USI

USI GROUP HOLDINGS AG

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED
30 JUNE 2012

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USI

COMPANY INFORMATION

DIRECTORS

Dr. Volkert Klaucke (Executive Chairman)
Dr. Doraiswamy Srinivas (Deputy Chairman)
Mr. William Vanderfelt (Non-Executive)
Mr. David Quint (Executive)

COMPANY SECRETARY

Dr. Doraiswamy Srinivas

REGISTRAR

SAG SIS Aktienregister AG
Baslerstrasse 100
Postfach
CH-4601 Olten
Switzerland

REGISTERED OFFICE

Bahnhofstrasse 106
Postfach 1317
8001 Zurich
Switzerland

REGISTERED NUMBER

CH-020.3.922.903-6

AUDITORS

PricewaterhouseCoopers AG
Birchstrasse 160
8050 Zurich
Switzerland

MANAGER

RP&C International Inc
c/o 31a St. James's Square
London
SW1Y 4JR
United Kingdom

SOLICITORS

Bär & Karrer
Brandschenkestrasse 90
CH 8027 Zurich
Switzerland

USI

CHAIRMAN'S STATEMENT

The Company is pleased to report its financial results for the six months ended 30 June 2012.

The Company's two principal assets at 30 June 2012 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 20.28% 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 based on the movements of the German Consumer Price Index. Subject to confirmation from the tenant, effective 1st August 2012, the rent is expected to increase by 5.0% or €447,000 per annum in accordance with the terms of the lease. The purchase price for this acquisition was €166 million, which was principally financed by a €121 million senior debt facility (the "Facility") lead by the Royal Bank of Scotland plc – Niederlassung, Frankfurt ("RBS") which was concluded on 4 January 2008.

Shareholders will recall that the RBS syndicate (the "Syndicate") commissioned several valuations of the Leipzig Properties since 2008 following which the Syndicate claimed that the 70% loan to value ("LTV") ratio contained in the Facility had been breached. As a result, additional capital was raised and the principal amount of the Facility was reduced by €14.6 million. The loan was due for repayment on 20 October 2010 and despite numerous attempts by the Company's advisors and management since that date, the Company and its appointed refinancing agents were not able to obtain alternative financing. As a consequence, the Company negotiated several extensions with the Syndicate, the latest of which has now expired. In April of this year, USI announced that a tentative agreement had been reached with the Syndicate which would have allowed USI to refinance the Leipzig Properties in a manner that would have involved a reduction in the amount of the Facility; however, that agreement was overturned when a member of the Syndicate, with the largest participation in the Facility, sold its participation to a third party.

Since the time of the sale of the participation to the third party, USI has discussed the Facility on numerous occasions with it and remaining members of the Syndicate. On 11th September several of your Directors met with representatives of all Syndicate banks in London. The outcome of that meeting was an agreement, in principle, to enter into a standstill of enforcement rights under the Facility for an additional period of time subject to agreement among Syndicate members as to various points including interest rate, the formal length of the standstill, further injections of equity during the period of the standstill as well as certain technical issues. The Syndicate is currently discussing various points internally with a view to offering a formal standstill proposal to USI.

During the pendency of those discussions, the Syndicate has continued to require that there is a full cash sweep. Accordingly, all amounts derived from the lease of the Leipzig Properties must be used to pay interest under the Facility with any balance used to amortise principal. As of this date, the outstanding principal under the Facility is approximately €100 million.

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. However, due to continued financial problems within the Eurozone the Company's independent valuer has further reduced the value of the Leipzig Properties to €151.8 million at 30 June 2012 from €159.7m at 31 December 2011. In spite of the decline in value brought about by financial uncertainties, the Company remains satisfied that the Leipzig Properties offer 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 in March 2007. It held 20.28% of the issued share capital of PSPI as at 30 June 2012, unchanged from 31 December 2011.

PSPI has reported a loss of £37 million (CHF 55 million) for the six month period ended 30 June 2012 after recognising fair value losses of £40 million (CHF 60 million) on its investment property portfolio. However, PSPI reported a 3.3% increase in adjusted earnings for the six months ended 30 June 2012 compared to the same period in 2011, after exclusion of non-cash and one off items. The Company has reflected a non-cash loss of CHF 11 million on Investment in Associates at 30 June 2012, representing the Company's share of the losses reported by PSPI.

On 4th July 2012, PSPI announced that it had entered into a conditional agreement to combine the majority of its UK property portfolio with the assets and business of the European Care Group, the Group's sole UK tenant, in a non-cash transaction. On 24th July, the shareholders of PSPI approved this transaction with an effective completion date of 25th July.

Esquire Realty Holdings Limited ("Esquire"), a wholly owned subsidiary of Esquire Group (Holdings) Limited and the holding company of the European Care Group, acquired four of PSPI's subsidiary companies in exchange for 20% of the ordinary share capital of Esquire ("Consideration Shares") and the issuance of a subordinated secured loan note instrument ("Loan Note") in Esquire in the principal amount of £2.8 million. The Board of PSPI has valued the Consideration Shares and the Loan Note at a nominal value of £1,000, reflecting the significant level of post-transaction debt of Esquire, which is presently greater than the independently assessed valuation of the Company. As a consequence, PSPI will recognise additional losses in the second half of 2012 of approximately £14 million. As a result, the Company believes that it is prudent to recognise a further impairment in its Investment in Associates of CHF 3.9 million in its results to 30 June 2012.

Overall, your Company is reporting a loss of CHF 26.1 million for the six months ended 30 June 2012 compared to a loss of CHF 1.0 million for the same period in 2011. These numbers reflect CHF 24.4 million of non-cash fair value losses in respect of the Leipzig Properties, the share of non-cash losses reported by PSPI and the additional impairment loss noted above. There are a number of other non-cash expense items included in the Company's results, however, which further reduce the cash loss for the six months to 30 June 2012. As a result of the net rental income on the Leipzig Properties being used to reduce the principal amount owed to the Syndicate, the Group continues to accrue management fees (which have remained unpaid since August 2010) as well as interest on the second mortgage note (which remains unpaid from April 2012).

As stated above, the Directors of your Company have written down the value of the Leipzig Properties in line with the view of its own independent external valuer. As a result of that write down and adjusting for foreign exchange losses, gross assets at 30 June 2012 were CHF 236.6 million compared to CHF 264.2 million at the end of 2011 and investment properties at 30 June 2012 totalled CHF 182.4 million compared to CHF 194.3 million at the end of 2011. Investment in Associates was carried at CHF 19.5 million at 30 June 2012 compared to CHF 33.6 million at the end of 2011.

Shareholders' funds at 30 June 2012 were CHF 41.0 million compared to CHF 66.8 million at 31 December 2011 representing a decrease of 39%. Shareholders' funds are stated net of the deficit on translation reserves which totalled CHF 42.2 million at 30 June 2012 compared to CHF 42.5 million at 31 December 2011. The deficit on translation reserves primarily reflects the strength of the Swiss Franc against the net equity invested in the Euro denominated Leipzig Properties and the Sterling denominated PSPI.

The Company's key objective in the short term is to conclude the standstill agreement for the Leipzig Properties as mentioned above. While discussions with the Syndicate have been advancing, USI has been negotiating with several groups regarding an injection of assets into USI and a change of strategic direction for our Company. These options are likely to involve raising additional equity over the short to medium term and potentially diversifying the geographical focus and nature of the Company's investments over the medium term. The USI Board recognises that with volatile capital markets, continuing crises in the Eurozone, constrained lending and liquidity and the resultant effect of these factors on economies throughout Europe, the Company must endeavour to be both careful and innovative in determining its future strategic direction.

Full information concerning the Company's board members and other matters are available from the Company's website at www.usigroupholdings.ch.

USI Group Holdings AG
Dr. Volkert Klaucke (Chairman)
Approved by the board: 28 September 2012

USI GROUP HOLDINGS AG
INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE PERIOD ENDED 30 JUNE 2012

	Note	Period to 30 June 2012 CHF (unaudited)	Period to 30 June 2011 restated CHF (unaudited)	Year Ended 31 Dec 2011 CHF (audited)
Revenue		5,383,803	5,671,206	10,998,939
Fair value (loss)/gain on investment properties	8	(9,546,468)	1,306,974	(9,037,887)
Administrative expenses	5	(1,311,724)	(1,544,095)	(3,574,755)
Other income		-	618,490	612,325
Net finance income	6	110,242	177,657	393,144
Operating profit		(5,364,147)	6,230,232	(608,234)
Net finance costs	7	(5,902,146)	(7,498,978)	(13,284,396)
Share of (loss)/profit of associates	9	(10,968,284)	502,641	(4,360,167)
Impairment of associate	9	(3,867,979)	-	-
(Loss) / profit before income tax		(26,102,556)	(766,105)	(18,252,797)
Income tax expense		-	(229,375)	20,805
Loss for the period		(26,102,556)	(995,480)	(18,231,992)
Attributable to:				
Equity holders of the Company		(26,102,556)	(995,480)	(18,231,992)
Basic and diluted loss per share (CHF per share)	4	(26.92)	(1.03)	(18.80)
		(26.92)	**(1.03)**	**(18.80)**

The notes on pages 9 to 17 form part of these financial statements.

USI GROUP HOLDINGS AG
INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 JUNE 2012

	Period Ended 30 June 2012 CHF (unaudited)	Period Ended 30 June 2011 restated CHF (unaudited)	Year Ended 31 Dec 2011 CHF (audited)
Loss for the period/year	(26,102,556)	(995,480)	(18,231,992)
Other comprehensive income			
Cash flow hedges	183,123	211,131	338,453
Tax relating to cash flow hedges	(29,300)	(33,781)	(54,152)
Currency translation differences	190,482	(4,468,772)	(666,915)
Other comprehensive income for the period/year	**344,305**	**(4,291,422)**	**(382,614)**
Total comprehensive income for the period/year	(25,758,251)	(5,286,902)	(18,614,606)
Attributable to:			
Equity holders of the Company	**(25,758,251)**	**(5,286,902)**	**(18,614,606)**

The notes on pages 9 to 17 form part of these financial statements.

USI GROUP HOLDINGS AG
INTERIM CONDENSED CONSOLIDATED BALANCE SHEET
FOR THE PERIOD ENDED 30 JUNE 2012

	Note	30 June 2012 CHF (unaudited)	30 June 2011 CHF (unaudited) restated	31 December 2011 CHF (audited)
ASSETS				
Non current assets				
Investment property	8	182,355,972	201,477,958	194,327,850
Investments in associates	9	19,465,571	35,476,338	33,614,870
Receivables and prepayments		3,162,894	2,397,217	3,079,949
		204,984,437	239,351,513	231,022,669
Current assets				
Receivables and prepayments		30,103,900	31,974,121	30,701,147
Cash and cash equivalents		1,516,091	2,208,637	2,450,028
		31,619,991	34,182,758	33,151,175
Total assets		236,604,428	273,534,271	264,173,844
EQUITY				
Capital and reserves				
Share capital	11	67,837,767	67,837,767	67,837,767
Share premium	11	11,617,985	11,617,985	11,617,985
Treasury shares		(1,811,769)	(1,811,769)	(1,811,769)
Translation reserve		(42,259,642)	(46,251,981)	(42,450,124)
Retained earnings		5,279,037	48,615,105	31,381,593
Cashflow hedging reserve		375,269	114,494	221,446
Total equity		41,038,647	80,121,601	66,796,898
LIABILITIES				
Non current liabilites				
Borrowings	10	31,145,850	27,948,867	31,079,822
Deferred taxation		-	285,167	-
Other financial liability		-	2,630,306	2,670,255
		31,145,850	30,864,340	33,750,077
Current liabilities				
Trade and other payables		435,247	1,575,200	425,354
Borrowings	10	154,028,995	157,491,706	156,538,881
Accruals		7,308,565	3,481,424	6,662,634
Other financial liability		2,647,124	-	-
		164,419,931	162,548,330	163,626,869
Total liabilities		195,565,781	193,412,670	197,376,946
Total equity and liabilities		236,604,428	273,534,271	264,173,844

The notes on pages 9 to 17 form part of these financial statements.

USI GROUP HOLDINGS AG
INTERIM CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE PERIOD ENDED 30 JUNE 2012

	Note	Period to 30 June 2012 CHF (unaudited)	Period to 30 June 2011 CHF (unaudited)	Period to 31 Dec 2011 CHF (audited)
Cash flow from operating activities				
Cash generated by operations	12	5,075,507	5,094,785	10,970,815
Interest paid		(5,197,875)	(5,565,638)	(9,890,128)
Income tax paid		-	(20,259)	(62,832)
Net cash used by operating activities		(122,368)	(491,112)	1,017,855
Cash flow from investing activities				
Dividends received	9	-	1,313,005	1,313,005
Interest received		37,848	104,603	245,955
Net cash generated by investing activities		37,848	1,417,608	1,558,960
Cash flow from financing activities				
Repayment of borrowings		(1,114,256)	(3,311,643)	(7,345,223)
Payments in relation to new borrowings		-	(359,583)	(912,520)
Proceeds from borrowings		274,761	1,299,207	4,458,073
Net cash used by financing activities		(839,495)	(2,372,019)	(3,799,670)
(Decrease)/Increase in cash and cash equivalents		(924,015)	(1,445,523)	(1,222,855)
Movement in cash and cash equivalents				
Cash and cash equivalents at the beginning of the year/period		2,450,028	3,759,092	3,759,092
Net decrease		(924,015)	(1,445,523)	(1,222,855)
Foreign currency translation adjustments		(9,922)	(104,932)	(86,209)
Cash and cash equivalents at the end of the year/period		1,516,091	2,208,637	2,450,028

The notes on pages 9 to 17 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 2012

	Attributable to equity holders of the Company						
	Share capital CHF	**Share premium CHF**	**Retained earnings CHF**	**Cashflow hedging reserve CHF**	**Treasury shares CHF**	**Translation reserve CHF**	**Total equity CHF**
Balance as of 1 January 2011 (audited) (restated)	67,837,767	11,617,985	49,613,585	(62,856)	(1,811,769)	(41,783,209)	85,411,503
(Loss) for the period	-	-	(995,480)	-	-	-	(995,480)
Other comprehensive income							
Foreign currency translation	-	-	-	-	-	(4,468,772)	(4,468,772)
Cash flow hedges – net of tax	-	-	-	177,350	-	-	177,350
Total comprehensive income	-	-	(995,480)	177,350	-	(4,468,772)	(5,286,902)
Transactions with owners							
Net sale of own shares	-	-	-	-	-	-	-
Balance as of 30 June 2011 and 1 July 2011 (unaudited) (restated)	**67,837,767**	**11,617,985**	**48,615,105**	**114,494**	**(1,811,769)**	**(46,251,981)**	**80,121,601**
(Loss) for the period	-	-	(17,233,512)	-	-	-	(17,233,512)
Other comprehensive income							
Foreign currency translation	-	-	-	-	-	3,801,857	3,801,857
Cash flow hedges – net of tax	-	-	-	106,952	-	-	106,952
Total comprehensive income	-	-	(17,233,512)	106,952	-	3,801,857	(13,324,703)
Transactions with owners							
Net purchase of own shares	-	-	-	-	-	-	-
Balance as of 31 December 2011 and 1 January 2012 (audited)	**67,837,767**	**11,617,985**	**31,381,593**	**221,446**	**(1,811,769)**	**(42,450,124)**	**66,796,898**
(Loss) for the period	-	-	(26,102,556)	-	-	-	(26,102,556)
Other comprehensive income							
Foreign currency translation	-	-	-	-	-	190,482	190,482
Cash flow hedges – net of tax	-	-	-	153,823	-	-	153,823
Total comprehensive income	-	-	(26,102,556)	153,823	-	190,482	(25,758,251)
Transactions with owners							
Balance as of 30 June 2012 (unaudited)	**67,837,767**	**11,617,985**	**5,279,037**	**375,269**	**(1,811,769)**	**(42,259,642)**	**41,038,647**

The cashflow hedging reserve represents the Group's share of the cashflow hedging reserves of its associated companies, specifically PSPI and the interest rate swap defined in Note 8.

The notes on pages 9 to 17 form part of these 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.

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 interim condensed 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 interim condensed 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.

These interim condensed consolidated financial statements of the Group have been 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 13 to 25 of the 2011 annual report of USI Group Holdings AG. These condensed interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's most recent Annual Financial Statements pages 8 to 43, in respect of the year ended 31 December 2011 which have been prepared in accordance with IFRS. These condensed interim financial statements for the six months ended 30 June 2012 and the comparative figures for the six months ended 30 June 2011 are unaudited.

The interim condensed 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.

In 2011, the Group elected for early adoption of the amendments to IAS 12 'Deferred Tax: Recovery of Underlying Assets'. 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 Group takes the view that this policy provides reliable and more relevant information because it deals more accurately with the future tax liabilities related to such properties. The adoption included retrospective application in the financial statements in accordance with the amendments and IAS 8 "Accounting policies, changes in estimates and errors. The effect on the financial statements was included in the Group's Annual Financial Statements for the year ended 31 December 2011.

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 Amendments to accounting and valuation principles

There have been no amendments to accounting or valuation principles during the period to 30 June 2012.

2.3 Foreign exchange rates

	Balance Sheet			Income Statement & Cash Flow Statement		
	June 2012 CHF	Dec 2011 CHF	June 2011 CHF	June 2012 CHF	Dec 2011 CHF	June 2011 CHF
GBP	0.67040	0.6887	0.7495	0.68326	0.70568	0.68422
USD	1.04690	1.0643	1.2007	1.07746	1.13225	1.10603
EUR	0.83240	0.8219	0.8343	0.83015	0.81269	0.78808

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors
The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The interim condensed consolidated financial statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2011. There have been no changes in the risk management department since year end or in any risk management policies.

3.2 Liquidity Risk
The Group's annual financial statements for the year ended 31 December 2011 disclosed a material uncertainty and significant doubt about the Group's ability to continue as a going concern with respect to liquidity. The Group's investment property asset is substantially financed by a lending syndicate (the "Syndicate") under one senior debt facility (the "Facility"), which came due in 2011 and is in default. Since the due date in 2011, the Group has been obtaining short-term extensions on the loan repayment date from the lender, the latest of which has now expired.

USI has discussed the Facility on numerous occasions with the Syndicate and now has an agreement, in principle, to enter into a standstill of enforcement rights under the Facility for an additional period of time subject to agreement among Syndicate members as to various points including interest rate, the formal length of the standstill, further injections of equity during the period of the standstill as well as certain technical issues. The Syndicate is currently discussing various points internally with a view to offering a formal standstill proposal to USI.

The Group's key objective in the short term is to conclude the standstill agreement and will continue to monitor the situation.

3.3 Fair value estimation
In 2012, there were no significant changes in the business or economic circumstances that affect the fair value of the Group's financial assets and financial liabilities. In 2012, there were no reclassifications of financial assets or liabilities

Valuations of the investment properties were made at the end of each period/year by independent property consultants. The valuations are based on both the duration of the leases and the future cash flows and after due consideration of transaction activity in the market,

4. EARNINGS PER SHARE

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

	As at 30 June 2012 CHF	As at 30 June 2011 CHF	As at 31 Dec 2011 CHF
Net loss attributable to shareholders	(26,102,556)	(995,480)	(18,231,992)
Weighted average number of ordinary shares outstanding	969,629	969,629	969,629
Basic and diluted loss per share (CHF per share)	(26.92)	(1.03)	(18.80)

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 2012, 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. In 2011, a further CHF 2.7 million were converted into the new notes issued in 2010 with the balance being repaid.

Management has estimated that the maximum number of additional ordinary shares that could be issued at 30 June 2012 as 132,363 (30 June 2011 – 134,937 and 31 December 2011 – 132,368). 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.

5. ADMINISTRATIVE EXPENSES

	Period to 30 June 2012 CHF	Period to 30 June 2011 CHF	Period to 31 Dec 2011 CHF
Professional fees and other costs	395,563	337,604	1,137,367
Audit fees	68,101	100,428	199,691
Property rent, maintenance and sundry expenses	165,940	297,508	665,638
Management fees	682,120	808,555	1,572,059
	1,311,724	1,544,095	3,574,755

6. NET FINANCE INCOME

	Period to 30 June 2012 CHF	Period to 30 Jun 2011 CHF	Period to 31 Dec 2011 CHF
Interest Income	110,242	177,657	393,144
	110,242	177,657	393,144

7. NET FINANCE COSTS

	Period to 30 June 2012 CHF	Period to 30 Jun 2011 CHF	Period to 31 Dec 2011 CHF
Interest on notes	1,055,193	1,101,418	2,263,478
Interest on mortgages	4,074,795	3,472,649	7,021,641
Net foreign exchange losses	137,291	1,065,946	946,596
Amortisation of debt issue costs	78,102	1,582,984	2,608,412
Other interest and borrowing expenses (including interest on put option)	556,765	275,981	444,269
	5,902,146	7,498,978	13,284,396

8. INVESTMENT PROPERTY

	30 June 2012 CHF	30 June 2011 CHF	31 Dec 2011 CHF
As at beginning of period/year	194,327,850	208,230,163	208,230,163
Net (losses)/gains on fair value adjustment	(9,546,468)	1,306,974	(9,037,887)
Net changes in fair value adjustments due to exchange differences	(2,425,410)	(8,059,179)	(4,864,426)
As at end of period/year	182,355,972	201,477,958	194,327,850

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 10).

Valuation of the investment properties was made as at 30 June 2012, 31 December 2011 and 30 June 2011 by Botta Management AG, ("Botta") an independent Property Consultant.

A discounted cash flow method to calculate the market value was performed using a discount rate of 4.3% (30 June 2011 – 4.6% and 31 December 2011 – 4.3%) which resulted in a gross capital valuation of €151.78 million (30 June 2011 – €168.08 and 31 December 2011 – €159.71).

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 18 to 19. This information is part of the selected notes to the interim condensed consolidated financial statements.

9. INVESTMENTS IN ASSOCIATES

	30 June 2012 CHF	30 June 2011 restated CHF	31 Dec 2011 CHF
As at 1 January	33,614,870	39,077,184	39,077,184
Share of (losses)/profit	(10,968,284)	502,641	(4,360,167)
Exchange differences	533,141	(2,976,460)	(69,440)
Dividends received	-	(1,313,005)	(2,050,599)
Share of cash flow hedging reserve	153,823	185,978	280,297
Impairment in period	(3,867,979)	-	-
Scrip dividend participation	-	-	737,595
	19,465,571	35,476,338	33,614,870

As at 30 June 2012 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	72,975,617	49,569,952	2,617,867	(10,968,284)	20.28%

In November 2011, PSPI issued new shares as a result of a scrip dividend payment, 2,925,653 new shares were issued at a price of £0.634 taking total shares in issue to 105,365,717. Of these shares the Group was issued with 810,675 shares taking its total holding to 21,369,413 shares (20.28%).

For the year ended 31 December 2011, PSPI has chosen to early adopt IAS 12 'Deferred Tax: Recovery of Underlying Assets'. The amendment affects investment properties measured at fair value. The adoption included retrospective application in PSPI's financial statements in accordance with the amendments and IAS 8 "Accounting policies, changes in estimates and errors. This has resulted in the restatement of the value of USI's holding at 31 December 2010 and 30 June 2011.

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 2012 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 0.2 million. However, given that the PSPI Group undertook a combination transaction relating to the majority of its UK portfolio in July 2012 which resulted in a loss of £13m (CHF19.4m), the Group has recognised this loss in the carrying value of its associated undertaking.

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 0.6 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 5.5 million as at 30 June 2012.

10. BORROWINGS

	Period Ended 30 Jun 2012 CHF	Period Ended 30 Jun 2011 CHF	Year Ended 31 Dec 2011 CHF
Non-current			
Notes	31,145,850	27,948,867	31,079,822
	31,145,850	27,948,867	31,079,822
Current			
Mortgages	150,249,533	151,607,181	153,294,463
Notes	3,779,462	5,884,525	3,244,418
	154,028,995	157,491,706	156,538,881
Total borrowings	185,174,845	185,440,573	187,618,703

The maturity of borrowings is as follows:

	30 June 2012 CHF	30 June 2011 CHF	31 Dec 2011 CHF
Current borrowings	154,028,995	157,491,706	156,538,881
Between 1 and 2 years	-	-	-
Between 2 and 5 years	31,145,850	27,948,867	31,079,822
Over 5 years	-	-	-
Non-current borrowings	31,145,850	27,948,867	31,079,822

Notes consist of CHF 15.9 million convertible bonds due in 2015. The bonds have a principal amount of CHF 1,000, a cash coupon of 4.0%, a yield to maturity (including redemption premium) of 6.25% and a conversion price of CHF 120.00. During 2010, holders of pre-existing CHF 15 million convertible bonds were given the option to convert into the new notes issued. Of the CHF 15 million, CHF 9.9 million of the note holders converted to the new notes (for CHF 11.1 million new notes including accrued interest to date) leaving CHF 5.1 million of old notes due in 2011. Additionally CHF 2.2 million of new cash subscriptions were received for the new notes. In total CHF 13.2 million of new notes were issued. During 2011, upon maturity of the notes due in 2011 CHF 2.7 million converted into the new notes issued in 2010 with the balance being repaid in cash.

In addition, the notes issued in 2010 and 2011 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 2011, an additional €1.0 million was secured which attracts 9.0% interest and 5.0% fees.

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.

10. 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. 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 final formal extension ended on 16 December 2011, and as such the debt is currently in default. In the course of negotiations with the lenders, additional extensions have been obtained up to July 2012.

Since the due date in 2011, the Group has been obtaining short-term extensions on the loan repayment date from the lender. The Group has held discussions with the lender during the year and has considered other financing sources. The Group has obtained verbal confirmation from one of the lenders on a refinancing opportunity, which awaits both signing by both parties and approval of other lenders. This refinancing would substantially replace the existing senior debt facility and would be repayable in 8 years. The additional financing is expected to be completed by the end of 2012.

The borrowings in respect of the Leipzig properties have been included in current liabilities in both 2011 and 2012.

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, 2010, 2011 and 2012 for a further year.

In 2011, a new loan with Green Street Global Investments was entered into for an amount of CHF 3,158,866. This amount attracts 15% interest and is due to mature in July 2012. The shares of PSPI were pledged to secure this loan.

11. SHARE CAPITAL

	June 2012 CHF	Jun 2011 CHF	Dec 2011 CHF
Authorised, allotted, called up and fully paid:			
Equity interests:			
985,298 (2011: 985,298) Ordinary shares of CHF 68.85 (2011: 68.85) each	67,837,767	67,837,767	67,837,767

	Number of shares	Ordinary shares CHF	Share premium CHF	Total CHF
At 1 January 2011, 30 June 2011, 31 December 2011 and 30 June 2012	**985,298**	**67,837,767**	**11,617,985**	**79,455,752**

There were no movements in share capital in 2012 or 2011.

Authorised share capital

The share capital may be increased by a maximum amount of up to CHF 33,918,884 until 26 June 2014 through the issuance of up to 492,649 fully paid in additional registered shares with a nominal value of CHF 68.85 each.

11. SHARE CAPITAL (continued)

Conditional share capital

The share capital may be increased by a maximum of CHF 33,918,884 through the issuance of up to 492,649 registered shares with a nominal value of CHF 68.85 each in respect of conditional capital for management, advisors, bondholders and creditors.

The declaration of the capital contributions as included in the financial statements has been filed, but confirmation from the tax authorities approving the allocation has not been received as of the date of the financial statements

As at 30 June 2012, the company held 15,669 shares (30 June 2011 and 31 December 2011 – 15,669 shares).

12. CASH GENERATED FROM OPERATIONS

	NOTE	June 2012 CHF	June 2011 CHF	December 2011 CHF
(Loss) / profit for the year attributable to equity holders:		(26,102,556)	(995,480)	(18,231,992)
Adjustments for:				
- Interest expenses and other finance expenses	7	5,902,146	7,498,978	13,284,396
- Interest income	6	(110,242)	(177,657)	(393,144)
- Tax		-	223,789	(18,806)
Changes in working capital				
- Changes in fair value of investment property/loans	8	9,546,468	(1,306,974)	9,037,887
- Changes in other liabilities		-	(486,790)	(488,699)
- Changes in receivables and prepayments		280,881	246,501	97,387
- Impairment of associate	9	3,867,979	-	-
- Changes in accruals		722,547	595,059	3,323,619
- Profit / (loss) from associate	9	10,968,284	(502,641)	4,360,167
Cash generated by operations		5,075,507	5,094,785	10,970,815

13. SEGMENT INFORMATION

	Investments in Government Tenanted Property	Investments in Associated Undertakings	Central Corporate*	Total
Six months ended 30 June 2012	**CHF**	**CHF**	**CHF**	**CHF**
Revenue	5,383,803	-	-	5,383,803
Profit after tax	(9,154,765)	(14,836,263)	(2,111,528)	(26,102,556)
Six months ended 30 June 2011				
Revenue	5,671,206	-	-	5,671,206
Profit after tax	1,026,628	502,641	(2,524,749)	(995,480)
Year ended 31 December 2011				
Revenue	10,998,939	-	-	10,998,939
Profit after tax	(9,066,516)	(4,360,167)	(4,805,309)	(18,231,992)
Total Assets				
30 June 2012	182,355,972	19,465,571	34,782,885	236,604,428
31 December 2011	195,806,113	33,614,870	34,752,861	264,173,844
30 June 2011	201,706,711	35,476,338	36,351,222	273,534,271

* 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.

OTHER INFORMATION

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 10,767,60*)	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 = 0.83015

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 4.3% was used for the valuation at 30 June 2012.

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 – 0.7% higher than the discount factor at 4.3%. (2011 – 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 3.7% of rental income (2011 – 3.4%).

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 2.2% (2011 – 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 2012 is **€151,780,000** (in words: One Hundred and Fifty One Million and Seven Hundred and Eighty Thousand) (30 June 2011 – €168,080,000 and 31 December 2011 – €159,705,000).

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