USI

USI GROUP HOLDINGS AG
(FORMERLY REGEDO HOLDING AG)

INTERIM REPORT 2005

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KEY FIGURES

USI Group Holdings AG (formerly Regedo Holding AG)

KEY FIGURES

Key financial figures	Unit	HI 2004	2004	HI 2005
Rental income	CHF 1,000	10,781	22,870	14,375
Net changes in fair value adjustment on investment property	CHF 1,000	1,481	9,418	8,735
Negative goodwill	CHF 1,000	13,670	13,670	63
EBITDA excluding fair value adjustment and negative goodwill	CHF 1,000	6,799	16,882	11,184
Net income	CHF 1,000	13,989	21,404	8,504
Net income attributable to equity holders	CHF 1,000	10,743	18,201	8,504
Total assets	CHF 1,000	339,872	304,930	364,525
Shareholders' equity	CHF 1,000	57,145	74,831	102,554

KEY PORTFOLIO FIGURES

Number of investment properties	Number	170	170	178
Investment properties (IAS40)	CHF 1,000	235,088	242,708	292,162
Leased usable space	%	100	100	100

PER SHARE FIGURES

Earnings per share (EPS)	CHF	32.20	47.66	12.77
EPS excluding fair value adjustments on investment properties and negative goodwill and deferred taxation thereon	CHF	(2.67)	(0.83)	3.30
Net asset value per share	CHF	131.60	127.63	134.26

USI

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
Stampfenbachstrasse 109
8035 Zurich
Switzerland

COMPANY SECRETARY

Dr Doraiswamy Srinivas

REGISTRAR

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Switzerland

REGISTERED OFFICE

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Switzerland

MANAGER

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United Kingdom

SOLICITORS

Bär & Karrer
Brandschenkestrasse 90
CH 8027 Zurich
Switzerland

USI

CHAIRMAN STATEMENT

The Company is pleased to report its financial results for the six months ended 30 June 2005. Operating profit, including fair value adjustments on investment property and negative goodwill, for the first six months of 2005 was stated at Chf 19.98 million compared to Chf 21.95 million for the comparable period in 2004.

Profit after taxation was reported at Chf 8.50 million compared to Chf 13.99 million for the same period in 2004, after deductions for deferred tax on fair value gains on investments of Chf 2.5 million and Chf nil, respectively. Profit attributable to equity holders of the Company, after minority interests, was reported at Chf 8.50 million compared to Chf 10.74 million for the same period in 2004.

Gross assets at 30 June 2005 were stated at Chf 364.5 million compared to Chf 304.9 million at 31 December 2004. Shareholders funds at 30 June 2005 were stated at Chf 103.6 million compared to Chf 74.8 million at 31 December 2004.

The healthcare sector in the United Kingdom continues to be very strong with a number of large corporate transactions widely reported in the financial press. These transactions have had the effect of lifting valuations in the sector as a whole. The group's investment portfolio continues to perform well as it seeks to expand its base within continental Europe. In the UK, the group is embarking on a capital expenditure programme to expand and enhance the capacity of its existing properties which, subject to planning permission, the Company hopes to increase by up to 10% over a period of time.

The Company is delighted to confirm that its share capital was significantly expanded effective 30 June 2005 by the issuance of 739,820 new shares in exchange for the shares of USI Group Holdings Limited, a company incorporated in the British Virgin Islands. The business combination is accounted for as a reverse acquisition in accordance with IFRS 3. The new shares were admitted, effective 27 July 2005, to the SWX exchange in Zurich, where they have been reclassified under the real estate segment. The Company's board of directors was also expanded on 30 June 2005. Full details Company's new board members and other relevant information are included in the listing particulars available from the Company's website at www.usigroupholdings.ch.

USI Group Holdings AG

Dr iur V. Lanfranconi (Chairman)
Approved by the board: 28 September 2005

USI GROUP HOLDINGS AG
CONSOLIDATED INCOME STATEMENT (UNAUDITED)
FOR THE SIX MONTH PERIOD ENDING 30 JUNE 2005

	NOTE	2005 Chf	2004 Chf
Revenue	7	14,375,082	10,780,840
Net gain from fair value adjustment on investment property		8,735,236	1,481,018
Negative goodwill	6	62,628	13,669,768
Administrative expenses		(3,445,877)	(4,438,165)
Interest income		254,792	456,245
Operating profit		19,981,861	21,949,706
Finance costs		(7,934,900)	(7,209,900)
Profit before income tax		12,046,961	14,739,806
Income tax expense		(3,543,276)	(750,918)
Profit for the period		8,503,685	13,988,888
Attributable to:			
Equity holders of the Company		8,503,685	10,743,474
Minority interests		-	3,245,414
		8,503,685	13,988,888
Basic earnings per share (Chf per share)	4	12.77	24.73
Diluted earnings per share (Chf per share)	4	11.13	20.17

USI GROUP HOLDINGS AG
CONSOLIDATED BALANCE SHEET (UNAUDITED)
FOR THE PERIOD ENDED 30 JUNE 2005

	NOTE	30 Jun 2005 Chf	31 Dec 2004 Chf
ASSETS			
Non-current assets			
Investment property		292,161,717	242,708,334
Intangible assets		17,292,857	17,005,560
Loans and receivables		9,790,875	9,487,140
Deferred income		11,324,391	7,613,579
Derivative financial instruments		461,831	414,391
		331,031,671	277,229,004
Current assets			
Receivables and prepayments		10,688,604	8,809,290
Cash		22,804,777	18,891,719
		33,493,381	27,701,009
Total assets		364,525,052	304,930,013
EQUITY			
Capital and reserves			
Share Capital	5	76,382,000	28,678
Share Premium	5	-	46,130,684
Fair value hedging reserve		(2,356,484)	(110,325)
Translation reserve		3,187,665	655,601
Retained Earnings		25,340,421	28,127,022
Total equity		102,553,602	74,831,660
LIABILITIES			
Non current liabilities			
Borrowings	8	223,186,581	190,292,611
Derivative financial instruments		3,110,814	1,159,899
Deferred income tax		19,638,914	13,643,188
Other liabilities		390,060	401,362
		246,326,369	205,497,060
Current liabilities			
Borrowings	8	3,249,000	13,061,070
Trade and other payables		1,788,552	843,042
Current income tax liabilities		599,933	585,000
Accruals		10,007,596	10,112,181
		15,645,081	24,601,293
Total liabilities		261,971,450	230,098,353
Total equity and liabilities		364,525,052	304,930,013

USI GROUP HOLDINGS AG
CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)
FOR THE SIX MONTHS ENDING 30 JUNE 2005

	2005 Chf	**2004 Chf**
Cash flow from operating activities		
Cash used by operations	(427,697)	(2,045,903)
Interest paid	(6,487,795)	(7,089,498)
Net cash used by operating activities	(6,915,492)	(9,135,401)
Cash flow from investing activities		
Business Combination	(29,133,259)	(68,707,754)
Purchase of investment property	(158,175))	(10,139,931)
Cash paid for loans and receivables	-	-
Interest received	380,928	578,476
Net cash used in investing activities	(28,910,506)	(78,269,209)
Cash flow from financing activities		
Proceeds from borrowings	23,081,900	92,018,655
Repayments of borrowings	-	(750,859)
Capital increases	18,400,000	-
New issue costs	(2,347,670)	-
Net cash generated by financing activities	39,134,230	91,267,796
Increase in cash and cash equivalents	3,308,232	3,863,186
Movement in cash and cash equivalents		
At start of period	18,891,719	1,968,067
Increase	3,308,232	3,863,186
Foreign currency translation adjustments	604,826	70,377
At end of period	22,804,777	5,901,630

USI GROUP HOLDINGS AG
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)
FOR THE SIX MONTHS ENDING 30 JUNE 2005

	Notes	Share capital Chf	Share premium Chf	Fair value hedging reserve Chf	Translation reserve Chf	Retained earnings Chf	Minority Interest Chf	Total Equity Chf
Balance as of 1 January 2004 as previously stated		22,399	11,039,433	586,624	202,370	29,610,347	1,754,370	43,215,543
Changes in accounting policies	2.2	-	17,572,172	-	(1,091,312)	(18,774,650)	948,385	(1,345,405)
Balance as of 1 January 2004 as restated		22,399	28,611,605	586,624	(888,942)	10,835,697	2,702,755	41,870,138
Cash flow hedges - net		-	-	1,773,494	-	-	-	1,773,494
Profit for the year		-	-	-	-	10,743,474	3,245,414	13,988,888
Balance as of 30 June 2004		22,399	28,611,605	2,360,118	(888,942)	21,579,171	5,948,169	57,632,520
Balance as of 1 January 2005		28,678	46,130,684	(110,325)	655,601	28,127,022	-	74,831,660
Issue of share capital (USI)	5	36,215	73,472,827	-	-	-	-	73,509,042
Capital raising fees (USI)	5	-	(2,347,670)	-	-	-	-	(2,347,670)
Reverse acquisition	3	(64,893)	(117,255,841)	-	-	(7,882,204)	-	(125,202,938)
Issue of share capital (Regedo)	5	73,982,000	-	-	-	-	-	73,982,000
Existing shares (Regedo)	5	2,400,000	-	-	-	-	-	2,400,000
Cash flow hedges - net	9	-	-	(2,246,159)	2,532,064	-	-	285,905
Profit for the year						8,503,685	-	8,503,685
Dividends		-	-	-	-	(3,408,082)	-	(3,408,082)
Balance as of 30 June 2005		76,382,000	-	(2,356,484)	3,187,665	25,340,421	-	102,553,602

The schedule above initially reflects the equity and reserves of USI Group Holdings Limited and end with the equity and reserves of USI Group Holdings AG following the reverse acquisition described in note 3.

SELECTED EXPLANATORY NOTES TO THE CONSOLIDATED 2005 INTERIM FINANCIAL STATEMENTS (UNAUDITED)

1. GENERAL INFORMATION

USI Group Holdings AG, domiciled in Switzerland (registered office at Bahnhofstrasse 106, CH-8023, Zurich, Switzerland), is the ultimate parent company of the USI Group. The holding company changed from USI Group Holdings Limited, a company incorporated in the British Virgin Islands, following the reverse acquisition referred to in note 3. USI Group Holdings AG and its international subsidiaries (together the Group), is an investment property Group with a portfolio in the USA, the UK and Continental Europe. It is principally involved in leasing out real estate where the rental income is primarily generated directly or indirectly from governmental sources.

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 Accounting Principles

The consolidated 2005 interim financial statements are based on the interim accounts of the wholly owned individual subsidiaries at 30 June 2005 which have been prepared in accordance with uniform accounting policies and valuation principles.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), published by the International Accounting Standards Board (IASB), and comply with the requirements of the SWX Swiss Exchange's Listing Rules and the Additional Rules for the Listing of Real Estate Companies.

The 2005 interim report has been prepared in accordance with IAS 34 (Interim Financial Reporting).

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 2004 except for the application of reverse acquisition accounting as explained in note 3 below.

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 Group adopted IFRS to enhance the international comparability of its financial statements. 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.

The Group has adopted early the following IFRSs, which are relevant to its operations:
IAS 1 (revised 2003) Presentation of Financial Statements [Adopted 2003]
IAS 8 (revised 2003) Accounting Policies, Changes in Accounting Estimates and Errors [Adopted 2004]
IAS 10 (revised 2003) Events after the Balance Sheet Date [Adopted 2004]
IAS 17 (revised 2004) Leases [Adopted 2004]
IAS 21 (revised 2003) The Effects of Changes in Foreign Exchange Rates [Adopted 2003]
IAS 23 (revised 2004) Borrowing Costs [Adopted 2004]
IAS 24 (revised 2004) Related Party Disclosures [Adopted 2004]
IAS 27 (revised 2003) Consolidated and Separate Financial Statements [Adopted 2003]
IAS 32 (revised 2003) Financial Instruments: Disclosure and Presentation [Adopted 2003]
IAS 33 (revised 2003) Earnings per Share [Adopted 2004]
IAS 34 (revised 2004) Interim Financial Reporting [Adopted 2004]
IAS 36 (revised 2004) Impairment of Assets [Adopted 2004]
IAS 38 (revised 2003) Intangible Assets [Adopted 2004]
IAS 39 (revised 2003) Financial Instruments: Recognition and Measurement [Adopted 2003]
IAS 40 (revised 2003) Investment Property [Adopted 2003]
IFRS 2 (issued 2003) Share-based Payment [Adopted 2004]
` IFRS 3 (issued 2004) Business Combinations [Adopted 2004]

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES…(*Continued)*

2.1 Basis of preparation…….(*Continued)*

The following standards are not considered to have a material effect on the group and were adopted on 1 January 2005:
IAS 2 (issued 2003) Inventories
IAS 16 (issued 2003) Property, Plant and Equipment
IAS 28 (issued 2003) Investments in Associates
IAS 31 (issued 2003) Interests in Joint Ventures
IFRS 4 (issued 2004) Insurance Contracts
IFRS 5 (issued 2004) Non-current Assets

The early adoption of IAS 1, 8, 10, 17, 21, 23, 24, 27, 32, 33, 34, 36, 38, 39 and 40 did not result in substantial changes to the Group's accounting policies.

The International Accounting Standards Board and the IFRIC have issued the following standards/interpretations which are not yet effective:

IFRS 6 - Exploration for and evaluation of mineral resources
IFRIC 4 - Determining whether an arrangement contains a lease
IFRIC 5 - Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds
IFRIC 7 – Financial instruments: disclosures

The application of these standards is not expected to have any material effect on the Group's financial statements in the period of initial application.

The early adoption of IFRS 2, IFRS 3 and changes in accounting policies have resulted in:

	2005	**2004**
Increase in profit for the period 2004	-	12,920,563
Increase in intangible assets	-	12,920,563

See note 2.2 for detail.

2.2 Restatement of comparative amounts

The Directors restated the comparative amounts to reflect the following changes:

Share based payments
During 2004, the Directors changed the accounting policy for Share-based payments.

During 2003 the Ultimate Controlling Party exchanged a Swiss investment property for shares in USI Group Holdings Limited. In connection with this transaction, an amount of Chf 17,572,171 has been transferred from the 2003 income statement to Share Premium, being the fair value adjustment to cost of the property contributed. The effect of this adjustment on Net Assets and Shareholders' Equity is nil, however, the opening 2004 Retained Earnings has reduced by Chf 17,572,171 and the opening 2004 Share Premium increased by Chf 17,572,171.

Valuation of investment properties
During 2004, the directors noted that the fair valuation of investment property was stated net of transaction costs it expects to incur on sale or other disposal, which is not in accordance with IAS 40 (revised 2003). The cumulative effect on Profit and Net Assets prior to 2004 of this adjustment was Chf 3,136,302 which has been adjusted against the opening Retained Earnings in the Consolidated Statement of Changes in Shareholders' Equity. As a result of these amendments the 2004 opening balance of minority interests has increased by Chf 948,385.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES…(*Continued)*

2.2 Restatement of comparative amounts…….(*Continued)*

Deferred taxation

As a result of the above adjustment, and the required applications of IAS 12 Income Taxes, the Directors have provided for deferred taxation on the investment properties held. Consequently, the 2004 opening Taxation liability has increased by Chf 4,764,977 and Profit for the period ended 30 June 2004 has reduced by the same amount.

Accounting for lease income on a straight line basis

During 2004, the directors noted that lease income should be recognised on a straight line basis taking into account the minimum increase implicit in the leases in accordance with IAS 17 (Revised 2003). Consequently, the cumulative effect on opening 2004 Net Assets of this adjustment was a reclassification of Chf 2,063,327 which has been deducted from the fair value of investment property. Deferred income and receivables have been increased by the same amount As a result of these adjustments, the Directors have provided for deferred taxation on the total of deferred income. Consequently, the cumulative effect on 2004 opening Profit and Net Assets was Chf 618,998 which has been adjusted against the opening Retained Earnings in the Consolidated Statement of Changes in Shareholders' Equity.

Translation from the functional to presentation currency

During 2004, the Directors noted that net changes in fair value adjustments due to exchange differences on investment property should be recognised through the translation reserve in shareholders' equity and not as previously reported through the income statement. Consequently, the opening 2004 translation reserve has reduced by Chf 1,091,312 and Profit for the year has increased by the same amount.

2.3 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.

2.4 Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns which are different from those of other business segments. A geographical segment is one that is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

2.5 Foreign currency transactions and translation

Functional and presentational 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 presentational currency.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES….*(Continued)*

2.5 Foreign currency transactions and translation….*(Continued)*

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.

2.6 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES….*(Continued)*

2.7 Intangible assets

Business licences

Business licences are initially recognised on the date of the transaction at fair value including related transaction costs, and expenditure that is directly attributable to the acquisition. After initial recognition business licences are amortised on a straight line basis over the period of each licence. These assumptions are reviewed on an annual basis for any impairment in accordance with IAS 36 and whenever there is an indication that the licences may be impaired. Amortisation of the business licences is recorded in the income statement.

2.8 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.

2.9 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.

2.10 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 their 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. The Group designates certain derivatives as either: (1) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); (2) hedges of highly probable forecast transactions (cash flow hedges); or (3) hedges of net investments in foreign operations.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES….*(Continued)*

2.10 Accounting for derivative financial instruments and hedging activities….*(Continued)*

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.

2.11 Accounting for leases and deferred 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.

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

2.12 Receivables and prepayments

Trade receivables 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.

2.13 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 and bank overdrafts. In the balance sheet, bank overdrafts are included in borrowings under current liabilities.

2.14 Share capital

Ordinary shares are classified as equity.

2.15 Costs of issuing new shares

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.

2.16 Dividends

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES….*(Continued)*

2.17 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.

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 provided in full, 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.

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 rental income. Every investment property is accounted for individually. Rental income consists of revenue generated by operating lease income from the individual investment properties. Operating lease agreements are based on long-term leasing contracts of 20 to 35 years. Rental income from operating leases is recognised in income on a straight-line basis over the lease term.

2.20 Negative Goodwill

If the Group's interest in the net fair value of identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the Group

(a) reassess the identification and measurement of the Group's identifiable assets, liabilities and contingent liabilities and the measurement of the cost of the combination, and

(b) recognises immediately in the profit and loss any excess remaining after that reassessment.

2.21 Borrowing costs

Interest on borrowings is charged to the income statement.

3. REVERSE ACQUISITION ACCOUNTING

On 30 June 2005 the shareholders of both Regedo Holding AG ("Regedo") and USI Group Holdings Limited ("USI") approved the business combination between the two companies. The reverse acquisition was affected by a capital increase of Chf 119,784,256 in Regedo and the subsequent transfer of 739,820 shares of Chf 100 each to the shareholders of USI in a share swap transaction at the rate of 3.722 shares of USI for one share of Regedo. The share capital of Regedo was increased from Chf 2,400,000 to Chf 76,382,000. The new share issue gave USI shareholders a stake of 98.75% in Regedo.

On 30 June 2005 Regedo Holding AG changed its name to USI Group Holdings AG and relocated its headquarters to Zurich. The current bearer shares were converted to registered shares. On 27 July 2005 the new shares were listed at the SWX Swiss Stock Exchange under the ticker symbol USIN.

IFRS 3 requires that an acquirer must be identified in any business combination and that purchase accounting must be applied. USI is identified as the acquirer in this business combination because USI shareholders comprise 98.75% of the shareholders of the outstanding shares of Regedo after the reverse acquisition and the continuing operations and executive management were those of USI. Therefore, the business combination is accounted for as a reverse acquisition in accordance with IFRS 3.

As a consequence of applying reverse acquisition accounting, the results for the six months ended 30 June 2005 comprise only the unaudited results of USI. The comparative figures for the six months ended 30 June 2004 (unaudited) are those of USI.

The half year closing on 30 June 2005 formed the basis for the acquisition accounting. There are a number of effects on the consolidated Financial Statements resulting from the adoption of reverse acquisition accounting. A deficit of Chf 7,882,204 was created reflecting the difference between the book value of the shares issued by Regedo as consideration for the acquisition of USI and the equity of USI, which has been adjusted against retained earnings.

Cost of the Business Combination

In accordance with IFRS 3 the cost of the business combination was calculated on the basis of the actual market value.

As at 30 June 2005	**Number of Shares**	**Market Value**	**Costs Chf**
Fair value of purchase consideration	24,000	161.91	3,885,840
Fair value of Regedo Holding AG net assets and liabilities			3,910,218
Negative goodwill on reverse acquisition (note 6)			(24,378)

4. 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. The basis for the calculation is the number of shares issued for the capital increase referred to in note 3 as a result of the reverse acquisition. The weighted average number of ordinary shares for the period ended 30 June 2005 has been adjusted to reflect the various increases in the issued share capital of USI, as detailed in note 5, adjusted for the exchange value described in note 3. The weighted average number of ordinary shares used for the comparative period in 2004 has been adjusted to reflect the number of ordinary shares at 31 December 2003 (16,170) and the subdivision of the ordinary shares of USI (1,600,830), as detailed in note 5, adjusted for the exchange value described in note 3.

	As of 30 June 2005 Chf	**As of 30 June 2004 Chf**
Net profit attributable to shareholders	8,503,685	10,743,474
Weighted average number of ordinary shares outstanding	665,878	434,444
Basic earnings per share (Chf per share)	12.77	24.73

Management has estimated that the maximum number of additional ordinary shares that could be issued at 30 June 2005 as 98,244 (2004 – 98,244). Based on this, the diluted earnings per share at June 2005 was Chf 11.13 (2004 – Chf 20.17).

5. SHARE CAPITAL

	30 June 2005 Chf	**31 December 2004 Chf**
Authorised:		
Equity interests:		
5,000,000 Ordinary shares of $0.01 each (USI)	-	73,860
809,000 Ordinary shares of Chf 100 each (Regedo)	80,900,000	-
Allotted, called up and fully paid:		
Equity interests:		
2,181,280 Ordinary shares of $0.01 each (USI)	-	28,678
763,820 (2004 – 24,000) Ordinary shares of Chf 100 each (Regedo)	76,382,000	-

5. SHARE CAPITAL….*(Continued)*

	Number of shares	Ordinary shares Chf	Share premium Chf	Total Chf
At 31 December 2003 as previously stated (USI)	16,170	22,399	11,039,433	11,061,832
Changes in accounting policies (note 2.2)	-	-	17,572,172	17,572,172
At 31 December 2003 as restated (USI)	16,170	22,399	28,611,605	28,634,004
Subdivision of capital (USI)	1,600,830	-	-	-
Issue of new shares (USI)	565,280	6,279	17,519,079	17,525,358
At 31 December 2004 (USI)	2,182,280	28,678	46,130,684	46,159,362
Issue of new shares (USI)	546,071	35,108	69,967,094	70,002,202
Capital raising fees (USI)	-	-	(2,347,670)	(2,347,670)
New shares issued in lieu of dividends (USI)	87,671	1,107	3,505,733	3,506,840
	2,816,022	64,893	117,255,841	117,320,734
Contribution in kind (USI)	(2,816,022)	(64,893)	(117,255,841)	(117,320,734)
New shares issued (Regedo) (note 3)	739,820	73,982,000	-	73,982,000
Existing shares (Regedo) (note 3)	24,000	2,400,000	-	2,400,000
At 30 June 2005	763,820	76,382,000	-	76,382,000

On 17 February 2005, 37,500 shares were issued by USI pursuant to a private placement ("PPM") at Chf 40 per share.

On 3 March 2005, 379,448 shares were issued by USI pursuant to the PPM at Chf 40 per share. These shares were issued in exchange for the cancellation of preference shares of a subsidiary plus a share of the unrealised capital appreciation up to the date of conversion.

On 5 May 2005, 35,312 shares were issued by USI as a fee for identifying an acquisition referred to in note 3.

On 10 June 2005, 60,000 shares were issued pursuant to the PPM at Chf 40 per share for cash.

On 20 June 2005, 25,000 shares were issued by USI pursuant to the PPM at Chf 40 per share for cash.

On 30 June 2005, 8,811 shares were issued by USI in respect of management fees paid to Dr. Lanfranconi valued at Chf 40 per share.

On the 30 June 2005, USI exchanged its 2'816'022 shares with a nominal value of USD 0.01 each for 739,820 shares of Chf 100 each in Regedo (subsequently changed to USI Group Holdings AG) via a contribution in kind. These shares were admitted to the SWX Swiss Exchange, Zurich on 27 July 2005.

6. BUSINESS COMBINATIONS

ACQUISITION OF REGEDO HOLDING AG

As at 30 June 2005 USI acquired Regedo in a reverse acquisition. Regedo was a dormant company at the time of the reverse acquisition.

The fair value of each class of assets acquired and liabilities assumed was as follows:

	Chf
Cash	3,964,519
Current assets	2,637
Current liabilities	(56,938)
Fair value of asset acquired	3,910,218
Negative goodwill on reverse acquisition (note 3)	(24,378)
Acquisition cost	3,885,840
Satisfied by issue of new shares in USI referred to in note 5	
Cash acquired on acquisition	3,964,519

The fair value of each class of assets acquired and liabilities assumed as outlined above are equal to the carrying amount determined in accordance with IFRS immediately before the reverse acquisition. As the reverse acquisition occurred on 30 June 2005 there is no impact on revenues and net profit from the date of the reverse acquisition to the reporting date.

OTHER BUSINESS COMBINATIONS

On 5 May 2005, the Group acquired 100% of the issued share capital of Hollygarth Care Homes Limited, an owner and operator of nursing and residential care home facilities in the United Kingdom. On the same day the assets and business were leased to a third party operator at an initial rent of £1.2 million (Chf 2.7 million) per annum. The lease is for an initial period of 7 years, with the lessee having options to renew for a further periods up to 35 years from the date of the initial lease. The lease contributed revenues of Chf 414,247, negative goodwill of Chf 38,250 and net profit of Chf 144,039 to the Group for the period from 5 May 2005 to 30 June 2005. As part of the acquisition, the Group borrowed £12.765 million (Chf 28.72 million) from the Bank of Scotland. The loan requires payment of interest only during the first three years and 50% amortisation of the principal during years 4-10 of the facility with the balance 50% repayable at maturity in May 2015. The additional borrowings are secured by the land and buildings acquired and by cross guarantees with other group entities that already had existing facilities outstanding from the same lender.

Details of net assets acquired and negative goodwill are as follows:

	Chf
Purchase consideration:	
- Cash paid	27,479,790
- Direct costs relating to acquisition	1,773,000
Total purchase consideration	29,252,790
Fair value of net assets acquired	29,291,040
Negative goodwill on business combinations	38,250

6. BUSINESS COMBINATIONS….*(Continued)*

OTHER BUSINESS COMBINATIONS….*(Continued)*

The assets and liabilities arising from the acquisition are as follows:

	Fair value Chf	Acquiree's Carrying amount Chf
Cash and cash equivalents	119,531	119,531
Investment property	33,930,000	33,930,000
Receivables	2,029,793	2,029,793
Payables	(1,388,284)	(1,388,284)
Deferred tax	(5,400,000)	-
Net assets acquired	29,291,040	34,691,040

	Chf
Purchase consideration settled in cash	29,252,790
Cash and cash equivalents in subsidiary acquired	(119,531)
Cash outflow on acquisition	29,133,259

On 19 February 2004, the Group acquired 100% of the share capital of Wellcare Holdings Limited (now renamed HCP Wellcare One Limited), an owner and operator of residential and nursing care home facilities in the UK and a school & resource centre for children and adults with learning difficulties. On the same day the assets and the businesses were leased to a third party operator at an initial rent of £3.57 million (Chf 8.1 million) per annum. The lease is for an initial period of 35 years.

Details of net assets acquired and negative goodwill are as follows:

	Chf
Purchase consideration:	
- Cash paid	69,037,125
- Direct costs relating to acquisition	4,695,614
Total purchase consideration	73,732,739
Fair value of net assets acquired	87,402,507
Negative goodwill	13,669,768

6. BUSINESS COMBINATIONS….*(Continued)*

OTHER BUSINESS COMBINATIONS….. *(continued)*

The assets and liabilities arising from the acquisition are as follows:

	Fair value Chf	Acquiree's Carrying amount Chf
Cash and cash equivalents	4,471,888	4,471,888
Investment property	74,111,701	74,111,701
Intangible assets	18,457,960	-
Receivables	2,649,949	2,649,949
Payables	(8,076,805)	(8,076,805)
Deferred tax	(4,207,185)	(380,592)
Net assets acquired	87,402,508	72,776,141

	Chf
Purchase consideration settled in cash	73,732,739
Cash and cash equivalents in subsidiary acquired	(4,471,888)
Cash outflow on acquisition	69,260,851

	30 June 2005 Chf	30 June 2004 Chf
Negative goodwill on reverse acquisition	24,378	-
Negative goodwill from other business combinations	38,250	13,669,768
Negative goodwill	62,628	13,669,768

7. REVENUE

The future aggregate minimum rentals receivable under non-cancellable operating leases and business licences are as follows:

	As of 30 June 2005 Chf	**As of 30 June 2004 Chf**
Less than 1 year	12,221,216	10,641,615
More than 1 year and less than 5 years	50,126,696	43,565,695
More than 5 years	675,094,243	681,866,640
	737,442,154	736,073,949

The Group's income is not affected by seasonal factors.

8. BORROWINGS

The maturity of borrowings is as follows:

	2005 Chf	2004 Chf
Current borrowings	3,249,000	13,061,070
Between 1 and 2 years	52,634,124	30,107,947
Between 2 and 5 years	32,484,479	42,171,201
Over 5 years	138,067,978	118,013,463
Non-current borrowings	223,186,581	190,292,611

The effective interest rates at the balance sheet date were as follows:

	2005			2004		
	£	US$	Chf	£	US$	Chf
Mortgages	6.35%	-	4.25%	6.29%	-	4.25%
Bonds	-	4.51%	-	-	4.51%	-
Other	10.00%	10.00%	4.25%	10.00%	10.00%	4.25%
Senior Pre-IPO Notes	-	-	4.00%	-	-	4.00%

9. CASH FLOW HEDGES

The Group hedges a portion of cash flows from floating-rate bank borrowing using interest rate swaps. At 30 June 2005 interest rate swaps with an aggregate principal amount of 123.119 million (31 December 2004 – Chf 89.225 million) and a negative fair value of Chf 2,356,484 (2003 – negative Chf 110,325) were designated as interest rate hedges. The movement between these dates, reflecting a move to market of the interest rate swaps of Chf 2,246,159, was adjusted directly against the fair value hedging reserve.

These cash flows are not expected to crystallise as the borrowings will be held to maturity.

10. RELATED PARTY TRANSACTIONS

Dr. iur V Lanfranconi is a director of the Company and also of some of the subsidiaries. Dr Lanfranconi is the majority beneficial owner of the Company's issued share capital. David Quint and Dr Doraiswamy Srinivas are both directors of RP&C International Inc (RP&C), the Company and some of its subsidiaries. William Vanderfelt is also a non executive director of RP&C and the Company. RP&C is the parent company of RP&C International (Guernsey) Limited which held 6.13% of the issued ordinary share capital of the Company at 30 June 2005 (30 June 2004 – 10.02%).

The Group was charged Chf 1,673,555 (2004 - Chf 1,373,058) management fees for services rendered by RP&C. The Group was charged Chf 405,000 (2004 – Chf 719,466) during the period for negotiating new acquisitions. These fees have been expensed as part of professional fees. One third of all fees received by RP&C have been re-allocated to Dr iur. V Lanfranconi. At 30 June 2005, RP&C was owed Chf nil (31 December 2004 - Chf 1,877,807) by the Group.

The Group was charged Chf 500,000 (2004 - Chf nil) by RP&C during the period for advice regarding the reverse acquisition referred to in note 3. RP&C re-allocated 40% of this fee to Dr iur. V Lanfranconi.

10. RELATED PARTY TRANSACTIONS….*(Continued)*

The Group was charged Chf 490,000 (2004 - Chf nil) by RP&C during the period for services rendered in connection with a private placement of shares: 12,225 shares were issued by USI Group Holdings Limited in respect of this fee and 6,112 of these shares have been re-allocated to Dr iur. V and Mrs Lanfranconi. These shares were exchanged for shares in the Company as part of the reverse acquisition referred to in note 3 above.

The Group was charged Chf 352,440 (2004 - Chf 93,385) management fees and other charges for services rendered by Dr. iur V. Lanfranconi for the period ended 30 June 2005.

As part of the original purchase and financing of the US investment properties, Dr iur. V Lanfranconi has posted three Letters of Credit with an aggregate value of US$3.13 million (31 December 2004 - US$3.13 million) in favour of the QBE Insurance Group ("QBE"). In addition, in support of the financing of certain investment properties located in the UK, Dr iur. V Lanfranconi has posted two Letters of Credit with an aggregate value of £900,000 (31 December 2004 - £900,000) also in favour of QBE. During the period, the Group paid Chf 48,000 (2004 - Chf 48,000) in respect of the charges in respect of these Letters of Credit.

Esquire Consolidated Limited ("ECL") has subsidiaries that are customers of the Group. Under various rental contracts total rental income from these contracts for the period ended 30 June 2005 was Chf 10,908,020 (2004 – Chf 8,767,155).

At 30 June 2005 the Group had outstanding loans to subsidiaries of ECL, of £4,351,500 (31 December 2004 - £4,351,500). The Group's investment in property comprises the cost of acquisition plus these loans advanced to the operator on which the return, inclusive of interest is charged at between 9.5% - 10.5%.

In May 2005, 35,312 shares were issued by USI Group Holdings Limited in favour of ECL for identifying the acquisition opportunity described in note 3. These shares were exchanged for shares in the Company as part of the reverse acquisition also referred to in note 3.

At 30 June 2005 the Group had outstanding loans of US$15m (31 December 2004 - US$15m) 10% Senior increasing rate note, £3,750,000 (31 December 2004 - £3,750,000) 5.02% fixed interest and £7,500,000 (31 December 2004 - £7,500,000) 5.98% fixed interest from Nationwide Insurance Group, which is a minority shareholder of RP&C.

At 30 June 2005 the Group had outstanding a loan of Chf nil (31 December 2004 – Chf 218,020) from the father of an officer of RP&C. The loan accrued interest at 10% and was repaid in full on 1 March 2005.

Effective 30 June 2005, Dr iur V & Mrs Lanfranconi, the RP&C Group and ECL received 54,736, 6,129 and 6,482 shares in USI Group Holdings Limited, respectively, in lieu of the dividend declared for the period ended 30 June 2005. All of these shares were exchanged for shares in the Company as part of the reverse acquisition referred to in note 3.

11. EMPLOYEES

The Company had no employees at 30 June 2005 (2004 – none).

12. SUBSEQUENT EVENTS

There were no material subsequent events to be reported since 30 June 2005.

13. SEGMENT INFORMATION

For the six months ending 30 June 2005

	SEGMENT 1			
	UK Chf	US Chf	Switzerland Chf	Total Chf
Revenue	12,407,452	1,388,869	578,761	14,375,082
Net gain on fair value adjustment	8,735,236	-	-	8,735,236
Negative goodwill of investment property	62,628	-	-	62,628
Administrative expenses	(2,992,348)	(340,513)	(113,017)	(3,445,877)
Interest income	233,918	16,636	4,239	254,792
Segment result	18,446,886	1,064,992	469,983	19,981,861
Finance costs - net	(7,170,314)	(532,474)	(232,112)	(7,934,900)
Segment profit before income tax	11,276,572	532,518	237,871	12,046,961

At the 30 June 2005, the Group's business segment is organised on a worldwide basis into three main geographical areas. The nature of operations in the US is that of Post Offices and in the UK and Switzerland that of Nursing Homes, although geographical segments are considered primary. Investment properties are leased to third party operators.

For the six months ending 30 June 2004

	SEGMENT 1			
	UK Chf	US Chf	Switzerland Chf	Total Chf
Revenue	8,767,160	1,456,332	557,348	10,780,840
Net gain on fair value adjustment	1,481,018	-	-	1,481,018
Negative goodwill of investment property	13,669,768	-	-	13,669,768
Administrative expenses	(4,452,243)	(137,626)	151,704	(4,438,165)
Interest income	456,244	-	-	456,245
Segment result	19,921,947	1,318,706	709,052	21,949,706
Finance costs - net	(6,227,013)	(685,812)	(297,074)	(7,209,900)
Segment profit before income tax	13,694,935	632,894	411,978	14,739,806

Principal shareholdings of the USI Group

Company	No of Shares Owned	Type of Shares and Nominal Value	Ownership	Voting Rights
USI Group Holdings Limited	2,816,022	Ordinary US$ 0.01	100%	100%
USI AG	150'000	Ordinary CHF 1,000	100%	100%
HCP Wellcare Group Holdings Limited	100	Ordinary £ 0.01	100%	100%
Healthcare Properties Etzelgut Limited	100	Ordinary £ 1	100%	100%
Healthcare Properties UK (Holdings) Limited	200	Ordinary £ 0.01	100%	100%
Healthcare Properties (Ashlea) Limited	100	Ordinary £ 1	100%	100%
Healthcare Properties LDK Limited	100	Ordinary £ 0.01	100%	100%
Healthcare Properties UK Limited	100	Ordinary £ 1	100%	100%
Healthcare Properties (Oxford) Limited	1	Ordinary £ 1	100%	100%
HCP Wellcare Holdings Limited	10,000	Ordinary £ 0.01	100%	100%
Healthcare Properties (Wellcare) Limited	1,000	Ordinary £ 100	100%	100%
Healthcare Properties (Wellcare) Limited	4,000,000	Preference £ 1	100%	Non-voting
HCP Wellcare Progressive Lifestyles Limited	1,000	Ordinary £ 1	100%	100%
HCP Community Support Services Limited	1	Ordinary £ 1	100%	100%
United Properties Holding Inc.	1,000	Ordinary	100%	100%
United Post Office Investments Inc.	100	Ordinary	100%	100%

The Company directly owns the shares of USI Group Holdings Limited. All other subsidiaries are owned indirectly.

Property investments by segment as at 30 June 2005

Located in:	Chf millions	%
United Kingdom	225.2	77.1
United States	37.5	12.8
Switzerland	29.5	10.1
	292.2	100.0

Property Details

Name, address	Owner [1]	Ownership status [2]	Approximate Year of construction	Year of renovation	% of leased usable space	No. of registered beds	As % of Total Group Gross Assets
United States of America 141 post offices **located in 32 states**	UPOI	FH	1956-1988	Ongoing	100	N/A [4]	12.0
Switzerland Etzelgut, **Etzelstrasse 14, 8038 Zurich**	HCPETZ	FH	1967	Ongoing	100	55	9.4
United Kingdom Manor House, **Merton, Bicester, Oxfordshire**	HCPO	FH	16th century & 1990s	2003	100	102	7.5
Walton Progressive School & Resource Centre, **Rice Lane, Liverpool, Merseyside**	HCSS	FH	2000	Ongoing	100	N/A [4]	7.2
Allanbank, **Bankend Road, Dumfries**	HCPW	FH	2000	Ongoing	100	67	6.2
Rosewell, **High Littleton, Bath, Somerset**	HCPUK	FH	1998	Ongoing	100	94	5.3
Hunter Units, **Beechwood Road, Liverpool, Merseyside**	HCPW	FH	1990s	2003	100	24	3.2
Arthur's Court, **27 Highfield Road, Street, Somerset**	HCPUK	FH	1992	Ongoing	100	40	2.5
Thornbury, **58 Thorndale Road, Sunderland**	HCPO	FH	2004	Ongoing	100	42	2.3
Lakehouse & Orchard House, **Riccall Lane, Kelfield, York**	HCPLDK	FH	1980	1998	100	61	2.1
Dunollie Nursing Home, **31 Filey Road, Scarborough, North Yorkshire**	HCPLDK	FH	1901	1994	100	58	2.1
Administration Offices, **Sefton Park Road, Liverpool, Merseyside**	HCPW	FH	1998	Ongoing	100	N/A [4]	2.0
Dovecote, **Hugar Road, Gateshead, Tyne & Wear**	HCPUK	FH	1995	Ongoing	100	61	2.0
Lakeview, **Chorley Road, Withnell, Chorley, Lancashire**	HCPUK	FH	1990s	Ongoing	100	57	2.0
Stanley Burn House**, Station Road, Wylam**	HCPO	FH	1900	Ongoing	100	35	1.9

1 HCSS = HCP Community Support Services Limited HCPETZ = Healthcare Properties Etzelgut Limited
HCPLDK = Healthcare Properties LDK Limited HCPO = Healthcare Properties (Oxford) Limited
HCPUK = Healthcare Properties UK Limited HCPW = Healthcare Properties (Wellcare) Limited
UPOI = United Post Office Investments, Inc.
2 FH = Freehold (100%)
3 The USI Group also owns a further 25 properties within the residential care sector. The current fair value of each of these properties represents less than two percent of the Group's total gross assets.
4 Property specifically used for non-residential facilities.
5 Statistics for total land and areas for residential use in m^2 and number of parking spaces are not currently available for all properties but will be provided with the full year reporting for 2005.

Significant Lessees of USI Group Owned Properties

Name of Lessee	Location	Details of leased properties	Aggregate annual lease payments	Percentage of total lease payments to the USI Group:
United States Postal Service	Salt Lake City, USA	141 US post office facilities	USD 2'314'000 (CHF 2'892,500)	12.3%
European Care (UK) Limited	London, UK	11 UK nursing / residential homes	GBP 2'274'000 (CHF 5'116'000)	23.0%
European Care (SW) Limited	London, UK	7 UK nursing / residential homes	GBP 910'000 (CHF 2'048'000)	9.2%
European Care (England) Limited	London, UK	9 UK nursing / residential homes	GBP 1'978'000 (CHF 4'450'500)	20.0%
European Wellcare Homes Limited	London, UK	8 UK nursing / residential homes and offices	GBP 1'638'000 (CHF 3'685'000)	16.6%
European Wellcare Education Limited	London, UK	1 UK school	GBP 728'000 (CHF 1'637'000)	7.4%
European Wellcare (Dumfries) Limited	London, UK	1 UK nursing / residential home	GBP 627'000 (CHF 1'412'000)	6.3%
topCare Management AG	Zurich , Switzerland	Etzelgut Swiss nursing home	CHF 1'161'000	5.2%

In addition, HCP Wellcare Progressive Lifestyles Limited, a USI Group company, has licensed its assisted living business to European Care Lifestyles Limited of London, UK, a European Care Group company and the current annual licence payments are GBP 691'440 (CHF 1'557'123).

Note: Income totals are based on annualised projections for 2005

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.

Appraisal Firms and Valuation Methods

The USI Group has commissioned CCRE, Milner House, 14 Manchester Square, London W1U 3PP, England, Botta Management Group AG ("Botta"), Mühlegasse 12a, CH-6342 Baar, Switzerland, and Real Estate Asset Counselling Inc. ("REAC"), P.O.Box 27, Maysville, Kentucky 41056-0027, USA, for the purpose of estimating the fair value of the real estate holdings owned by the USI Group.

Valuation methods of CCRE

The valuations are based on a portfolio evaluation of the properties held in the UK healthcare sector having due regard to the individual performance of each property. The desk-top valuations are based on information supplied by the USI Group and the operator of the properties in the UK. The valuations are provided in accordance with Practice Statement 4.2 of the Royal Institute of Chartered Surveyors Appraisal and Valuation Manual as updated on 31 August 2002. The valuations assess the market value of the property in accordance with PS 3.2 of the Appraisal Valuation Standards issued by the Royal Institute of Chartered Surveyors, which is defined as follows:

"The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion."

In addition, the interpreted commentary on market value, as published in International Valuation Standards 1, has been applied.

Based on the detailed review of relevant information, CCRE determines an appropriate yield that would be bid by the market for the portfolio of investments owned by the USI Group were they to be offered in the market. The yield is applied as a capitalisation rate to the current rental income received by the USI Group, hence the lower the capitalisation yield, the higher the market value. Based on current market conditions, CCRE concluded that a capitalisation rates of between 7.25% and 7.5% were appropriate under current market conditions.

In determining the appropriate capitalisation rate to be used, CCRE takes into consideration the following factors:

i) Each of the homes in the portfolio has been inspected by CCRE within the preceding 18 months and the valuation has due regard to the property, location, trading style, historic performance and local demographic and competitive environment plus a key performance index compared to a peer group.

ii) The detailed management accounts, forecasts and budgets provided in respect of the portfolio by the operator are analysed on a consistent basis and compared to a peer group.

iii) The properties are subject to individual registration by the Commission for Social Care Inspection and it is assumed that all the properties are in compliance with the current registration requirements.

iv) It is assumed that the properties will continue to be professionally managed by the operator and that current trading conditions continue throughout the term of the lease.

v) The historical operating results and the budgets are assessed on an EBITDAR basis (earnings before interest, tax, depreciation, amortisation and rent). Excluded from this review are directors' remuneration, financial servicing costs and head office and regional management charges incurred by the operator.

vi) The valuation in the investment portfolio has due regard to the level of rental payable within the individual leases and assesses on a unit by unit basis the level of profit after payment of rent expressed on an EBITDA basis (earnings before interest, tax, depreciation and amortisation).

vii) Having due regard to the investment yield that the market would apply to the individual investments which form the portfolio having regard to the properties, EBITDAR performance evidenced and to the covenant strength of the operator. This includes an assessment of the level of rent cover by comparing EBITDAR to rental payments.

viii) Having due regard to comparable transactions with which CCRE have direct knowledge and those reported in the press.

ix) Having due regard to the standard lease between the operator and the USI Group, including consideration as to covenants in respect of repairs, alteration and insurance and the minimum and maximum annual rental increases.

Valuation methods of REAC

The valuation of the investment portfolio located in the United States has been based on a review of various valuation techniques. The principal valuation techniques assessed and compared to the relevant portfolio and other factors include:

i) Gross rent multiple ("GRM")

ii) Direct capitalisation of net operating income ("NOI")

iii) Current market conditions

REAC assessed the current multiples arising from transactions undertaken in the sector within the last 18 months and concluded that the multiples range between 12.75 times and 13 times the GRM.

The direct capitalisation of the NOI approach is derived from comparing the gross rental income and deducting direct operating costs incurred by the landlord. Based on the most recent transactions in the sector reviewed by REAC, the overall direct capitalisation rates ranged between 7.04% and 7.4%.

REAC observed that upward trends in the 10-year treasury rates have been higher than the increase in capitalisation rates applied in comparing the market as a whole. REAC concluded that it is still a strong "sellers market" with prospective investors outnumbering sellers dramatically.

Based on an assessment of all of the factors referred to above, REAC concluded that the portfolio owned by the USI Group could be marketed within the indicated ranges referred to above both in terms of GRM and NOI.

Valuation method of 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 after the examination period (normally 10 years) 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.

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 one assumes 20 years. Over this period exact information relating to the future earnings and expenses can normally be given.

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 Federal 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 2% and 4%. Main factors are the location of the property with respect to the use and the risk of renting out. For purposes of valuing Etzelgut, a risk premium of 2.4% is applied as it is considered to be a small risk. A discount factor of 4.8% was used for the valuation at 30 June 2005.

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 - 0.0%-0.5% higher than the discount factor.

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

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

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

Neither the Company nor any member of the USI Group has any relationship with the foregoing appraisal firms.