



USI GROUP HOLDINGS AG

INTERIM REPORT 2008

Contents	Page
Company Information	1
Chairman's Statement	2
Financial Statements	4
Other Information	15



COMPANY INFORMATION

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)

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REGISTERED NUMBER

CH-020.3.922.903.6



CHAIRMAN'S STATEMENT

The Company is pleased to report its financial results for the six months ended 30 June 2008. Despite extremely challenging and volatile market conditions caused by the global credit crisis, the Company, with its high quality assets, long term indexed leases and modest leverage, has avoided the adverse impact on asset valuations which has affected other sectors of the property market.

Our results encompass the Company's first trading period since December, 2007 when it acquired 94.9% of a partnership which owns four buildings in Leipzig, Germany leased to the Free State of Saxony (the "Properties"). The Properties were constructed in 1995 and are 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 (CHF 14.3 million).

The purchase price for the Properties was €166 million (CHF 266.9 million), which was principally financed by a €21 million (CHF 194.6 million) senior debt facility from Royal Bank of Scotland plc – Niederlassung, Frankfurt ("RBS") which was concluded on 4 January 2008. The Properties were valued by an independent valuer at 30 June 2008 within a range of €82.4 million (CHF 293.3 million) and €193.0 million (CHF 310.3 million). The Company has valued the Properties at the lower end of this range which is substantially unchanged from the valuation used at 31 December 2007. Fair value gains of CHF 24.4 million were recognised in the results for the year ended 31 December 2007.

Total income for the period ended 30 June 2008 was CHF 10.3 million (30 June 2007 - CHF 4.8 million). Included in total income was rental income of CHF 7.2 million (2007 – nil), finance income of CHF 0.3 million (2007 – CHF 2.6 million), share of profit of associates of CHF 2.7 million (2007 – CHF 2.1 million) and net income from discontinued operation of CHF – nil (2007 – CHF 4.6 million). Included in finance income for the period were fair value gains of CHF 1.1 million (2007 – loss of CHF 1.4 million) representing fair value adjustments to options attached to convertible notes and warrants and net foreign exchange losses of CHF 1.8 million (2007 – gains CHF 3.0 million) which are all non cash items.

Total expenses for the period were CHF 10.1 million (2007 – CHF 2.6 million). Included in total expenses were administrative expenses of CHF 2.2 million (2007 – CHF 2.1 million) and finance expenses of CHF 7.9 million (2007 – CHF 0.5 million). Administrative expenses include management fees of CHF 1.4 million (2007 – CHF 1.6 million) and other professional and property related expenses of CHF 0.8 million (2007 – CHF 0.5 million). Finance expenses include mortgage interest of CHF 6.4 million (2007 – nil) of amortised borrowing expenses relating to the senior bank financing with RBS, which are being amortised over the term of the financing of CHF 1.0 million (2007- nil).

Excluding adjustments for foreign exchange items and the fair value of the options the Company's profit for the period would have been CHF 1.0 million (CHF 3.7 million). After including the non cash items referred to above, the Company reports a net profit of CHF 0.2 million for the first six months of 2008 compared to CHF 6.5 million for the same period in 2007.

Gross assets at 30 June 2008 were CHF 411.8 million (CHF 449.4 million at 31 December 2007). Investment property at 30 June 2008 totalled CHF 293.3 million (CHF 302.5 million – 2007). Investment in associates was CHF 55.2 million (CHF 59.1 million – 2007) and cash on hand was CHF 17.0 million (CHF 87.5 million - 2007). Leverage representing long term borrowings as a percentage of non-current assets was started at 58.8% at 30 June 2008. The Company has maintained its 25.16% investment in Public Service Properties Investments Limited ("PSPI") which is listed on the AIM market of the London Stock Exchange and is accounted for as an investment in associates. PSPI has announced that its gross and net assets at 30 June 2008 were £284.6 million (CHF 578.0 million) and £107.8 million (CHF 218.9 million), respectively.

Total Equity at 30 June 2008 equalled CHF 152.6 million compared to CHF 158.1 million at 31 December 2007. The reduction is largely due to foreign currency translation losses that have resulted in a negative translation reserve of CHF 10.3 million at 30 June 2008 compared to CHF 1.9 million at 31 December 2007. In addition, the cash flow hedging reserve increased to CHF 3.9 million at 30 June 2008 from CHF 0.9 million at 31 December 2007. The reserve movements which have been recognised are non cash items and the Company's main assets are supported by and hedged by cash flows and borrowings in the same currency. The Company continually monitors its foreign exchange exposure and will consider hedging as appropriate.

The Company made a further capital distribution to shareholders of CHF 8.90 per share in August 2008 representing a continued distribution of 6% on its initial public offering price in 2005. In conjunction with the capital distribution, the Company offered shareholders the right to subscribe for new shares at CHF 159 per share. This resulted in the issuance of 30,364 new shares, equal to 68% reinvestment by shareholders into new shares of the Company, and continued support for the Company's investment policy.

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

USI Group Holdings AG

Dr. iur. V. Lanfranconi (Chairman)

Approved by the board: 25 September 2008

USI GROUP HOLDINGS AG
CONSOLIDATED INCOME STATEMENT (UNAUDITED)
FOR THE SIX MONTH PERIOD ENDING 30 JUNE 2008

	Note	Period to 30 June 2008 CHF	Period to 30 June 2007 CHF (restated)*
Revenue		7,223,666	-
Administrative expenses	4	(2,156,429)	(2,055,325)
Other Expenses		(28,717)	-
Net Finance Income	5	335,041	2,639,921
Operating profit		5,373,561	584,596
Net Finance Costs	6	(7,868,952)	(484,177)
Share of profit of Associates	8	2,740,933	2,139,433
Profit before income tax from continued operations		245,542	2,239,852
Income tax expense		-	-
Profit for the period from continued operations		245,542	2,239,852
Net profit from discontinued operations		-	4,571,441
Profit for the period		245,542	6,811,293
Attributable to:			
Equity holders of the Company		245,542	6,811,293
Basic earnings per share (CHF per share)	3		
Continued operations earnings per share		0.31	2.88
Discontinued operations earnings per share		-	5.88
		0.31	8.76
Diluted earnings per share (CHF per share)	3		
Continued operations earnings per share		0.29	2.73
Discontinued operations earnings per share		-	5.11
		0.29	7.84

*- Comparative amounts have been restated to reflect adjustments made in the consolidated accounts for the year ended 31st December 2007 (see note 2.1.2)

The notes on pages 8 to 15 form part of these financial statements.

USI GROUP HOLDINGS AG
CONSOLIDATED BALANCE SHEET (UNAUDITED)
FOR THE PERIOD ENDED 30 JUNE 2008

	Note	30 Jun 2008 CHF	31 Dec 2007 CHF
ASSETS			
Non current assets			
Investment Property	7	293,294,742	302,546,880
Investments in Associates	8	55,159,846	59,105,155
Derivative financial instruments - interest rate swaps		2,656,875	-
		351,111,463	361,652,035
Current assets			
Receivables and prepayments		43,654,503	247,960
Cash		17,040,263	87,515,075
		60,694,766	87,763,035
Total assets		411,806,229	449,415,070
EQUITY			
Capital and reserves			
Share Capital	10	69,385,681	69,385,681
Share Premium	10	3,309,033	3,309,033
Treasury Shares		(352,309)	-
Translation reserve		(10,257,648)	(1,862,201)
Retained Earnings		86,653,689	86,408,147
Cashflow Hedging Reserve		3,911,419	859,958
Total Equity		152,649,865	158,100,618
LIABILITIES			
Non current liabilities			
Borrowings	9	204,902,281	14,651,018
Derivative financial instruments - options		109,927	359,977
Deferred Taxation		3,747,156	3,903,384
Other financial liability		4,339,282	4,310,560
		213,098,646	23,224,939
Current liabilities			
Trade and other payables		24,300	263,777,019
Borrowings		40,227,500	-
Accruals		5,512,633	3,262,620
Derivative financial instruments - warrants		293,285	1,049,874
		46,057,718	268,089,513
Total liabilities		259,156,364	291,314,452
Total equity and liabilities		411,806,229	449,415,070

The notes on pages 8 to 15 form part of these financial statements.

USI GROUP HOLDINGS AG
CONSOLIDATED CASH FLOW (UNAUDITED)
FOR THE SIX MONTH PERIOD ENDING 30 JUNE 2008

	Period to 30 June 2008 CHF	Period to 30 June 2007 CHF (restated)*
Cash flow from operating activities		
Cash generated / (used) by operations	4,770,721	2,834,821
Interest paid	(5,398,832)	(1,767,659)
Tax (paid)/received	-	-
Net cash used by operating activities	(628,111)	1,067,162
Cash flow from investing activities		
Proceeds from sale of subsidiary	-	91,543,689
Costs associated with sale of subsidiary	-	(2,226,858)
Purchase of investment property	(263,488,020)	-
Investment in short term deposits greater than three months	(40,640,000)	-
Dividends Received	1,386,287	-
Interest received	1,200,927	1,017,822
Net cash generated / (used in) investing activities	(301,540,806)	90,334,653
Cash flow from financing activities		
Purchase of treasury shares	(352,309)	-
Proceeds from borrowings	234,920,601	-
Payment for release of warrants	-	(1,489,732)
Repayments of borrowings	-	-
Net cash (used) / generated by financing activities	234,568,292	(1,489,732)
Increase/(Decrease) in cash and cash equivalents	(67,600,625)	89,912,083
Movement in cash and cash equivalents		
At start of period	87,515,075	5,644,417
Increase/(Decrease)	(67,600,625)	89,912,083
Foreign currency translation adjustments	(2,874,187)	3,003,911
At end of period	17,040,263	98,560,411
Decrease in cash and cash equivalents of discontinued operations	-	(5,839,321)
Cash and cash equivalents at the beginning of the period of discontinued operations	-	5,839,321
Cash and cash equivalents at the end of the period of discontinued operations	-	-
Increase in cash and cash equivalents of continued operations	(67,600,625)	89,912,083
Foreign currency translation adjustment	(2,874,187)	3,003,911
Cash and cash equivalents at the beginning of the period of continued operations	87,515,075	5,644,417
Cash and cash equivalents at the end of the period of continued operations	17,040,263	98,560,411

- - Comparative amounts have been restated to reflect adjustments made in the consolidated accounts for the year ended 31st December 2007.

The Notes on pages 8 to 15 form part of these financial statements

USI GROUP HOLDINGS AG
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)
FOR THE SIX MONTHS ENDING 30 JUNE 2008

	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 2007 as previously stated	74,338,282	1,076,844	66,806,520	1,224,991	-	9,509,008	152,955,645
Restatement	-	-	(1,391,396)	-	-	-	(1,391,396)
Balance as of 1 January 2007 restated	74,338,282	1,076,844	65,415,124	1,224,991	-	9,509,008	151,564,249
Cash flow hedges – net	-	-	-	205,742	-	-	205,742
Foreign currency translation	-	-	-	-	-	(9,125,621)	(9,125,621)
Net income/(expense) recognised directly in equity	-	-	-	205,742	-	(9,125,621)	(8,919,879)
Profit for the half-year	-	-	6,811,293	-	-	-	6,811,293
Total recognised income for the half-year 30 June 2007	-	-	6,811,293	205,742	-	(9,125,621)	(2,108,586)
Balance as of 30 June 2007	74,338,282	1,076,844	72,226,417	1,430,733	-	383,387	149,455,663
Cash flow hedges – net	-	-	-	(570,775)	-	-	(570,775)
Foreign currency translation	-	-	-	-	-	(2,245,588)	(2,245,588)
Net income/(expense) recognised directly in equity	-	-	-	(570,775)	-	(2,245,588)	(2,816,363)
Profit for the half-year	-	-	14,181,731	-	-	-	14,181,731
Total recognised income for the half-year 31 Dec 2007	-	-	14,181,731	(570,775)	-	(2,245,588)	11,365,368
Par value capital reduction	(6,924,235)	-	-	-	-	-	(6,924,235)
Issue of new shares	1,971,634	2,328,872	-	-	-	-	4,300,506
New issue costs	-	(96,684)	-	-	-	-	(96,684)
Balance as of 31 December 2007	69,385,681	3,309,033	86,408,148	859,958	-	(1,862,201)	158,100,618
Cash flow hedges - net	-	-	-	3,051,461	-	-	3,051,461
Purchase of own shares	-	-	-	-	(352,309)	-	(352,309)
Foreign currency translation	-	-	-	-	-	(8,395,447)	(8,395,447)
Net income/(expense) recognised directly in equity	-	-	-	3,051,461	(352,309)	(8,395,447)	(5,696,295)
Profit for the half-year	-	-	245,542	-	-	-	245,542
Total recognised income for the half-year 30 June 2008	-	-	245,542	-	-	-	245,542
Balance as of 30 June 2008	69,385,681	3,309,033	86,653,689	3,911,419	(352,309)	(10,257,648)	152,649,865

Notes:

The Cashflow hedging reserve at 30 June 2008 includes USIGHAG's share of the Cashflow hedging reserves of its associated companies.

The notes on pages 8 to 15 form part of these financial statements.

**SELECTED EXPLANATORY NOTES TO THE CONSOLIDATED 2008 INTERIM FINANCIAL STATEMENTS
(UNAUDITED)**

1. GENERAL INFORMATION

USI Group Holdings AG, domiciled in Switzerland (registered office at Bahnhofstrasse 106, CH-8023, Zürich, Switzerland), is the ultimate parent company of the USI Group. USI Group Holdings AG and its international subsidiaries (together the Group), is an investment property Group with a portfolio in Germany. It is principally involved in leasing out real estate where the rental income is primarily generated directly or indirectly from governmental sources. In addition, the Group has an investment in an associate with a portfolio of properties in the UK, USA and Germany.

2. ACCOUNTING POLICIES

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

2.1 Basis of preparation

The unaudited consolidated financial statements of the Group have been prepared in accordance with and comply with International Financial Reporting Standards (IFRS), published by the International Accounting Standards Board (IASB) and comply with the requirements of the SIX Swiss Exchange's (formerly SWX Swiss Exchange) Listing Rules and the Additional Rules for the Listing of Real Estate Companies. The consolidated financial statements are reported in Swiss Francs unless otherwise stated and are based on the interim accounts of the individual subsidiaries at 30 June 2008 which have been drawn up according to uniform Group accounting principles.

- IFRIC 12, 'Service concession arrangements' (effective from 1 January 2008). IFRIC 12 applies to contractual arrangements whereby a private sector operator participates in the development, financing, operation and maintenance of infrastructure for public sector services. This standard is not applicable to the Group.
- IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction' (effective from 1 January 2008). IFRIC 14 provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. This standard is not applicable to the Group as it has no employees.

The 2008 interim report has been prepared in accordance with IAS 34 (Interim Financial Reporting).

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.

The same accounting and valuation principles have been applied to these financial statements as to those that are described on pages 14 to 29 of the 2007 annual report of USI Group Holdings AG.

2.1.1 Foreign Exchange Rates

	Balance Sheet		Income Statement and Cash Flow statement	
	2008	2007	average	average
	CHF	CHF	CHF	CHF
GBP	0.49240	0.44448	0.48277	0.41366
USD	0.98230	0.88780	0.95353	0.81471
EUR	0.62190	0.60321	0.62296	0.62193

SELECTED EXPLANATORY NOTES TO THE CONSOLIDATED 2008 INTERIM FINANCIAL STATEMENTS (UNAUDITED)

2.1.2 Restatement of comparative amounts

The group disclosed in the half year report for 2007 a profit of CHF 8,440,066 on the discontinued operations mentioned above. However, following a review of the financial statements of PSPI for the year ended 31 December 2007, the Group concluded that the presentation of the transaction was incorrectly disclosed in the half year report. As a result of this error the profit on discontinued operations should have been reduced by CHF 3,868,625 to CHF 4,571,441 with a corresponding adjustment to the translation reserves. In addition, the net profit for the six months to 30 June 2007 would also have been reduced by CHF 3,868,625 to CHF 6,529,673. There was no difference to the reported net asset position as a result of these restatements at 30 June 2007. The restated basic earnings per share of the discontinued operations were CHF 5.88 per share rather than CHF 10.82 per share and the diluted earnings per share of the discontinued operations were CHF 5.11 per share rather than CHF 9.92 stated in the half year report. In addition, the net cash generated from investing activities has reduced by CHF 7,990,630 to CHF 90,334,653 in the half year financial statements and the net cash used by financing activities has increased from CHF 0 to CHF 1,489,732.

The corresponding amount related to the net cash used by the operating activities in the half year report 2007. The adjustments for these errors have been correctly reflected in these financial statements.

In the preparation of the 2007 year end financial statements the directors noted that the warrants issued in connection with certain borrowings had not been valued at the balance sheet dates and movements in those values had not been recognised in the income statement. As a result of those errors, the directors have reduced the opening retained earnings at 1 January 2006. The impact for the opening balance 2007 was a reduction by approximately CHF 1,391,386 at 1 January 2007 and increased simultaneously the derivative financial instruments within liabilities. Furthermore, the profit for the period ended 30 June 2007 has decreased by approximately CHF 281,620 million due to increased finance income with a corresponding net increase in derivative financial instruments within liabilities. In addition, the derivative financial instruments within liabilities has decreased by CHF 816,531 compared at 30 June 2007. The restated basic earnings per share of the continued operations were CHF 2.88 per share rather than CHF 2.25 per share and the diluted earnings per share of the continued operations were CHF 2.73 per share rather than CHF 2.51 stated in the half year report.

3. EARNINGS PER SHARE

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

	As at 30 June 2008 CHF	As at 30 June 2007 CHF
Net profit attributable to shareholders	245,542	6,811,293
Weighted average number of ordinary shares outstanding	798,648	778,004
Basic earnings per share (CHF per share)	0.31	8.76

In December 2002 the Company issued warrants to a third party for an amount of up to \$4 million. Under the terms of the warrants, the holder is entitled to exercise the warrants at any time during a two year period following completion of a public offering of shares in the Company at the same share price as that offered at the time of flotation. During 2006 these warrants were fixed so that warrant holders can subscribe for up to 36,341 shares in the Company. These warrants were redeemed during 2007.

New warrants entitling the holders to 42,505 shares were issued at an exercise price of CHF 152.20 per share. These warrants may be cash settled by the Company up to the expiry date of 31 October 2008. The expiry date of these warrants has been extended from 31 October 2008 to 31 October 2010 on 18 July 2008. All the other conditions remain the same.

**SELECTED EXPLANATORY NOTES TO THE CONSOLIDATED 2008 INTERIM FINANCIAL STATEMENTS
(UNAUDITED)**

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 2008 no options had been awarded nor had conditional capital been created for this purpose.

Management has estimated that the maximum number of additional ordinary shares that could be issued at 30 June 2008 as 42,505 (2007 – 117,379).

4. ADMINISTRATIVE EXPENSES

	Period to 30 June 2008 CHF	Period to 30 June 2007 CHF
Professional fees and other costs	381,855	331,024
Audit fees	48,906	51,801
Property rent, maintenance and sundry expenses	348,638	91,187
Management Fees	1,377,030	1,581,313
	2,156,429	2,055,325
As at 30 June	2,156,429	2,055,325

5. NET FINANCE INCOME

	Period to 30 June 2008 CHF	Period to 30 June 2007 CHF
Interest Income	1,128,256	1,017,822
Foreign Exchange Gains	1,074,333	3,003,911
Net gains from fair value adjustment of options and warrants	1,006,639	(1,381,812)
Foreign Exchange Losses	(2,874,187)	-
	335,041	2,639,921
As at 30 June	335,041	2,639,921

6. NET FINANCE COSTS

	Period to 30 June 2008 CHF	Period to 30 June 2007 CHF
Interest on Notes	465,450	465,449
Interest on Mortgages	6,381,526	-
Other interest and borrowing expenses (including amortisation of debt costs)	1,021,976	18,728
	7,868,952	484,177
As at 30 June	7,868,952	484,177

**SELECTED EXPLANATORY NOTES TO THE CONSOLIDATED 2008 INTERIM FINANCIAL STATEMENTS
(UNAUDITED)**

7. INVESTMENT PROPERTY

	30 June 2008 CHF	31 December 2007 CHF
As at 1 January	302,546,880	-
Additions	-	278,360,588
Net gains on fair value adjustment	-	24,421,040
Net changes in fair value adjustments due to exchange differences	(9,252,138)	(234,748)
As at 31 December	293,294,742	302,546,880

On 21 December 2007 the Group acquired a 94.9% interest in a partnership which owns 4 investment properties in Leipzig, Germany. These were acquired for a purchase price of €166 million which, in part, is to be funded by senior debt of €21 million (See Note 9). €5 million of the purchase price was paid as a deposit in 2007.

Valuations of the investment properties were made as at 31 December 2007 by independent Property Consultants.

The valuation as at 30 June 2008 was conducted by Botta Management AG using the discounted cash flow method to calculate the market value using discount rates of 4.9% and 5.0%, which resulted in a gross capital valuations of €82.4 million and €193.0 million. The Company has used the lower valuation in preparation of this interim report.

8. INVESTMENTS IN ASSOCIATES

	30 June 2008 CHF	31 December 2007 CHF
As at 1 January	59,105,155	61,251,721
Share of profits	2,740,933	2,383,781
Exchange differences	(5,693,631)	(3,999,331)
Dividends received	(1,386,287)	(782,166)
Cashflow Hedging Reserve	394,535	251,150
As at 30 June	55,160,705	59,105,155

The Groups 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	145,541,014	(90,380,309)	3,964,701	2,740,933	25.16%

**SELECTED EXPLANATORY NOTES TO THE CONSOLIDATED 2008 INTERIM FINANCIAL STATEMENTS
(UNAUDITED)**

9. BORROWINGS

The maturity of borrowings is as follows:

	30 June 2008 CHF	31 December 2007 CHF
Current borrowings	40,227,500	-
Between 1 and 2 years	-	-
Between 2 and 5 years	204,902,281	14,651,018
Over 5 years	-	-
Non-current borrowings	204,902,281	14,651,018

Notes consist of CHF 15 million convertible bonds due 2011. The bonds have a principal amount of CHF 1,000, a cash coupon of 3.5%, a yield to maturity (including redemption premium) of 6.25% and a conversion price of CHF 205. The option has been treated as a derivative financial instrument and recognised at fair value.

On 4 January 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, payable in 2008, totalled €2,422,000 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.

On 30 November 2007 the Group entered into a one year agreement for a €25,000,000 credit facility. The full amount was drawn down on 3 January 2008. The current interest rate is 4.72%.

**SELECTED EXPLANATORY NOTES TO THE CONSOLIDATED 2008 INTERIM FINANCIAL STATEMENTS
(UNAUDITED)**

10. SHARE CAPITAL

	June 2008 CHF	December 2007 CHF
Authorised:		
Equity interests:		
800,758 Ordinary shares of Chf 86.65 each	69,385,681	69,385,681
Allotted, called up and fully paid:		
Equity interests:		
800,758 Ordinary shares of Chf 86.65 each	69,385,681	69,385,681

	Number of shares	Ordinary shares CHF	Share premium CHF	Total CHF
At 1 January and 30 June 2007	778,004	74,338,282	1,076,844	75,415,126
Par value capital reduction	-	(6,924,235)	-	(6,924,235)
Issue of new shares	22,754	1,971,634	2,328,872	4,300,506
New issue costs	-	-	(96,683)	(96,683)
At 31 December 2007 and 30 June 2008	800,758	69,385,681	3,309,033	72,694,714

In August 2007 the Company made a capital distribution of CHF 8.90 per share reducing the share capital of the Company from CHF 74,338,282 (778,004 shares with a nominal value of CHF 95.55 each) to CHF 67,414,047 (778,004 shares with a nominal value of CHF 86.65 each). On the same date the Company approved a reinvestment of CHF 1,971,634 (22,754 shares at par value of CHF 86.65) took place with a subscription price of CHF 189.00 per share.

There have been no movements in share capital in the period to 30 June 2008; however a par value capital reduction occurred in August 2008 (see Note 11).

During the period, the company purchased 2,110 of its own shares for CHF 352'309, which are shown as treasury shares in the balance sheet.

11. SUBSEQUENT EVENTS

Par Value Capital Reduction

At the Annual General Meeting of 27 May 2008, the Company resolved to reduce its share capital from CHF 69,385,680 to CHF 62,258,935 by means of capital reduction of the nominal value of each of its registered shares by CHF 8.90 per share from CHF 86.65 to CHF 77.75. This capital reduction was completed in September 2008.

In order to enable shareholders to re-invest in further registered shares of USI at the time of the capital reduction, the company issued 30,364 new registered shares with a nominal value of CHF 77.75 each at a subscription price of CHF 159.00 per share.

**SELECTED EXPLANATORY NOTES TO THE CONSOLIDATED 2008 INTERIM FINANCIAL STATEMENTS
(UNAUDITED)**

12. SEGMENT INFORMATION

For the six months ending 30 June 2008

	SEGMENT				Total CHF
	Germany CHF	UK CHF	US CHF	Switzerland CHF	
Revenue	7,223,666	-	-	-	7,223,666
Administrative expenses	(97,099)	-	-	(2,059,330)	(2,156,429)
Other Expenses	(28,717)	-	-	-	(28,717)
Net Finance Income	23,325	-	-	311,716	335,041
Segment result/operating profit	7,121,175	-	-	(1,747,614)	5,373,561
Net Finance costs	(6,586,804)	-	-	(1,282,148)	(7,868,952)
Share of profit of associate	-	2,740,933	-	-	2,740,933
Segment profit before income tax	534,371	2,740,933	-	(3,029,762)	245,542
Income tax expense	-	-	-	-	-
Profit for the period	534,371	2,740,933	-	(3,029,762)	245,542

For the six months ending 30 June 2007

	SEGMENT			Total CHF
	UK CHF	US CHF	Switzerland CHF	
Administrative expenses	-	-	(2,055,325)	(2,055,325)
Net Finance income	-	-	2,639,921	2,639,921
Segment result/operating profit	-	-	584,596	584,596
Net Finance costs	-	-	(484,177)	(484,177)
Share of profit of associate	2,139,433	-	-	2,139,433
Segment profit before income tax	2,139,433	-	100,419	2,239,852
Income tax expense	-	-	-	-
Net profit from discontinued operations	280,329	-	4,291,112	4,571,441
Profit for the period	2,419,762	-	4,391,531	6,811,293

At 30 June 2007, the group had disposed of 74.84% of its holding in PSPI. Consequently, the revenue and profits of PSPI and its subsidiary undertakings are no longer shown in the consolidated accounts of USIGH AG. Instead they are shown in the net profit from discontinued operations up to 26 March 2007 along with the profit made on disposal.

**SELECTED EXPLANATORY NOTES TO THE CONSOLIDATED 2008 INTERIM FINANCIAL STATEMENTS
(UNAUDITED)**

Principle shareholdings of the USI Group Holdings AG Group as at 30 June 2008:

	Country of Incorporation	Ownership Percentage	
		2007	2006
Continued:			
USIGH Limited (Incorporated 14 July 2006)	BVI	100%	100%
USI AG	Switzerland	100%	100%
USIGH II Investments Limited (Incorporated 25 October 2007)	BVI	100%	-
USI Germany Limited (Incorporated 29 October 2007)	BVI	100%	-
USI Leipzig Limited (Incorporated 11 July 2007)	BVI	100%	-
USI Verwaltungszentrum Leipzig GbR (Acquired 21 December 2007)	Germany	94.9%	-
Discontinued: (disposed of 26 March 2007)			
Public Service Properties Investments Limited (formerly USI Group Holdings Limited)	BVI	25.16%	100%
United Properties Holdings Incorporation 1)	USA	25.16%	100%
United Post Office Investments Incorporation 1)	USA	25.16%	100%
United Properties Finance Incorporation 1)	USA	25.16%	100%
USI Healthcare Investment Company Limited 1)	BVI	25.16%	100%
Healthcare Properties UK (Holdings) Limited 1)	BVI	25.16%	100%
Healthcare Properties UK Limited 1)	Guernsey	25.16%	100%
Healthcare Properties (Ashlea) Limited 1)	Guernsey	25.16%	100%
Healthcare Properties (Oxford) Limited 1)	UK	25.16%	100%
The Manor House Nursing Home Limited 1)	UK	25.16%	100%
Healthcare Properties LDK Limited 1)	Guernsey	25.16%	100%
Healthcare Properties Etzelgut Limited 1)	Guernsey	25.16%	100%
HCP Wellcare Holdings Limited 1)	Guernsey	25.16%	100%
HCP Wellcare Group Holdings Limited 1)	BVI	25.16%	100%
Healthcare Properties (Wellcare) Limited 1)	UK	25.16%	100%
HCP Wellcare Progressive Lifestyles Limited 1)	UK	25.16%	100%
HCP Community Support Services Limited 1)	UK	25.16%	100%
HCP Wellcare One Limited 1)	UK	25.16%	100%
HCP Wellcare Two Limited 1)	UK	25.16%	100%
HCP Wellcare Three Limited 1)	UK	25.16%	100%
HCP Wellcare Four Limited 1)	UK	25.16%	100%
HCP Wellcare Five Limited 1)	UK	25.16%	100%
HCP Wellcare Six Limited 1)	UK	25.16%	100%
Hollygarth Care Homes Limited 1)	UK	25.16%	100%

All of the above entities were subsidiaries of the Company for the whole of the year unless otherwise stated.

1) Indirect investments through Public Service Properties Investments Limited.