subscription rights were not duly exercised during the rights exercise period were offered in a private placement.

On 21 October 2009, the Company placed 49,480 registered shares under the private placement at a subscription price of CHF 110.00 per share and a nominal value of CHF 68.85 each. This increased the share capital of the company by CHF 3,406,698 (49,480 shares with a nominal value of CHF 68.85)

Authorised Share Capital

The share capital may be increased by a maximum amount of up to CHF 17,996,357 until 26 May 2011 through the issuance of up to 261,385 fully paid in additional registered shares with a nominal value of CHF 68.85 each.

Conditional Share Capital

The share capital may be increased by a maximum of CHF 23,139,177 through the issuance of up to 336,081 registered shares with a nominal value of CHF 68.85 each in respect of conditional capital for management, advisors, bondholders and creditors.

During 2009 a reinvestment of 45,001 shares in the amount of CHF 3,098,319 took place.

Significant Shareholders

At the year end, the following significant shareholders were listed in the share register with shareholdings in excess of 5% of issued share capital.

	31.12.09	**31.12.08**
Dr. iur V Lanfranconi	54.96%	56.04%
Monkwell Investments Ltd (formerly USI Limited)	4.92%	5.84%
USI USA II	3.45%	4.88%
Esquire Banque Privėe (Suisse) SA	5.78%	6.85%

Guarantees

The Company has granted a guarantee for USIGH Limited in the amount of EUR 25 million and a joint surety for Healthcare Properties Etzelgut Ltd. in the amount of CHF 6 million.

Significant investments

Company name	**Domicile**	**Share capital**	**Shares held**	**Type of shares and nominal value**	**Owner-ship**
USIAG	Switzerland	CHF 15,000,000	150,000	Ordinary CHF 100	100%
USIGH Limited	British Virgin Islands	$0.02	2	Ordinary USD 0.01	100%

The companies are holding and finance companies.

Treasury Shares

Treasury Shares (in number of shares)	2009 Shares	2008 Shares	2009 CHF	2008 CHF
Balance at 1 January	**4,727**	-	**664,533**	-
Purchase of shares	6,353	4,727	721,857	664,533
Capital reinvestment	647	-	71,170	-
Par value capital reduction			(74,894)	-
Sale of shares	(1,812)	-	(238,502)	-
Balance at 31 December	**9,915**	**4,727**	**1,144,164**	**664,533**
Average price of shares purchased - CHF	**113.29**	**140.58**		
Average price of shares sold - CHF	**131.62**	-		

Assessment of Risk (art. 663b bis para. 12 CO)

USI Group Holdings AG, as ultimate parent Company of the group, prepares a centralised risk management system for the Group (including USI AG). This risk management system separates strategic risks from operative risks. All identified risks are quantified according to their realisation, probability and impact. These risks are the objective of an annual discussion process in the Group's Board of Directors and Audit Committee meetings. The identification and remediation of risks is a key management objective.

Risks that arise from the accounting and financial reporting process are included in the risk assessment process. The Internal Control System framework over financial reporting includes relevant control measures, which reduce the overall financial reporting risk. Non-financial reporting risks are categorised depending on their possible impact (low, average and high) and appropriately monitored.

DISCLOSURE OF COMPENSATION AND PARTICIPATIONS OF BOARD OF DIRECTORS AND GROUP MANAGEMENT (As required by Art. 663b and Art. 663c. Swiss Code of Obligations)

See Note 29

Proposal of the Board of Directors for appropriation of accumulated deficit at 31 December 2009

in CHF	
Accumulated deficit	
Accumulated deficit at 1 January 2009	(4,150,937)
Offsetting balance of accumulated deficit carry forward with legal reserve on general meeting of shareholders on 26 May 2009	4,150,937
Balance after general meeting of shareholders on 26 May 2009	-
Net loss 2009	(3,731,636)
Accumulated deficit	(3,731,636)
Offsetting balance of accumulated deficit carry forward with legal reserve	3,731,636
Accumulated deficit carried forward	-

Property Details

Name, address	*Owner* [1]	*Ownership status* [2]	*Approximate Year of construction*	*Year of renovation*	*% of leased usable space*	*As % of Investment Properties Portfolio*	*Gross lettable area M*[3]
Germany **Office Building - Behördenzentrum,, Free State of Saxony, Schongauerstrasse 1-17, 04328, Leipzig, Germany.**	USI GbR	FH	1995	-	100	100	50,707

1 USI Gbr = USI Verwaltungszentrum Leipzig GbR
2 FH = Freehold (100%)
3 Gross lettable area comprises 49,879 sqm of three office buildings plus 828 sqm single-storey facilities.

Significant Lessees of USI Group Owned Properties

Name of Lessee	Location	Details of leased properties	Lease period expiry date	Aggregate annual lease payments	Percentage of total lease payments to the USI Group:
Free State of Saxony	Leipzig, Germany	3 four-storey office buildings and 1 single-storey building.	March 2020	€ 8,938,728 (CHF 13,493,438*)	100.00%

Equity Ownership of the Company and/or the USI Group in Real Estate Companies

Other than the subsidiaries disclosed above, the Company and/or the USI Group do not own equity interests in any other real estate companies.

* Exchange rate based on EUR: CHF = 0.66245.

Independent Appraisal Firms and Valuation Methods

The USI Group has commissioned Botta Management AG for the purpose of estimating the fair value of the real estate holdings owned by the USI Group.

Valuation method of Botta Management AG ("Botta")

The valuation method of Botta is the discounted cash flow analysis. This method stems from the calculation of the capitalised income value of an undertaking. Thereby all future profits are converted into present cash value.

Capitalised Value of Property: With respect to the calculation of a property, all future estimated earnings and expenses (without interest on capital accounts and amortisation) are - as is the case when evaluating an undertaking - being collected. The difference between the respective earnings and expenses results in the cash flow. The cash flow can be positive or negative. This future cash flow is recalculated to the present value by using a cash equivalent factor. The later - expressed in years - this cash flow accrues, the worse the present value of such a cash flow is. Since properties represent very durable values, most properties still show a significant residual value after the examination period (normally 10 years) has expired. Thus, the residual value of the property has to be calculated at the end of the examination period. The residual value will then also be recalculated expressing the present cash value. The sum of all present cash values from the annual earnings and the cash value of the residual value results in the present capitalised income value of the property (DCF-value).

The sum of all cash values over a certain period of time and a possible residual value result in the capitalised income value of the undertaking.

The following basic data needs to be defined when applying this method:

i) Object: name of the property.

ii) Initial year: determination of the point in time, on which the calculation will be conducted. Normally this will be the present year.

iii) Examination period: as examination period as the duration of the lease – which means until 2020. Over this period exact information relating to the future earnings and expenses can normally be given. After the expiration of the lease, a residual value will be calculated and will be discounted from the current value.

iv) Discount factor: The discount factor is the interest rate by which future earnings are being discounted to the present value. Starting point for the determination of the interest rate is normally the actual sustainable interest rate for 10 year German Government Bonds. A risk premium is charged additionally. Thereby market risks relating to the property are accounted for. The risk premium varies for a normal customary property between 0.5% and 1.5%. Main factors are the location of the property with respect to the use and the risk of renting out. For purposes of valuing the Leipzig Property, a risk premium of 1.5% / 1.7% is applied. That is a very conservative assumption in view of the quality of the property. A discount factor of 4.8% was used for the valuation at 31 December 2009.

v) Capitalisation factor, Calculation of Residual Value: With this interest rate the residual value of the property can be calculated. The capitalisation factor is - depending on the examination period and the condition of the property – 0.2% higher than the discount factor at 5.0%

vi) For the calculation of the annual amounts, the effective rental income is reduced by costs of the lessor such as insurance, real estate tax and maintenance. These were assumed to be at 3.4% of rental income.

vii) General increase in renting costs: Thereby future general increase in prices with respect to earnings in connection with a property can be accounted for.

viii) General increase in costs: Thereby future general increases in prices with respect to expenses in connection with a property can be accounted for.

ix) Adjustment Amount: Here extraordinary expenses can be accommodated.

Market Value

With regard to the above, Botta are of the opinion that the Market Value of the subject property as at 31 December is **EUR 183,860,000** (in words: One Hundred Eighty Three Million, Eight Hundred and Sixty Thousand Euro)

Neither the Company nor any member of the USI Group has any relationship with this appraisal firm.

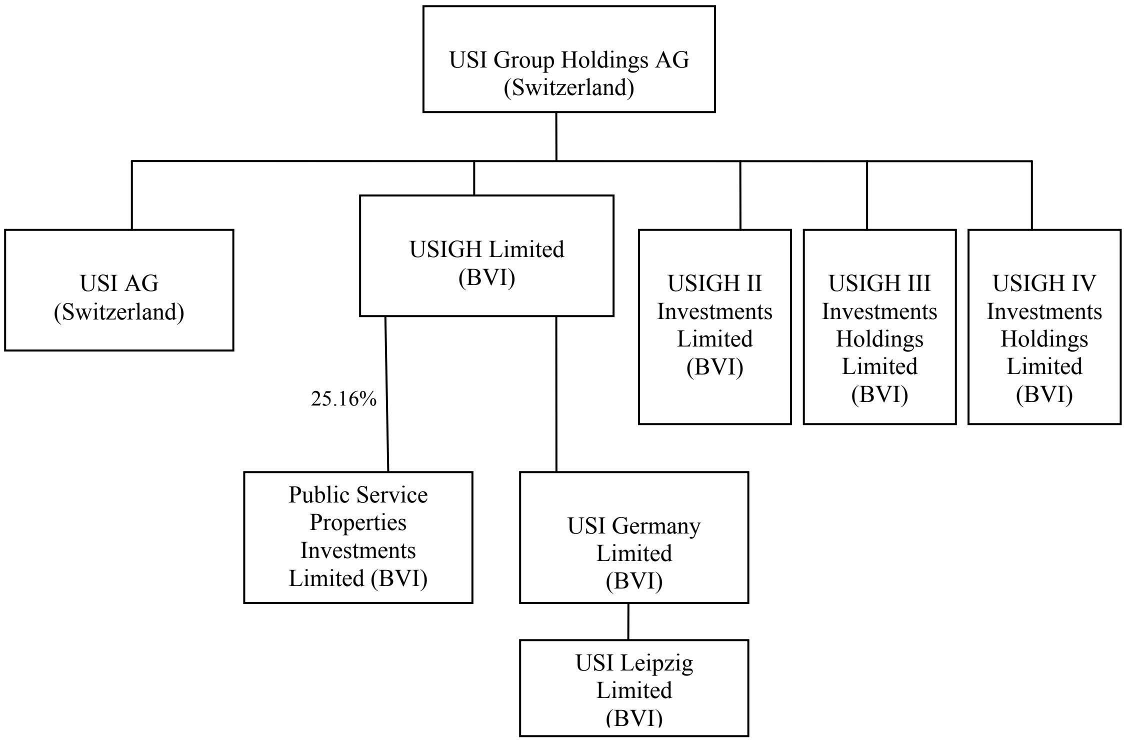
I Corporate Governance

This report describes certain key information relating to corporate governance at USI Group Holdings AG. The report's content and structure fulfil the requirements of the "Directive on Information Relating to Corporate Governance" of the SIX Swiss Exchange in force.

1 Group Structure and Shareholders

1.1 Group Structure

At 31 December 2009, the corporate structure of the group (the "**USI Group**") was as follows (for the internal organizational structure, refer to sections 3.3 and 4):



USI Group Holdings AG has its address at Bahnhofstrasse 106, 8001 Zurich, Switzerland. For its ISIN, Security Number and SIX Swiss Exchange Symbol see the end of this report, section 9. Its market capitalization as at 31 December 2009 amounts to CHF 117,250,046.

At 31 December 2009 the principal shareholdings of the USI Group were in the following non-listed companies:

Company	No of Shares Owned	Type of Shares and Nominal Value	Direct / Indirect Ownership %	Voting Rights %
USIGH Limited, Nerine Chambers, Road Town, Tortola, BVI, registered number 1039705	2	Ordinary US$ 0.01	100	100
USI AG, Bahnhofstrasse 106, 8001 Zurich, Switzerland	150,000	Ordinary CHF 100	100	100
USI Germany Limited, Nerine Chambers, Road Town, Tortola, BVI, registered number 1440436	1	Ordinary US$ 1.0	100	100
USI Leipzig Limited, Nerine Chambers, Road Town, Tortola, BVI, registered number 1417877	1,000	Ordinary no par value	100	100
USIGH II Investments Limited, Nerine Chambers, Road Town, Tortola, BVI, registered number 1439903	1	Ordinary US$ 1.0	100	100

USIGH III Investments Holdings Limited, Nerine Chambers, Road Town, Tortola, BVI, registered number 1531975	1	Ordinary US$ 1.0	100	100
USIGH IV Investments Holdings Limited, Nerine Chambers, Road Town, Tortola, BVI, registered number 1532071	1	Ordinary US$ 1.0	100	100

In addition, the Company had a minority participation of 25.16% in Public Services Properties Investments Limited (BVI) ("PSPI"), a property investment company listed on the Alternative Investment Market ("AIM") of the London Stock Exchange (ISIN: VGG729641024, Symbol: PSPI), as of 31 December 2009. The market value of this participation was £11,429,942 (CHF 18,892,466). As at 22 April 2010, this minority participation was reduced to 20.07%, as a result of a share capital increase by PSPI, in which the Company did not participate in proportion to its existing shareholdings. The participation has, as at 22 April 2010, a market value of approximately £15 million (approximately CHF 25 million).

The Company also owns 94.9% of a partnership USI Verwaltungszentrum Leipzig Gbr and has an option to purchase the remaining 5.1% of such partnership.

1.2 Significant shareholders

At 31 December 2009 the Company had the following major shareholders:

Name of Holder	No of registered shares with a nominal value of CHF 68.85	Percentage ownership of total equity capital and voting rights
Dr Victor Lanfranconi and Mrs Beatrix Lanfranconi Spaeti	541,565	54.97%
RP&C International (Guernsey) Limited[1] of PO Box 122, Helvetia Court, South Esplanade, St Peter Port, Guernsey GY1 4EE, Channel Islands	63,739	6.47%
Esquire Consolidated Limited[2]	56,948	5.78%
Equinox USI Limited[3] c/o Herndon Plant Oakley Limited, One Shoreline Plaza, 800 North Shoreline, Suite 2200, South Tower, Corpus Christi, Texas 78401, USA	48,019	4.87%
USI – USA I[4] 4571 Stephen Circle NW, Suite 200 Canton OHIO 44718 USA	34,037	3.45%
USI – USA II[5] 4571 Stephen Circle NW, Suite 200 Canton OHIO 44718 USA	40,595	4.12%
European Asset Value Fund 1 Boulevard Royal, L2449, Luxembourg	38,643	3.92%

[1] Shares held on behalf of RP&C International (Guernsey) Limited by Monkwell Investments Limited, as nominee.

[2] Of which 10,420 Shares held through Monkwell Investments Limited. The company is administered by Bachmann Trust Company Limited, PO Box 175, Frances House, Sir William Place, St Peter Port, Guernsey, Channel Islands GY1 4HQ. The balance of the shares are held through J. P. Morgan Securities Limited and J. P. Morgan (Suisse) S.A.

[3] Held through Monkwell Investments Limited. Candies Family Investment LLC owns 41% of Equinox USI Limited.

[4] Held through Monkwell Investments Limited. Henry S Belden IV, Marathon, Florida, USA, is a trustee of HSB Charitable Trust and BVB Charitable Trust, which in aggregate hold 72.1% of the shares of USI-USA I, Limited.

[5] Held through Monkwell Investments Limited. Henry S Belden IV, Marathon, Florida, USA, owns 54.5% of the shares of USI-USA II, Limited. In addition, he holds a 90% interest in Southgate Investment, which holds 28.1% of the shares of USI-USA II, Limited.

Treasury Shares	9,915	1.01%
Other existing shareholders	151,837	15.41%
Total	985,298	100%

1.3 Crossholdings

There are no cross-shareholdings between the Company and any other entity that would exceed 5% of capital or voting rights on both sides.

2 Capital structure

2.1 Capital

The Company's share capital amounts to CHF 67,837,767.30, divided into 985,298 registered shares with a par value of CHF 68.85, fully paid in.

The conditional capital for management and advisors amounts to CHF 3,155,326.65 and the conditional capital for bondholders and other creditors amounts to CHF 23,139,176.85.

The authorized capital amounts to CHF 17,996,357.25.

2.2 Authorized and conditional capital

2.2.1 Authorized capital

Pursuant to an authorization in Article 3c of the Company's articles of incorporation (the "**Articles**") the board of directors may increase the share capital in the amount of up to CHF 17,996,357.25 until 26 May 2011 through the issuance of up to 261,385 fully paid in additional registered shares with a nominal value of CHF 68.85 each. An increase in partial amounts is permitted. The date of issuance, the issue price, the payments with regard to the issue price, the dividend entitlement as well as the allocation of not-exercised subscription rights are determined by the board of directors. The board of directors may restrict or withdraw subscription rights in connection with mergers, acquisitions of interests, financing and/or re-financing of mergers or acquisitions of interests, or other investment projects, national or international placements of shares, conversion of loans or other equity securities into shares and for the broadening of the shareholder basis. The new registered shares are subject to the transfer restrictions specified in the Articles.

2.2.2 Conditional capital

According to Article 3a of the Articles the share capital may be increased conditionally by a maximum amount of CHF 3,155,326.65 through the issuance of up to 45,829 registered shares with a nominal value of CHF 68.85 each, which shall be fully paid in, in connection with the exercise of option rights granted to the management and advisors of the company or its subsidiaries. The subscription rights of the shareholders shall be excluded. The conditions of the option rights, the issue price, the dividend entitlement as well as the type of contribution are determined by the board of directors. The acquisition of registered shares through the exercise of option rights as well as every subsequent transfer of these shares are subject to the registration requirements set forth in the Articles.

Furthermore, pursuant to Article 3b of the Articles the share capital may be increased conditionally by a maximum amount of CHF 23,139,176.85 through the issuance of up to 336,081 registered shares with a nominal value of CHF 68.85 each, which shall be fully paid in, in connection with the exercise of conversion rights, warrant rights or option rights which will be or have been granted to bondholders or other creditors of the company or its subsidiaries. The subscription rights of the shareholders shall be excluded. The conditions of the option rights and of the conversion rights, the issue price, the dividend entitlement as well as the type of contribution shall be determined by the board of directors. The board of directors may restrict or withdraw the right for advance subscription (*Vorwegzeichnungsrecht*) of the shareholders in connection with (i) the financing (refinancing inclusively) of acquisitions of enterprises or parts thereof, participations or other investment projects of the company and/or its subsidiaries or (ii) the listing of option or conversion rights on national or international capital markets. In the event that the right of advance subscription (*Vorwegzeichnungsrecht*) will be withdrawn, (i) the bonds or bonds warrants (*Anleihen oder Optionsanleihen*) have to be placed in the public at market conditions, (ii) the period of time for exercising the conversion and the option rights after the issue has to be fixed, the maturity may not exceed 10 years for conversion rights and option rights, (iii) the exercise price of the new registered shares must be fixed according to market conditions at the time of the issue. The acquisition of registered shares through the exercise of conversion and/or option rights as well as every subsequent transfer of these shares shall be subject to the registration requirements set forth in the Articles. Part of this conditional capital has been reserved for issues of shares pursuant to the securities referred to in section 2.7.1.

2.3 Changes in capital in the past three years

On 30 May 2007, the general meeting of shareholders resolved to reduce the share capital of the Company from CHF 74,338,282.20 by CHF 6,924,235.60 to CHF 67,414,046.60 by reduction of the par value of each of its shares from CHF 95.55 to CHF 86.65.

In connection with the Company's re-investment scheme the board of directors resolved on 28 August 2007 to increase the share capital out of the authorized capital in the amount of CHF 1,971,634.10 from CHF 67,414,046.60 to CHF 69,385,680.70 through the issuance of 22,754 registered shares with a par value of CHF 86.65 each.

On 27 May 2008, the general meeting of shareholders resolved to reduce the share capital of the Company from CHF 69,385,680.70 by CHF 7,126,746.20 to CHF 62,258,934.50 by reduction of the par value of each of its shares from CHF 86.65 to CHF 77.75.

In connection with the Company's re-investment scheme the board of directors resolved on 11 September 2008 to increase the share capital out of the authorized capital in the amount of CHF 2,360,801 from CHF 62,258,934.50 to CHF 64,619,735.50 through the issuance of 30,364 registered shares with a par value of CHF 77.75 each.

On 26 May 2009, the general meeting of shareholders resolved to reduce the share capital of the Company from CHF 64,619,735.50 by CHF 7,396,985.80 to CHF 57,222,749.70 by reduction of the par value of each of its shares from CHF 77.75 to CHF 68.85.

In connection with the Company's re-investment scheme the board of directors resolved on 3 September 2009 to increase the share capital out of the authorized capital in the amount of CHF 3,098,318.85 from CHF 57,222,749.70 to CHF 60,321,068.55 through the issuance of 45,001 registered shares with a par value of CHF 68.85 each.

In connection with the Company's rights issue pursuant to the prospectus dated 30 September 2009 the board of directors resolved on 1 October 2009 to increase the share capital out of the authorized capital in the amount of CHF 4,110,000.75 from CHF 60,321,068.55 to CHF 64,431,069.30 through the issuance of 59,695 registered shares with a par value of CHF 68.85 each.

In connection with the Company's private placement pursuant to the prospectus dated 30 September 2009 the board of directors resolved on 26 October 2009 to increase the share capital out of the authorized capital in the amount of CHF 3,406,698.00 from CHF 64,431,069.30 to CHF 67,837,767.30 through the issuance of 49,480 registered shares with a par value of CHF 68.85 each.

2.4 Shares and participation certificates

As at 31 December 2009, the Company has 985,298 registered shares with a par value of CHF 68.85, fully paid in. The shares rank equally among each other in all respects (including in respect of entitlements to dividends and liquidation proceeds). Each share confers one vote in the shareholders' meeting.

The Company has not issued any participation certificates.

2.5 Profit sharing certificates

The Company has not issued any profit sharing certificates.

2.6 Limitation on transferability and nominee registration

2.6.1 Limitations on transferability for each share category; indication of statutory group clauses and rules for granting exceptions

The board of directors can refuse the approval of an acquirer of registered shares as a shareholder with the right to vote, if the holdings of the shareholder together with his shares already registered exceed the limit of 2% of all the shares recorded in the commercial register. Legal entities and associations that are linked together by capital, voting power, management or in other manner, as well as all persons, entities and partnerships that are acting in concert with a view to circumvent the percentage limit, are deemed one person.

2.6.2 Reasons for granting exemptions in the year under review

There have been no exemptions from the limitations on transferability of shares (see section 2.6.1) granted in the year under review.

2.6.3 Nominee registration

Pursuant to the Articles, the board of directors can register nominees as shareholders with the right to vote, based on separate regulations or individual agreements.

2.6.4 Procedure and conditions for cancelling statutory privileges and limitations on transferability

The Articles do not provide for any privileges. The limitations on the transferability of shares (see section 2.6.1) may be abolished by a vote of the absolute majority of the shares represented at a shareholders' meeting.

2.7 Convertible bonds and warrants/options

The Company has not issued any convertible bonds, warrants or options, other than mentioned in the following section.

2.7.1 CHF 15,000,000 of 3.5% Convertible Bonds Due 2011

In October 2006, USIGH Limited issued CHF 15,000,000 of convertible bonds due 2011 (the "**Bonds**"), some of them with warrants ("**Warrants**"). The Bonds have a principal amount of CHF 1,000, a cash coupon of 3.5%, a yield to maturity (including redemption premium) of 6.25% and a conversion price of CHF 175.26. 42,505 Warrants are outstanding, each of which is exercisable into one share at a price of CHF 152.20 per share and expires on 31 October 2010.

Subject to adjustment under their terms, 85,587 registered shares with a nominal value of CHF 68.85 each of the Company would have to be issued under the terms of the Bonds if all bondholders fully exercised their conversion rights. Subject to adjustment under their terms, 42,505 registered shares with a nominal value of CHF 68.85 each of the Company would have to be issued if all warrantholders fully exercised their Warrants. By 31 December 2009, no shares have been issued under the Bonds and Warrants.

3 Board of Directors

The members of the board of directors (the "**Board**") are responsible for the overall management and operation of the Company. The Board consists of 7 individuals.

	Nationality	Function	Member since	End of tenure
Non executive members				
Armin Hilti	CH	member	1983	2011
William W. Vanderfelt	GB	member	2005	2010
Dr Robert Bider	CH	member	2005	2011
Dr Volkert Klaucke	D	member	2005	2011
Executive members				

Dr. iur. Victor Lanfranconi	CH	chairman	2005	2011
Dr Doraiswamy Srinivas	USA/GB	member	2005	2010
David Quint	USA/GB	member	2005	2012

3.1 Members of the Board

Dr iur. Victor Lanfranconi, Swiss citizen, Executive Chairman and CEO, trained as a Swiss lawyer specializing in international corporate and contract law. Dr Lanfranconi has over 30 years of experience in property investments ranging from warehouses to luxury apartments, nursing homes, hospitals and US postal facilities. In addition, Dr Lanfranconi has served on the boards of directors of healthcare facilities in Switzerland and Germany. Dr Lanfranconi studied law at the University of Zurich and the University of Basel.

Dr Doraiswamy Srinivas, U.S./UK citizen, Director of Investor Relations, is Chief Operating Officer of RP&C International Inc ("RP&C") and is a director of RP&C and related companies. He has advised the USI Group since 1989 and has been a director of various USI Group subsidiaries for more than 10 years. Dr Srinivas previously served as Managing Director, Corporate Finance at SBCI Swiss Bank Corporation Investment Bank in New York where he was responsible for private placements and structured finance in North America. He subsequently held similar positions at Leu Securities and Guinness Mahon Capital Markets (now Investec) in London. Dr Srinivas attended the University of St. Gallen and the Columbia Business School. He holds a doctorate in finance and economics.

Mr David Quint, U.S./UK citizen, is a co-founder and Chief Executive Officer of RP&C. Prior to founding RP&C in 1992, Mr Quint served as Managing Director of Belden & Blake Corporation's United Kingdom subsidiary and as an attorney with Arter & Hadden. Mr Quint is a graduate of the University of Notre Dame where he received a degree in Modern Languages and a Juris Doctorate. He is also a non-executive director of Global Energy Development plc.

Mr Armin Hilti, Swiss citizen, was Chief Financial Officer and member of the management of Scana Lebensmittel AG, Regensdorf (Switzerland), a former subsidiary of the Company. Mr Hilti substantially contributed to the success of this company and its former Swiss and Belgian subsidiaries.

Mr William W. Vanderfelt, UK citizen, is a former Managing Director of the Petercam Group, Belgium, a leading independent member firm of Euronext, Brussels. He serves as a director of Renaissance US Growth Investment Trust PLC and Chairman of Vietnam Opportunity Fund. He is also a director of RP&C.

Dr Robert Bider, Swiss citizen, has over 30 years of experience in the healthcare industry. He holds a PhD in Technical Sciences and a Masters in Industrial Management (MIM) from the Federal Institute of Technology, Zurich. He started his career in the management sector of the University Hospital, Zurich, and became head of the consulting department of the Swiss Hospital Institute, Aarau. Thereafter he joined the Hirslanden Group in 1985 as the Managing Director of Clinic Hirslanden. In 1990 he started a national expansion strategy and became CEO of the Hirslanden Group which is now comprised of 13 private hospitals. He was elected as a board member of Hirslanden in June 2001. Dr. Bider is presently associated with Rhino Partners AG, a leading Swiss mid-market private equity house, offering capital, expertise and an extensive network to mid-sized Swiss companies in the context of succession solutions or spin-outs. He is also a board member of Grand Hotels Bad Ragaz, Medi-Clinic Switzerland AG and Medi-Clinic Corporation Limited. Dr. Bider is also chairman of SENIOcare, the largest group of nursing homes in Switzerland.

Dr Volkert Klaucke, German citizen, has over 30 years of experience in investment banking. He worked for nearly 20 years at Deutsche Bank in Luxembourg, Tokyo, New York and Frankfurt where he was primarily responsible for corporate finance and mergers and acquisitions. Dr Klaucke joined Pricewaterhouse, Frankfurt in 1991 as a Partner and Member of the Corporate Finance Executive Committee for Europe. From 1994-1995, he was Managing Director of Mees Pierson, Germany. Dr Klaucke has served on the boards of directors and advisory committees of various European and American corporations including Caisse Depot et Consignation Gmbh in Frankfurt, Deutsche Börse in Düsseldorf and Vespucci Income Shares Inc. (a subsidiary of Munich Re) in New York. Dr Klaucke holds a doctorate in Business Management from the University of Hamburg. Dr Klaucke is also a member of the board of the German Foundation against World Hunger.

None of the non-executive directors have been members of the management of the Company or one of the Company's subsidiaries in the three financial years preceding the period under review, other than William W. Vanderfelt who is a non-executive director of USIGH Limited.

None of the non-executive directors have significant business connections with the Company or any of the Company's subsidiaries other than William W. Vanderfelt who is a non-executive director of RP&C.

3.2 Elections and terms of office

Pursuant to the Articles, the members of the Board shall hold office for at most three years. A year shall be the period from one ordinary shareholders' meeting to the next. The tenure of office is defined separately for each member of the Board and is usually three years. Members elected in a by-election step into the tenure of office of their predecessors. Members of the Board may be re-elected after their tenure of office expires, without limitation.

The remaining term of office for each member of the Board is disclosed above (before section 3.1).

3.3 Internal organizational structure

3.3.1 Board

The Board may take decisions on all matters which by law or the Articles are not allocated to the general meeting of shareholders (Article 698 of the Swiss Code of Obligations (hereinafter "**CO**")).

According to the internal organizational regulations of the Company of 27 July 2005, as amended on 20 July 2006 (hereinafter the "**Regulations**"), the Board acts, in principle, as a collective body. Its members may not act alone on behalf of the Company and may not give instructions on their own, except where the Articles, the Regulations or a decision of the Board otherwise permit.

Each year at the first meeting following the annual general meeting of shareholders, the Board appoints a chairman (the "**Chairman**"). The Board chooses the secretary, who may or may not be a member of the Board. Re-election of any member is permitted for any position.

The Chairman has the following duties:

- chairing meetings of the Board and general meetings;
- determining the agenda for meetings of the Board except in cases where proposals are made by other members of the Board;
- representation of the Board to the public, to public authorities and to the shareholders;
- supervision of the execution of measures which have the approval of the Board;
- preparation of amendments to the Articles, conduct of the voting procedures and other matters to be addressed at any general meeting;
- in association with RP&C, preparation of materials concerning strategic planning, short-term corporate goals, financial planning and budgets to be approved by the Board;
- decisions concerning non-budgeted investments and expenditures up to CHF 2.25 million and up to CHF 100,000 respectively; and
- decisions requiring urgent action or in exceptional circumstances which would otherwise be addressed by the Board, the nomination and compensation committee or the audit committee. Such decisions shall be submitted for approval to the responsible bodies as soon as possible.

3.3.2 Committees

The Board has formed two committees, the audit committee (hereinafter the "**Audit Committee**") and the nomination and compensation committee (hereinafter the "**Nomination and Compensation Committee**"), which consist of members of the Board, a majority of whom are independent non-executive directors. Each committee must report to the Board on a regular basis, not less than once a year.

3.3.2.1 Audit Committee

The Audit Committee consists of Dr Klaucke, the chairman of the Audit Committee, Mr Hilti and Dr Srinivas.

The responsibilities of the Audit Committee are determined in a special Audit Committee Charter. The Committee's primary duties are to:

- review the semi-annual and annual financial statements and consider whether they are complete and reflect appropriate principles;
- monitor the integrity and effectiveness of the Company's financial reporting process and systems of internal controls regarding finance and accounting, operational processes as well as manual and automatic finance and accounting data processing;
- oversee the qualifications of the public accounting firm engaged as the Company's independent auditor to prepare or issue an audit report on the financial statements of the Company;
- monitor the independence and performance of the Company's external and internal auditors (if any);
- provide for appropriate communication among the independent external auditors, RP&C and the Board;
- review and monitor the Company's financial strategies and procedures; and
- report to the Board on the Committee's activities and findings.

The Board has not delegated any decision-making powers to the Audit Committee.

The Audit Committee has the authority to conduct or authorize investigations into any matter within the scope of its duties and responsibilities pursuant to the Audit Committee Charter. It is empowered to:

- retain outside counsel, accountants or other experts to advise the Committee or assist it in the conduct of an investigation;
- seek any information it requires from RP&C or from the Company's employees – all of whom are directed to cooperate with the Committee's requests – or external parties;
- meet with RP&C, external auditors or outside counsel, as deemed necessary or appropriate.

3.3.2.2 Nomination and Compensation Committee

The Nomination and Compensation Committee consists of Dr Lanfranconi, the chairman of the Nomination and Compensation Committee, Mr Vanderfelt and Dr Bider.

The responsibilities of the Nomination and Compensation Committee are determined in a special Nomination and Compensation Committee Charter. Its primary duties are to:

- assist the Board in discharging its responsibilities relating to compensation of Directors of the Company;

- approve or establish proposals for all compensation plans, policies and programs relating to compensation and benefits for directors and direct employees (if any);

- propose to the Board compensation of directors and direct employees (if any);

- ensure that newly elected directors receive the appropriate introductions and orientation and the elected directors receive the adequate continuing education and training to fully discharge their obligations;

- assist the Board in identifying individuals who are qualified to become Board members, when vacancies arise;

- recommend to the Board the director nominees for the next annual shareholders' meeting;

- recommend to the Board a set of corporate governance principles to be published in a directive on corporate governance;

- prepare any disclosure statement on compensation and corporate governance required by applicable law, regulations or the rules of a stock exchange on which the Company's shares are listed or traded;

- lead the Board in its annual review of the Board's performance; and

- recommend to the Board director nominees for each committee.

The Board has not delegated any decision-making powers to the Nomination and Compensation Committee.

The Committee has the authority to conduct or authorize investigations into any matter within the scope of its duties and responsibilities pursuant to the Nomination and Compensation Committee Charter. It is empowered to:

- retain outside counsel, accountants or other experts to advise the Committee or assist it in the conduct of an investigation;

- seek any information it requires from the Company's employees – all of whom are directed to cooperate with the Committee's requests – or external parties;

- meet with RP&C, external auditors or outside counsel, as deemed necessary or appropriate.

3.3.3 Work methods of the Board and its committees

3.3.3.1 Board

The Chairman, or the secretary, convenes the meetings of the Board as often as business affairs of the Company require, usually not less than four times each year. Meetings are also held by telephone conference and actions may be taken pursuant to circular resolutions, if no member of the Board requests in writing that the item to be resolved or discussed be considered at a meeting. The usual length of the meetings is 1-2 hours. In the year under review 5 meetings were held. At all of the meetings, senior officers of RP&C (in addition to the executive directors of the Company) were present, and external legal consultants attended all meetings at the invitation of the Chairman.

The Nomination and Compensation Committee reports its actions at the next meeting of the Board. The Audit Committee reports to the Board as required at each Board meeting about its activities, decisions, findings and recommendations. It reports at least semi-annually on the interim and final accounts at the board meeting which approves such accounts. Their primary duties and responsibilities are set out above (see section 3.3.2).

3.3.3.2 Audit Committee

In the year under review two meetings were held. The usual length of the meetings is 1 hour. A senior officer of RP&C (in addition to the members of the Audit Committee) attended both meetings held in the year at the invitation of the Chairman.

The Board of Directors annually reviews the selection of the auditors in order to propose their appointment to the General Meeting. The Audit Committee assesses the effectiveness and the quality of the auditor based on the reports received and general discussions.

PricewaterhouseCoopers AG monitors its independence throughout the year and confirms this to the Audit Committee annually.

PricewaterhouseCoopers AG presents at the audit committee meetings a detailed planning report and a detailed report on the conduct of the audit of the financial statements. This details findings on material financial accounting and reporting issues in addition to findings on the Group's internal control system (ICS).

3.3.3.3 Nomination and Compensation Committee

The usual length of the meetings is 1 hour. In the year under review no meeting was held.

3.4 Definition of areas of responsibility

The Board has the responsibilities and duties set forth in the CO, in particular in Article 716a CO.

Furthermore, the Regulations state that the following matters shall be reserved to the Board:

- passage of resolutions regarding any authorised capital increases as well as any resulting amendments to the Articles;
- determination of the beginning and the end of each fiscal year of the Company pursuant to the Articles;
- the adoption of any stock option plan and the issuance of shares to option holders on exercise of such options;
- the formation, acquisition, merger, sale and/or liquidation of subsidiaries with a value in excess of CHF 2.25 million;
- the acquisition, sale and hypothecation of assets with a value in excess of CHF 2.25 million;
- the initiation and/or settlement of judicial and administrative proceedings or disputes of any nature with a value in excess of CHF 100,000;
- business decisions of a long-term nature or which involve unusual or extraordinary risks;
- the approval of expenditures or obligations in excess of CHF 100,000 for individual transactions or CHF 1,000,000 in the aggregate in any one fiscal year, unless such expenditures do not exceed the budget or other Board approved guidelines;
- the entry into any transaction which is not in the ordinary course of business of the Company, including any sale or lease of the Company's assets in excess of CHF 2.25 million;

- the entry into new projects with expenditures or obligations in excess of CHF 2.25 million, unless such projects have been approved in the Company's budget or other Board approved documents;

- the conclusion of any merger arrangements between the Company and any other entity or the decision to wind up or liquidate the Company, including any proposals to be made to shareholders at a general meeting of shareholders regarding the merger, liquidation or winding-up of the Company;

- the formation or acquisition of interests in other companies, irrespective of their legal form, or the purchase of other businesses in whole or in part if the value of any such purchase exceeds CHF 2.25 million;

- regarding subsidiaries of the Company:

  the execution, alteration or termination of articles of association;

  the voluntary liquidation, merger or continuation of a subsidiary after the occurrence of any matter requiring its liquidation;

  the approval of the annual accounts and the distribution of dividends or other distributions to shareholders, or the exercise of any other shareholders' rights;

  the appointment and/or termination of managers and Board members as well as the execution, alteration or termination of employment or pension arrangements with managers or Board members;

  the resolution of matters which, pursuant to law or the articles of association, require the approval of the shareholders.

- any participation in revenues or profits of the Company in any form except commissions which can be viewed as usual in the trade, or the provision of benefits or remuneration to individual employees in excess of CHF 50,000 p.a.;

- the grant of pension entitlements to any employees;

- any decisions concerning the appointment of the management;

- borrowing in excess of CHF 500,000;

- the grant of a loan or the creation of a contingent liability to, or in respect of, third parties in excess of CHF 500,000;

- the approval of any transaction between the Company and members of the Board;

- the adoption and/or alteration of the Regulations.

In accordance with Article 716b CO, and subject to inalienable and reserved matters as described above, the Board has delegated the management to a third party, whose responsibilities are set out below, (see section 4).

3.5 Information and control instruments vis-à-vis senior management

The management provides the Chairman with a copy of management accounts on a quarterly basis. In addition, the management provides each member of the Board, within 60 days after the end of each interim reporting period, with a provisional half-yearly report and, within 90 days after the end of each fiscal year, with a provisional annual report.

Furthermore the management informs the Board at each Board meeting of all current matters, important events and deviations from the budget. Extraordinary transactions and issues must be reported by the management to the Board immediately. Each member of the Board is entitled to request and receive information on all matters of the Company and has access to the Company's and the Company's subsidiaries' property, records and personnel. Board members may make use of this possibility by requesting documents, in particular in the area of financial planning and reporting.

The Audit Committee's primary duties and its authority are set out above (see section 3.3.2.1). The Company has not appointed an internal audit function; its risk management is described in the notes to the consolidated annual financial statements, section 3.

4 Senior management

Pursuant to the Regulations, the responsibility for the day-to-day management and ongoing operations is vested with the management, which remains under the supervision of the Board. Members of management are appointed by the Board and serve at the discretion of the Board, subject to any applicable agreement.

RP&C was appointed as the USI Group's exclusive manager, adviser and administrator under the management agreement between the Company and RP&C, amended as of 1 June 2007 (the "**Management Agreement**"). RP&C is also responsible for identifying, advising on the acquisition of, financing and monitoring the USI Group's properties.

RP&C is an investment banking firm established in 1992 to provide specialist advisory services and financial solutions to public and private companies.

Without the prior consent of the Company, RP&C shall not assign, subcontract or delegate the performance of its duties to any other person except for certain administrative functions such as accounting tasks. Notwithstanding the foregoing, the Company approves the delegation of certain advisory functions to RP&C's subsidiaries, RP&C International Limited and RP&C International (Securities) Inc, and certain administrative functions to Legis Corporate Services Limited.

4.1 Members of the senior management of RP&C

Mr David Quint **(see section 3.1)**

Dr Doraiswamy Srinivas **(see section 3.1)**

Ralph Beney 49, English citizen, the Finance Director of RP&C and Chief Financial Officer of USI Group, was previously a Director of Guinness Mahon Capital Markets in London, where he was responsible for fund advisory relationships and structured finance as well as for accounting for the capital markets division. Prior to joining Guinness Mahon in 1993, Mr. Beney spent seven years as the Chief Financial Officer of various Bank Leu subsidiaries. He is a Chartered Accountant and a member of the Securities Institute.

Richard Borg 43, English citizen, the General Counsel of RP&C and of the USI Group, was previously a solicitor at Norton Rose in London, where he was a member of the Corporate Finance Department specializing in investment funds. He also serves as a director, officer and registered representative of RP&C International (Securities) Inc. Mr. Borg read law at the University of Oxford.

4.2 Other activities and vested interests

Important other activities and vested interests of the members of the senior management of the Manager are described in their individual profiles as appropriate (see sections 3.1 and 4.1).

4.3 Management contract

According to the Management Agreement between the Company and RP&C, the Company has appointed RP&C to be the USI Group's exclusive manager, adviser and administrator. RP&C is domiciled at c/o RP&C International Limited, 31a St. James's Square, London, SW1Y 4JR, United Kingdom. RP&C is entitled to receive from the Company an annual management fee equal to 2% of the consolidated net asset value of the USI Group less 1% of cash and cash equivalents as determined from time to time in accordance with the provisions in the Management Agreement.

The Management Agreement has no fixed term. The Company can terminate the appointment of RP&C, *inter alia*, by giving not less than 36 months' written notice to RP&C.

4.3.1 Duties of RP&C as manager and adviser

Pursuant to the Management Agreement, RP&C has the following duties as manager and adviser to the Company:

- advising the Company on its business plan and strategy, including the generic identification of properties which meet the criteria laid down by the Board for acquisitions from time to time;
- monitoring operation of the assets, liaising with the operators of the assets, and reporting to the Board with respect thereto;
- advising the Company generally in connection with conditions in the capital markets;
- carrying out reviews and evaluations of the assets whenever RP&C shall deem such actions are necessary or when the Company shall reasonably so require;
- advising generally on the holding of investments and assets;
- advising and instructing the administrator on administrative requirements in order to implement the Board's decisions;
- co-operating with the custodian with respect to the performance of its duties;
- instructing the administrator to pay out of the investments of the USI Group such amounts as may be required from time to time in order to enable RP&C to perform its duties under the Management Agreement and to discharge the proper expenses of the USI Group. In this connection, and for these purposes, RP&C is authorized to give instructions with respect to the bank accounts of the USI Group and to instruct bankers of the USI Group as to deposits and currencies;
- supplying, as and when requested by the Company, such information as may be in its possession or may reasonably be obtained or provided by it;
- providing to the Company on a quarterly basis a detailed breakdown of the composition of the assets and investments including a summary of all transactions undertaken during the previous quarter as well as an analysis of current market conditions;
- attending quarterly meetings of the Board for the purposes, *inter alia*, of discussing the information provided as described above; and
- providing the Company with such additional advice as the Board shall require for the purposes of properly assessing its assets and investments.

Subject to the terms of the Management Agreement and to such directions as may from time to time be given by the Board, RP&C is authorized to act for the companies of the USI Group and on their behalf either by itself or through its authorized agents in the same manner and with the same force and effect as the companies of the USI Group might or could do.

RP&C shall keep or cause to be kept on behalf of the Company such records and statements as shall give a complete record of all transactions carried out by RP&C on behalf of the companies of the USI Group in relation to the investments and the assets, including such records as will enable the Company to publish its yearly and half-yearly report and accounts, and as are otherwise reasonably required by the Company in the proper discharge of its obligations to shareholders and creditors. RP&C shall permit the Company and its agents and auditors to inspect such records and statements at all times.

4.3.2 RP&C's authority and obligations

Pursuant to the Management Agreement, subject to the prior approval of the Board, RP&C has the authority, power and right, for the account of and in the name of the USI Group, to implement the investment policy laid down by the Board from time to time in respect of the USI Group's investments and assets. In that connection, RP&C is authorized:

- to issue orders and instructions with respect to the investments and assets;

- to exercise rights for the account of the companies of the USI Group and effect transactions on behalf of, and for the account of, the companies of the USI Group in connection with any such assets or investments;

- to implement borrowings and the sale of debt and/or equity securities of the companies of the USI Group as authorized from time to time by the Board; and

- to enter into, make and perform on behalf of the companies of the USI Group all contracts, agreements and other undertakings as may, in the opinion of RP&C, be necessary or advisable or incidental to carrying out the objectives of the Management Agreement (subject to the prior approval of the Board in certain cases as described in section 3.4 above).

4.3.3 Duties of RP&C as administrator

Pursuant to the Management Agreement, RP&C has the following duties as administrator to the Company:

- maintaining and establishing necessary accounting records of the USI Group;

- maintaining all necessary books and records of the USI Group required by law or deemed necessary for the proper operation of the assets and investments. Such documents shall be kept in accordance with statutory provisions for the time being in force and the Articles;

- preparing and delivering all statutory returns to the registrar of companies and other competent authorities and performing all duties and services normally performed by the secretary of a company;

- preparing monthly statements and annual accounts of the USI Group and submitting the latter promptly to the Board and to the auditors of the USI Group for audit;

- dispatching to shareholders, to creditors, to directors and to the auditors of the USI Group such circulars, notices of meetings, reports, financial statements and other written material as may be required or as may be requested from time to time by the Board;

- informing the Board from time to time of all amounts due and payable by the USI Group and paying on behalf of the USI Group and from the USI Group's funds all costs, expenses and taxes properly charged to or levied on the USI Group;

- collecting any and all amounts due to the USI Group and applying to relevant authorities for any tax rebates and other payments which may be due to the USI Group;

- upon the instruction of the Board, taking out and maintaining in the USI Group's name such policies of insurance as the Board shall determine to be appropriate;

- submitting to the Board such reports and information as it may reasonably require from time to time and, in consultation with the Chairman of the Board, preparing an agenda in advance of each Board meeting and distributing a copy of it together with any supporting papers to members of the Board prior to each meeting;

- preparing and circulating draft minutes of meetings for approval by the Board;

- preparing tax computations of the USI Group at the end of each financial year and submitting them to the auditors and appropriate taxation authorities;

- monitoring the custodian and otherwise supervising and administering all bank accounts and investments of the USI Group and performing the treasury activities of the USI Group; and

- with the agreement of the Board, retaining and supervising such outside firms of auditors, lawyers, taxation advisers or other agents as shall be deemed desirable to properly administer the assets and investments and/or to discharge RP&C' duties.

5 Compensations, shareholdings and loans

5.1.1 Content and method of determining compensation and shareholding programs

The Nomination and Compensation Committee is competent to establish the Company's general compensation policy for directors and direct employees (if any). The Board determines, upon proposal by the Nomination and Compensation Committee, the amount of any remuneration payable to its members.

The compensation of RP&C is determined in the Management Agreement (see section 4.3).

5.1.2 Compensation

Armin Hilti, Dr. Robert Bider and Dr. Volkert Klaucke receive a flat fee of CHF 30,000 per annum before statutory deductions for their services as non executive members of the Board. The annual compensation provided by the Company to these Board Members was decided in 2005; it has no performance-related component. Dr Lanfranconi receives no fee for his services as executive member of the Board; however, he is reimbursed for office, secretarial and related expenses in the amount of CHF 284,550 for the year ended 31 December 2009.

Dr Doraiswamy Srinivas and David Quint are members of the Board of the Company, RP&C and various companies of the USI Group. They receive no directors fees; however, RP&C is entitled to receive fees from the Company for its services as a Manager according to the Management Agreement (see section 4.3). William Vanderfelt is a director of the Company and of RP&C and receives a director's fee from a subsidiary of the Company in the amount of CHF 30,000 per annum.

5.1.3 Options

The Board adopted a stock option plan in July 2005, under which the Board may select the members of Management to be granted options or stock appreciations rights, determine the number of options and stock appreciation rights to be granted, the date each option or stock appreciation right shall be granted and the other particulars of the option and stock appreciation rights.

No options have been granted as at 31 December 2009.

5.1.4 Loans to members of governing bodies

USI Group had not granted loans to any member of the Board or of the senior management of RP&C at 31 December 2009. However, on 4 April 2008, the Group advanced a loan to Ridgemont Holdings Limited, a subsidiary of RP&C in the amount of €2 million. The loan is repayable on or before 31 March 2013 and bears interest at the rate of 6% per annum.

6 Shareholders' participation

6.1 Voting rights and representation restrictions

Each share carries one vote. The Board may refuse to enter an acquirer of registered shares in the share register as a shareholder with the right to vote, if the holdings of the shareholder together with his shares already registered exceed the limit of 2% of all the shares recorded in the commercial register. Legal entities and associations that are linked together by capital, voting power, management or in other manner, as well as all persons, entities and partnerships that are acting in concert with a view to circumventing the percentage limit, shall be deemed one person.

No exemptions from the above rules have been granted during the accounting period. See also section 2.6.2.

The limitations on the transferability of shares (see section 2.6.1) may be abolished by a vote of the shareholders' meeting.

A shareholder may be represented at the shareholders' meeting only by his legal representative, by a member of the Board, by the independent proxy, by a representative of deposited shares or by another shareholder with the right to vote.

6.2 Statutory quorums

Resolutions of the general meeting of shareholders are passed by the majorities set forth in the applicable legal provisions. The Articles do not change the applicable majorities.

6.3 Convocation of the general meeting of shareholders

The general meeting of shareholders must be called, at the latest, twenty days prior to the day of the meeting.

6.4 Agenda

One or more shareholders representing together at least ten percent of the share capital or shareholders representing shares with an aggregate par value of one million Swiss Francs may request items to be included in the agenda. Items for inclusion in the agenda shall be requested at least 60 days prior to the meeting in written form listing the items and the proposed motions of such shareholder(s).

6.5 Record date for entry into the share register

The record date for the inscription of registered shareholders into the share register in view of their participation in the general meeting of shareholders, as set by the Board, is a date falling in between 10 and 20 days prior to the meeting.

7 Changes of control and defence measures

7.1 Duty to make an offer

According to Article 7 of the Articles, persons acquiring shares of the company directly, indirectly or acting in concert with third parties shall be exempt from the obligation to make a public purchase offer pursuant to Article 32 of the Swiss Federal Act on Stock Exchanges and Securities Dealing, irrespective of the number of voting rights conferred by the shares acquired ("**opting out**").

7.2 Clauses of change of control

See Section 4.3 for the termination period which applies in respect of the Management Agreement.

8 Auditors

PricewaterhouseCoopers AG, Zurich, are the Company's auditors.

8.1 Duration of the mandate and term of office of the lead auditor

PricewaterhouseCoopers AG, Zurich assumed its existing auditing mandate in 1992. It was re-elected as auditors for the financial year 2009 by the annual general meeting held on 26 May 2009.

The lead engagement partner, Patrick Balkanyi, responsible for the existing auditing mandate took up office in respect of the financial year ended 2006.

The Board proposes to the annual general meeting due to be held on 25 May 2010 to re-elect PricewaterhouseCoopers AG as auditors for the 2010 financial year. In the case of a re-election of PricewaterhouseCoopers AG for the 2010 financial period, the responsible lead engagement partner for the auditing mandate will be the same as for the 2009 financial year. The rotation interval applicable to the lead engagement partner is seven years (art. 730a para. 2 CO).

8.2 Auditing fees

The total fees for auditing the 2009 consolidated financial statements and all group companies are estimated to be CHF 133,000, of which CHF 43,040 have been invoiced at the date of this report.

8.3 Additional fees

Additional fees of approximately CHF 37,550 were charged by PricewaterhouseCoopers AG during 2009 for tax compliance work.

8.4 Informational instruments pertaining to the external audit

The Board and the Audit Committee liaise directly with the auditors regarding the annual audit work to be carried out and discuss the results of such audits. On request, representatives of the auditors attend meetings of the Board and of the Audit Committee in which such matters are discussed (for the organization of the Audit Committee, see section 3.3.3.2). In the year 2009 representatives of the auditors were present at both meetings of the Audit Committee. Most communication between the auditors and the Company takes place through RP&C; there is an ongoing dialogue, via telephone and email correspondence and periodic meetings between the auditors and RP&C throughout the year.

The work of the external auditors and their independence is assessed and examined by the Audit Committee. Their quality, their know how, their cost consciousness and timely reporting are major factors in the assessments of the auditor's work.

9 Information policy

Financial reporting consists of semi-annual and annual reports. Financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB), in compliance with Swiss law and the standards laid down by the SIX Swiss Exchange's Listing Rules.

The company shall publish information according to the following schedule:

Reporting

29 April 2010 - Publication of audited annual report and accounts for the financial year ending 31 December 2009
28 Sept 2010 - Publication of unaudited accounts for the six months ending 30 June 2010

Meetings of Shareholders

25 May 2010 - Annual general meeting of shareholders for 2010

The ad hoc notices of the Company are available under www.usigroupholdings.ch/?task=usi01

Additional information and all publications (including this annual report) are available under www.usigroupholdings.ch

Investor Relations

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