



**USI GROUP HOLDINGS AG**

**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED  
30 JUNE 2011**

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## **COMPANY INFORMATION**

### **DIRECTORS**

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

### **AUDITORS**

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### **COMPANY SECRETARY**

Dr. Doraiswamy Srinivas

### **MANAGER**

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31a St. James's Square  
London  
SW1Y 4JR  
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### **REGISTRAR**

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Postfach  
CH-4601 Olten  
Switzerland

### **SOLICITORS**

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Brandschenkestrasse 90  
CH 8027 Zurich  
Switzerland

### **REGISTERED OFFICE**

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Switzerland

### **REGISTERED NUMBER**

CH-020.3.922.903-6



## CHAIRMAN'S STATEMENT

The Company is pleased to report its financial results for the six months ended 30 June 2011. While market conditions remain challenging and volatile, the Company's high quality assets and modest leverage have helped it to avoid the adverse impact on asset valuations which has affected other sectors of the property market.

Earlier this year, the Board of USI Group Holdings AG ("USI") announced that it was considering various options relating to the future of the company. USI has now progressed discussions with a leading health care provider which could lead to a combination of their respective businesses in a jointly owned company that would be floated on the Alternative Investment Market in London. The shares of this jointly owned company would be distributed to the shareholders of USI once the combination is completed and USI shareholder approval is obtained. The Board expects to finalise documentation and announce plans for the Company within the next several weeks as negotiations continue to progress.

Full details of the Company's board members and other relevant information are available from the Company's website at [www.usigroupholdings.ch](http://www.usigroupholdings.ch).

### **USI Group Holdings AG**

Dr Volkert Klaucke (Chairman)

Approved by the board: 28 September 2011

**USI GROUP HOLDINGS AG**  
**INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT**  
**FOR THE PERIOD ENDED 30 JUNE 2011**

	Note	Period to 30 June 2011 CHF (unaudited)	Period to 30 June 2010 CHF (audited)	Year Ended 31 Dec 2010 CHF (audited)
Revenue		5,671,206	6,352,523	12,269,009
Fair value gain / (loss) on investment properties	7	1,306,974	933,801	(23,196,125)
Administrative expenses	4	(1,544,095)	(2,152,721)	(3,986,178)
Other income		618,490	63,669	64,235
<b>Operating profit</b>		<b>6,052,575</b>	<b>5,197,272</b>	<b>(14,849,059)</b>
Net finance income	5	177,657	185,748	341,219
Net finance costs	6	(7,498,978)	(8,342,015)	(16,326,993)
Exceptional loss on disposal of associate	8	-	(4,787,403)	(4,793,080)
Share of profit / (loss) of associates	8	445,643	(1,059,160)	342,089
<b>(Loss) / profit before income tax</b>		<b>(823,103)</b>	<b>(8,805,558)</b>	<b>(35,285,824)</b>
Income tax expense		(229,375)	(210,264)	3,658,961
<b>Loss for the period</b>		<b>(1,052,478)</b>	<b>(9,015,822)</b>	<b>(31,626,863)</b>
<b>Attributable to:</b>				
Equity holders of the Company		(1,052,478)	(9,015,822)	(31,626,863)
<b>Basic loss per share (CHF per share)</b>	3	<b>(1.09)</b>	<b>(9.24)</b>	<b>(32.62)</b>
<b>Diluted loss per share (CHF per share)</b>	3	<b>(1.09)</b>	<b>(9.24)</b>	<b>(32.62)</b>

The notes on pages 8 to 18 form part of these financial statements.

**USI GROUP HOLDINGS AG**  
**INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE PERIOD ENDED 30 JUNE 2011**

	<b>Period Ended 30 June 2011 CHF (unaudited)</b>	<b>Period Ended 30 June 2010 CHF (unaudited)</b>	<b>Year Ended 31 Dec 2010 CHF (audited)</b>
Loss for the period	(1,052,478)	(9,015,822)	(31,626,863)
<b>Other comprehensive income</b>			
Cash flow hedges	211,131	3,012,920	5,918,675
Tax relating to cash flow hedges	(33,781)	(482,028)	(946,949)
Currency translation differences	(4,202,039)	(9,985,623)	(16,557,075)
<b>Other comprehensive income for the period</b>	<b>(4,024,689)</b>	<b>(7,454,731)</b>	<b>(11,585,349)</b>
<b>Total comprehensive income for the period</b>	<b>(5,077,167)</b>	<b>(16,470,553)</b>	<b>(43,212,212)</b>
<b>Attributable to:</b>			
Equity holders of the Company	<b>(5,077,167)</b>	<b>(16,470,553)</b>	<b>(43,212,212)</b>

The notes on pages 8 to 18 form part of these financial statements.

**USI GROUP HOLDINGS AG**  
**INTERIM CONDENSED CONSOLIDATED BALANCE SHEET**  
**FOR THE PERIOD ENDED 30 JUNE 2011**

	Note	30 June 2011 CHF (unaudited)	30 June 2010 CHF (unaudited)	31 December 2010 CHF (audited)
<b>ASSETS</b>				
<b>Non current assets</b>				
Investment property	7	201,477,958	244,369,037	208,230,163
Investments in associates	8	32,500,337	39,375,396	35,888,448
Receivables and prepayments		2,397,217	2,648,653	2,492,833
		236,375,512	286,393,086	246,611,444
<b>Current assets</b>				
Receivables and prepayments		31,974,121	35,111,082	33,247,124
Cash and cash equivalents		2,208,637	5,274,518	3,759,092
		34,182,758	40,385,600	37,006,216
<b>Total assets</b>		<b>270,558,270</b>	<b>326,778,686</b>	<b>283,617,660</b>
<b>EQUITY</b>				
<b>Capital and reserves</b>				
Share capital	10	67,837,767	67,837,767	67,837,767
Share premium	10	11,617,985	11,617,985	11,617,985
Treasury shares		(1,811,769)	(1,100,055)	(1,811,769)
Translation reserve		(45,985,248)	(35,211,757)	(41,783,209)
Retained earnings		45,372,371	69,035,890	46,424,849
Cashflow hedging reserve		114,494	(2,503,690)	(62,856)
<b>Total equity</b>		<b>77,145,600</b>	<b>109,676,140</b>	<b>82,222,767</b>
<b>LIABILITIES</b>				
<b>Non current liabilities</b>				
Borrowings	9	27,948,867	31,325,343	26,997,899
Deferred taxation		285,167	3,401,001	81,637
Other financial liability		2,630,306	3,413,866	3,227,755
		30,864,340	38,140,210	30,307,291
<b>Current liabilities</b>				
Trade and other payables		1,575,200	1,919,743	1,713,330
Borrowings	9	157,491,706	172,130,155	165,618,496
Accruals		3,481,424	2,215,978	3,755,776
Derivative financial instruments		-	2,696,460	-
		162,548,330	178,962,336	171,087,602
<b>Total liabilities</b>		<b>193,412,670</b>	<b>217,102,546</b>	<b>201,394,893</b>
<b>Total equity and liabilities</b>		<b>270,558,270</b>	<b>326,778,686</b>	<b>283,617,660</b>

The notes on pages 8 to 18 form part of these financial statements.

**USI GROUP HOLDINGS AG**  
**INTERIM CONDENSED CONSOLIDATED CASH FLOW**  
**FOR THE PERIOD ENDED 30 JUNE 2011**

	Note	Period to 30 June 2011 CHF (unaudited)	Period to 30 June 2010 CHF (unaudited)	Period to 31 Dec 2010 CHF (audited)
<b>Cash flow from operating activities</b>				
Cash generated / (used) by operations	12	5,094,785	3,835,030	6,466,834
Interest paid		(5,565,638)	(7,435,866)	(11,765,574)
Income tax paid		(20,259)	(60,856)	(52,198)
Net cash used by operating activities		(491,112)	(3,661,692)	(5,350,938)
<b>Cash flow from investing activities</b>				
Dividends received	8	1,313,005	1,238,973	2,067,134
Interest received		104,603	84,531	168,792
Net cash generated investing activities		1,417,608	1,323,504	2,235,926
<b>Cash flow from financing activities</b>				
Sale of treasury shares		-	924,066	-
Purchase of treasury shares		-	(879,957)	(667,605)
Repayment of borrowings		(3,311,643)	(801,218)	(2,680,494)
Payments associated with new borrowings		(359,583)	-	-
Proceeds from borrowings		1,299,207	-	2,150,000
Net cash used by financing activities		(2,372,019)	(757,109)	(1,198,099)
<b>(Decrease)/Increase in cash and cash equivalents</b>		<b>(1,445,523)</b>	<b>(3,095,297)</b>	<b>(4,313,111)</b>
<b>Movement in cash and cash equivalents</b>				
At start period		3,759,092	8,279,390	8,279,390
Decrease		(1,445,523)	(3,095,297)	(4,313,111)
Foreign currency translation adjustments		(104,932)	90,425	(207,187)
At end period		2,208,637	5,274,518	3,759,092

The notes on pages 8 to 18 form part of these financial statements.



**USI GROUP HOLDINGS AG**  
**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**  
**FOR THE PERIOD ENDED 30 JUNE 2011**

	Share capital CHF	Share premium CHF	Retained earnings CHF	Cashflow hedging reserve CHF	Treasury shares CHF	Translation reserve CHF	Total equity CHF
<b>Balance as of 1 January 2010 (Audited)</b>	67,837,767	11,617,985	78,051,712	(5,034,582)	(1,144,164)	(25,226,134)	126,102,584
Loss for the period/year	-	-	(9,015,822)	-	-	-	(9,015,822)
<b>Other comprehensive income</b>							
Foreign currency translation	-	-	-	-	-	(9,985,623)	(9,985,623)
Cash flow hedges – net of tax	-	-	-	2,530,892	-	-	2,530,892
<b>Total comprehensive income</b>	-	-	(9,015,822)	2,530,892	-	(9,985,623)	(16,470,553)
<b>Transactions with owners</b>							
Net sale of own shares	-	-	-	-	44,109	-	44,109
<b>Balance as of 30 June 2010 and 1 July 2010 (Unaudited)</b>	<b>67,837,767</b>	<b>11,617,985</b>	<b>69,035,890</b>	<b>(2,503,690)</b>	<b>(1,100,055)</b>	<b>(35,211,757)</b>	<b>109,676,140</b>
Loss for the period/year	-	-	(22,611,041)	-	-	-	(22,611,041)
<b>Other comprehensive income</b>							
Foreign currency translation	-	-	-	-	-	(6,571,452)	(6,571,452)
Cash flow hedges – net of tax	-	-	-	2,440,834	-	-	2,440,834
<b>Total comprehensive income</b>	-	-	(22,611,041)	2,440,834	-	(6,571,452)	(26,741,659)
<b>Transactions with owners</b>							
Net purchase of own shares	-	-	-	-	(711,714)	-	(711,714)
<b>Balance as of 31 December 2010 and 1 January 2011 (Audited)</b>	<b>67,837,767</b>	<b>11,617,985</b>	<b>46,424,849</b>	<b>(62,856)</b>	<b>(1,811,769)</b>	<b>(41,783,209)</b>	<b>82,222,767</b>
Loss for the period/year	-	-	(1,052,478)	-	-	-	(1,052,478)
<b>Other comprehensive income</b>							
Foreign currency translation	-	-	-	-	-	(4,202,039)	(4,202,039)
Cash flow hedges – net of tax	-	-	-	177,350	-	-	177,350
<b>Total comprehensive income</b>	-	-	(1,052,478)	177,350	-	(4,202,039)	(5,077,167)
<b>Transactions with owners</b>							
<b>Balance as of 30 June 2011 (Unaudited)</b>	<b>67,837,767</b>	<b>11,617,985</b>	<b>45,372,371</b>	<b>114,494</b>	<b>(1,811,769)</b>	<b>(45,985,248)</b>	<b>77,145,600</b>

The cashflow hedging reserve represents the Group's share of the cashflow hedging reserves of its associated companies, specifically PSPI as noted in Note 8.

The notes on pages 8 to 18 form part of these financial statements.

**USI GROUP HOLDINGS AG**  
**SELECTED NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 JUNE 2011**

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**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.

**2. ACCOUNTING POLICIES**

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

**2.1 Basis of preparation**

The unaudited 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 (formerly SWX Swiss Exchange) 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 interim accounts of the individual subsidiaries at 30 June 2011 which have been drawn up according to uniform Group accounting principles.

This interim was prepared in accordance with IAS 34 (Interim Financial Reporting). The same accounting and valuation principles have been applied to these financial statements as to those that are described on pages 12 to 19 of the 2010 annual report of USI Group Holdings AG.

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2011.

IAS 24 ‘Related Party Disclosures’ (effective as from 1 January 2011, retrospective application required, early application permitted). The amendment removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities; and clarifies and simplifies the definition of a related party.

The following standards, amendments and interpretations to existing standards effective in 2011 but not relevant to the Group:

Amendments to IFRS 7 ‘Disclosures - Transfers of Financial Assets’ (effective on 1 July 2011, early application permitted). The amendment requires additional disclosures in respect of risk exposures arising from transferred financial assets (e.g. factoring, securitisation), any associated liabilities and it includes additional disclosure requirements in respect to those transfers.

IFRIC 14 ‘IAS 19 - Limits on a Defined benefit Asset, Minimum Funding Requirements and their Interaction’ (effective 1 January 2011, early application permitted) The amendment clarifies that a voluntary prepayment into a pension plan in surplus shall be recognised as an economic benefit. In Switzerland this typically may happen when there is an employer contribution reserve.

IFRIC 13 ‘Customer loyalty programs’ (applicable for annual periods beginning on or after 1 January 2011, prospective application). The change clarifies the meaning of the term ‘fair value’ in the context of measuring award credits under customer loyalty programmes

**USI GROUP HOLDINGS AG**  
**SELECTED NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
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**2. ACCOUNTING POLICIES (continued)**

The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning 1 January 2011 and have not been early adopted:

Amendments to IAS 12 'Deferred Tax: Recovery of Underlying Assets' (effective 1 January 2012, early application permitted). The amendment affects investment properties measured at fair value. The recognition of deferred taxes in relation to those investment properties is based on an expected recovery through a sales transaction. The SIC-21 guidance has been included in the standard.

IFRS 9 'Financial Instruments' (effective 1 January 2013, retrospective application, early application permitted). IFRS 9 comprises two measurement categories for financial assets: amortised cost and fair value. All equity instruments are measured at fair value. Management has an option to present in other comprehensive income unrealised and realised fair value gains and losses on equity investments that are not held for trading. A debt instrument is at amortised cost only if it is the entity's business model to hold the financial asset to collect contractual cash flows and the cash flows represent principal and interest. It will otherwise need to be considered at fair value through profit or loss.

Amendments to IFRS 9 'Financial instruments' (effective 1 January 2013, retrospective application, early application permitted). The amendment includes guidance on financial liabilities and derecognition of financial instruments. The accounting and presentation for financial liabilities and for derecognising financial instruments has been relocated from IAS 39 without change, except for financial liabilities that are designated at fair value through profit or loss. Entities with financial liabilities designated at FVTPL recognise changes in the fair value due to changes in the liability's credit risk directly in OCI. There is no subsequent recycling of the amounts in OCI to profit or loss, but accumulated gains or losses may be transferred within equity.

IFRS 10, 'Consolidated financial statements', (effective for annual periods beginning on or after 1 January 2013, early application permitted). IFRS 10 replaces all of the guidance on control and consolidation in IAS 27 and SIC-12. IAS 27 is renamed and continues to be a standard dealing solely with separate financial statements.

IFRS 11, 'Joint arrangements', (effective for annual periods beginning on or after 1 January 2013, early application permitted). The definition of joint control is unchanged, but the new standard introduces new terminology.

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.

**2.2 Foreign exchange rates**

	Balance Sheet		Income Statement & Statement of Cashflows			
	June	Dec	June	June	Dec	June
	2011	2010	2010	2011	2010	2010
	CHF	CHF	CHF	CHF	CHF	CHF
<b>GBP</b>	0.7495	0.6874	0.61170	0.68422	0.62175	0.60622
<b>USD</b>	1.2007	1.0632	0.92170	1.10603	0.96145	0.92500
<b>EUR</b>	0.8343	0.8023	0.75510	0.78808	0.72469	0.69608

**USI GROUP HOLDINGS AG**  
**SELECTED NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 JUNE 2011**

**3. EARNINGS PER SHARE**

Basic earnings per share are calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares outstanding during the period.

	<b>As at 30 June 2011 CHF</b>	<b>As at 30 June 2010 CHF</b>	<b>As at 31 Dec 2010 CHF</b>
Net (loss)/profit attributable to shareholders	(1,052,478)	(9,015,822)	(31,626,863)
Weighted average number of ordinary shares outstanding	969,629	975,781	969,629
Basic and diluted (loss)/earnings per share (CHF per share)	(1.09)	(9.24)	(32.62)

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 30 June 2011, CHF nil (30 June 2010 and 31 December 2010- 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 were 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 30 June 2011, 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. During 2010, the Company issued CHF 13,215,200 of 4.0% subordinated Convertible Notes due in 2015. Of these CHF 9,914,000 were converted from the CHF 15 million Notes due in 2011.

Management has estimated that the maximum number of additional ordinary shares that could be issued at 30 June 2011 as 134,937 (30 June 2010 – 115,676 and 31 December 2010 – 134,937). 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.

**4. ADMINISTRATIVE EXPENSES**

	<b>Period to 30 June 2011 CHF</b>	<b>Period to 30 June 2010 CHF</b>	<b>Period to 31 Dec 2010 CHF</b>
Professional fees and other costs	337,604	426,342	670,433
Audit fees	100,428	85,219	154,057
Property rent, maintenance and sundry expenses	297,508	407,024	813,799
Management fees	808,555	1,234,136	2,314,681
Abort costs	-	-	33,208
	<u>1,544,095</u>	<u>2,152,721</u>	<u>3,986,178</u>

**5. NET FINANCE INCOME**

	<b>Period to 30 June 2011 CHF</b>	<b>Period to 30 Jun 2010 CHF</b>	<b>Period to 31 Dec 2010 CHF</b>
Interest Income	177,657	177,905	333,376
Net gains from fair value adjustment of options and warrants	-	7,843	7,843
	<u>177,657</u>	<u>185,748</u>	<u>341,219</u>

**USI GROUP HOLDINGS AG**  
**SELECTED NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 JUNE 2011**

**6. NET FINANCE COSTS**

	<b>Period to 30 June 2011 CHF</b>	<b>Period to 30 Jun 2010 CHF</b>	<b>Period to 31 Dec 2010 CHF</b>
Interest on notes	1,101,418	1,041,415	2,248,508
Interest on mortgages	3,472,649	4,559,763	8,330,923
Net foreign exchange losses	1,065,946	1,466,113	2,280,285
Other interest and borrowing expenses (including amortisation of debt costs, interest on put option, waiver fee and swap breakage costs)	1,858,965	1,274,724	3,467,277
	<b>7,498,978</b>	<b>8,342,015</b>	<b>16,326,993</b>

**7. INVESTMENT PROPERTY**

	<b>30 June 2011 CHF</b>	<b>30 June 2010 CHF</b>	<b>31 Dec 2010 CHF</b>
As at beginning of period/year	208,230,163	273,479,102	273,479,102
Net gains/(losses) on fair value adjustment	1,306,974	933,801	(23,196,125)
Net changes in fair value adjustments due to exchange differences	(8,059,179)	(30,043,866)	(42,052,814)
As at end of period/year	<b>201,477,958</b>	<b>244,369,037</b>	<b>208,230,163</b>

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 CHF 275 million (€166 million) which, in part, was funded by senior debt of CHF 201 million (€121 million) (See Note 9). While the purchase of the property was made in 2007, the most significant payment for the property of CHF 266 million was made in 2008.

Valuation of the investment properties was made as at 30 June 2011, 31 December 2010 and 30 June 2010 by Botta Management AG, ("Botta") an independent Property Consultant.

The valuations for all periods were conducted by Botta Management AG using the discounted cash flow method to calculate the market value using a discount rate of 4.6% (30 June 2010 – 4.4% and 31 December 2010 – 4.7%) which resulted in a gross capital valuation of €168.08 million (30 June 2010 – €184.51 and 31 December 2010 – €167.05).

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 17 to 18. This information is part of the selected notes to the interim condensed consolidated financial statements.

**USI GROUP HOLDINGS AG**  
**SELECTED NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 JUNE 2011**

**8. INVESTMENTS IN ASSOCIATES**

	<b>30 June 2011 CHF</b>	<b>30 June 2010 CHF</b>	<b>31 Dec 2010 CHF</b>
As at 1 January	35,888,448	42,973,682	42,973,682
Share of profits/(losses)	445,643	(1,059,160)	342,089
Exchange differences	(2,706,727)	(674,860)	(4,797,972)
Dividends received	(1,313,005)	(1,238,973)	(2,067,134)
Cash flow hedging reserve	185,978	(105,489)	(36,736)
Purchase of new shares	-	4,267,599	4,267,599
Loss on disposal	-	(4,787,403)	(4,793,080)
	<u>32,500,337</u>	<u>39,375,395</u>	<u>35,888,448</u>

As at 30 June 2011 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	Profit CHF	% Interest Held CHF
Public Service Properties Investments Limited	British Virgin Islands	80,910,031	48,409,695	2,509,417	445,643	20.07%

On 14 April 2010, the Group purchased a further 3.75 million shares in PSPI at CHF 1.14 (£0.70) per share as part of an Open Offer to existing shareholders. The purchase was offset by existing loans. PSPI raised CHF 40.7 million (£25 million) through the offer, which left the Group owning 20.07% of the enlarged capital base as part of a rights issue of a total of 35,631,326 shares by PSPI Limited. Each share cost £0.70, thereby totalling £2,625,000 (or CHF 4,267,599). This kept USI's shareholding in PSPI at above 20.00% (20.07%) and retained its status as an associated undertaking.

The exceptional loss effectively represents a partial disposal at the date of the rights issue by PSPI as USI's shareholding decreased from 25.16% to 20.07%. It represents the difference between USI's share of the "old equity" pre-capital raise after the share purchase at 25.16% and its share of the newly enlarged PSPI equity at its new shareholding of 20.07%.

**Impairment Test of Carrying Value**

In accordance with IAS 36, "Impairment of Assets" a 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 30 June 2011 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 2.6 million 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 5.6 million 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 0.4 million as at 30 June 2011.

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**9. BORROWINGS**

	<b>Period Ended 30 Jun 2011 CHF</b>	<b>Period Ended 30 Jun 2010 CHF</b>	<b>Year Ended 31 Dec 2010 CHF</b>
<b>Non-current</b>			
Notes	27,948,867	31,325,343	26,997,899
	<u>27,948,867</u>	<u>31,325,343</u>	<u>26,997,899</u>
<b>Current</b>			
Mortgages	151,607,183	155,873,708	159,839,546
Notes	5,884,525	16,256,447	5,778,950
	<u>157,491,708</u>	<u>172,130,155</u>	<u>165,618,496</u>
<b>Total borrowings</b>	<u>185,440,575</u>	<u>203,455,498</u>	<u>192,616,395</u>

The maturity of borrowings is as follows:

	<b>30 June 2011 CHF</b>	<b>30 June 2010 CHF</b>	<b>31 Dec 2010 CHF</b>
Current borrowings	157,491,706	172,130,155	165,618,496
	<u>157,491,706</u>	<u>172,130,155</u>	<u>165,618,496</u>
Between 1 and 2 years	-	16,351,039	-
Between 2 and 5 years	27,948,867	14,974,304	26,997,899
Over 5 years	-	-	-
	<u>27,948,867</u>	<u>31,325,343</u>	<u>26,997,899</u>
Non-current borrowings	27,948,867	31,325,343	26,997,899

Notes consist of CHF 15 million convertible bonds due in 2011. The options were convertible into shares of USI Group Holdings AG, the parent company of USIGH Limited. 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. During 2010, new notes due in 2015 were issued with a principal amount of CHF 100, a cash coupon of 4.0%, a yield to maturity (including redemption premium) of 6.25% and a conversion price of CHF 120.00. Holders of the pre-existing CHF 15 million convertible bonds were given the option to convert into the new notes issued. Of the CHF 15 million, CHF 9.914 million of the note holders converted to the new notes (for CHF 11.065 million new notes including accrued interest to date) leaving CHF 5.086 million of old notes due in 2011. Additionally CHF 2.15 million of new cash subscriptions were received for the new notes. In total CHF 13.215 million of new notes were issued.

In addition, the newly issued notes contained a conversion option that was determined to be a multi-element arrangement. At the time of issuance, the fair value of the notes was determined to be equal to the book value of the debt, and as such, no equity component was recognized. Also, the new notes contain a call option on behalf of the Company.

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 property 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.



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**9. BORROWINGS (Continued)**

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 to bring the loan to value back within the 70% prescribed in the facility agreement. As a result of the repayment a waiver of the applicable debt covenant was obtained for 2010.

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 in 2009. On 20 October 2010 the loan facility expired and the associated interest rate swap lapsed. The loan was renewed for a six month term to 20 April 2011 at a margin of 300bps over Euribor to 20 December 2010 and then 400bps over Euribor to maturity. The loan was again extended to 30 June 2011, refer below for additional consideration.

The borrowings in respect of the Leipzig properties have been included in current liabilities in 2011 and 2010.

On 30 November 2007, the Group entered into a one year agreement for a CHF 31 million (€25 million) credit facility. The full amount was drawn down on 3 January 2008 and renewed on 3 January 2009 and 2010 for a further year.

The Company has continued to meet all of its debt service covenants in respect of the borrowings in 2011 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.

In addition, the Group's investment property asset is substantially financed by one senior debt facility, which is scheduled to be repaid by 31 October 2011. The Group has signed a non-binding agreement with a new financier who has committed to funding the outstanding balance of the existing senior debt facility pending final execution of the agreement. This refinancing will include a senior credit facility of €81.5 million which will be reduced by annual amortization with the final balance repayable in 9 years and a subordinated loan of €28.0 million repayable in 18 months with an option to extend for an additional six months. The additional financing is expected to be completed by the end of October 2011.

If the term of the existing senior debt facility is not extended or if the financing cannot be substituted, there is a material uncertainty about the Group's ability to continue as a going concern with respect to liquidity. The Group will monitor the situation.

**10. SHARE CAPITAL**

	<b>June 2011 CHF</b>	<b>Jun 2010 CHF</b>	<b>Dec 2010 CHF</b>
<b>Authorised, allotted, called up and fully paid:</b>			
<b>Equity interests:</b>			
985,298 (2010: 985,298) Ordinary shares of CHF 68.85 (2010: 68.85) each	67,837,767	67,837,767	67,837,767

	<b>Number of shares</b>	<b>Ordinary shares CHF</b>	<b>Share premium CHF</b>	<b>Total CHF</b>
<b>At 1 January 2010, 30 June 2010, 31 December 2010 and 30 June 2011</b>	<b>985,298</b>	<b>67,837,767</b>	<b>11,617,985</b>	<b>79,455,752</b>

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.



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**10. SHARE CAPITAL (Continued)**

During the period 2010, the company purchased 13,652 of its own shares for CHF 1,591,671 and sold 7,898 for CHF 924,066, which are shown as treasury shares in the balance sheet. As at 30 June 2011, the company held 15,669 shares (30 June 2010 – 9,517 shares and 31 December 2010 – 15,669 shares).

**11. SUBSEQUENT EVENTS**

As stated in a press release dated 1 September 2011, the company is actively in negotiations with various healthcare companies to restructure components of the Group.

**12. CASH GENERATED FROM OPERATIONS**

	NOTE	June 2011 CHF	June 2010 CHF	December 2010 CHF
(Loss) / profit for the year attributable to equity holders:		(1,052,478)	(9,015,822)	(31,626,863)
Adjustments for:				
- Interest expenses and other finance expenses	6	7,498,978	8,342,015	16,119,806
- Interest income	5	(177,657)	(185,748)	(341,219)
- Tax		223,789	210,264	(3,659,182)
- Changes in fair value of investment property/loans	7	(1,306,974)	(933,801)	23,196,125
- Changes in other liabilities		(486,790)	66,288	57,673
- Changes in receivables and prepayments		246,501	140,760	111,537
- Changes in fair value of options and warrants		-	(7,843)	(7,843)
- Changes in accruals		595,059	(627,646)	(1,834,191)
- Profit / (loss) from associate	8	(445,643)	1,059,160	(342,089)
- Exceptional Loss on disposal of associate	8	-	4,787,403	4,793,080
Cash generated by operations		5,094,785	3,835,030	6,466,834

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**13. SEGMENT INFORMATION**

	<b>Investments in Government Tenanted Property CHF</b>	<b>Investments in Associated Undertakings CHF</b>	<b>Central Corporate* CHF</b>	<b>Total CHF</b>
<b>Six months ended 30 June 2011</b>				
Revenue	5,671,206	-	-	5,671,206
Profit after tax	1,026,628	445,643	(2,524,749)	(1,052,478)
<b>Six months ended 30 June 2010</b>				
Revenue	6,352,523	-	-	6,352,523
Profit after tax	869,311	(5,846,563)	(4,038,570)	(9,015,822)
<b>Year ended 31 December 2010</b>				
Revenue	12,269,009	-	-	12,269,009
Profit after tax	(19,755,584)	(4,450,991)	(7,420,288)	(31,626,863)
<b>Total Assets</b>				
30 June 2011	201,706,711	32,500,337	36,351,222	270,558,270
31 December 2010	210,899,910	35,888,448	36,829,302	283,617,660
30 June 2010	244,369,037	39,375,396	43,034,253	326,778,686

\* Central Corporate – In the annual financial statements, central corporate balances are divided between allocated central corporate balances included in the table above, and non-allocated balances as reconciling items between the table above and the financial statements. For presentation of the interim condensed consolidated financial statements, such balances have been presented in a single column entitled Central Corporate.

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**OTHER INFORMATION**

Property Details

<i>Name, address</i>	<i>Owner<sup>1</sup></i>	<i>Ownership status<sup>2</sup></i>	<i>Approximate Year of construction</i>	<i>Year of renovation</i>	<i>% of leased usable space</i>	<i>As % of Investment Properties Portfolio</i>	<i>Gross lettable area M<sup>3</sup></i>
<b>Germany</b> <b>Office Building -</b> <b>Behördenzentrum, Free State</b> <b>of Saxony, Schongauerstrasse</b> <b>1-17, 04328, Leipzig,</b> <b>Germany.</b>	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

<b>Name of Lessee</b>	<b>Location</b>	<b>Details of leased properties</b>	<b>Lease period expiry date</b>	<b>Aggregate annual lease payments</b>	<b>Percentage of total lease payments to the USI Group:</b>
<b>Free State of Saxony</b>	Leipzig, Germany	3 four-storey office buildings and 1 single-storey building.	March 2020	€ 8,938,728 (CHF 11,342,412 <sup>*</sup> )	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 = 0.78808

**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 the value 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 after the examination period (normally 10 years) has expired a significant residual value. 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.

## **OTHER INFORMATION (continued)**

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: same 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. The 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 4.6% was used for the valuation at 30 June 2011.
- 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 – 0.3% higher than the discount factor at 4.6%.
- 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.
- x) Growth rate assumed by Botta of 2.0%

## **Market Value**

With regard to the above, Botta are of the opinion that the Market Value of the subject property as at 30 June 2011 is **€168,080,000** (in words: One Hundred and Sixty Eight Million and Eighty Thousand) (30 June 2010 – €184,510,000 and 31 December 2010 – €183,860,000).

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