PUBLIC SERVICE PROPERTIES INVESTMENTS LIMITED

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED
30 JUNE 2016

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Public Service Properties Investments

DIRECTORS:

Patrick Hall (Chairman)
Richard Barnes
Neel Sahai
Christopher Lovell (resigned effective 7 July 2016)
Jonas Rydell (resigned effective 7 July 2016)

SECRETARY:

Fides Corporate Services Limited

REGISTERED OFFICE:

Nerine Chambers
Road Town
Tortola
British Virgin Islands

BUSINESS ADDRESS:

Uplands Business Centre
Uplands Road
St Peter Port
Guernsey
GY1 4HH

BVI REGISTERED NUMBER:

1064875

ASSET MANAGER:

RP&C International Inc.

AUDITORS:

PricewaterhouseCoopers AG

NOMINATED ADVISOR:

Stockdale Securities Limited

Public Service Properties Investments

Chairman's Statement

I am pleased to report the Group's unaudited consolidated financial results for the six months ended 30 June 2016.

Update on strategic review

The Company completed the disposal of its remaining German investment properties during the first half of 2016. The Company also completed the return of approximately £11.5 million to shareholders in early July 2016 through a compulsory redemption of shares. This followed two similar transactions in 2015 that returned approximately £21.6 million to shareholders.

Following completion of the most recent compulsory redemption of shares, the Company has 227,655 shares in issue which, based on the unaudited consolidated results at 30 June 2016 less the funds returned to shareholders in July, reflect a net asset value per share of approximately 531.5 pence per share[1].

Current operations

The Company is working through the voluntary winding up of its now dormant subsidiaries. The Company has outstanding contingent liabilities in respect of the sale of German assets in 2015 and 2016 at a maximum aggregate amount of €1.5 million. The Company does not expect to receive any claims under representations and warranties given as part of the sale of asset documentation.

While the Company expects that it will be able to complete a final return of capital before the end of the first quarter of 2017, it is exploring ways in which it can accelerate this process. In the meantime, the Company has taken steps to minimise operating costs going forward.

The Asset Manager's Review below describes the financial results for the first half of 2016 in more detail.

Patrick Hall
Chairman
17 August 2016

[1] Please note that this adjusted net asset value does not take into account any costs incurred in excess of the accruals reflected in the unaudited consolidated balance sheet at 30 June 2016.

Public Service Properties Investments

Asset Manager's Review

Business Outlook

The Chairman has confirmed that the Company's remaining property portfolio was sold during the first half of 2016 which has substantially completed the objectives of the strategic review.

The Company has used the net proceeds received from the sales to return approximately £33.1 million of capital to shareholders via three partial compulsory redemption of share transactions which completed in April 2015, November 2015 and July 2016.

As a result of these transactions, the Company is left with net assets of approximately £1.2 million, some of which will be used to settle various legal and administrative costs as the Company liquidates its now dormant subsidiaries, subject to any legal restrictions relating to the entities that made representations and gave warranties under the various sale transaction documentation.

The Company has taken steps to minimise operating costs going forward as detailed below.

Financial Review

The comparative figures in the interim condensed consolidated income statement have been re-stated to reflect the results of discontinued operations. Please refer to note 12 of this report for those items categorised as relating to discontinued operations.

The Company is reporting a net profit of £0.6 million for the six months ended 30 June 2016 compared to a loss of £3.0 million for the first six months of 2015. The results are stated after net gains on the movement of foreign exchange rates of £1.0 million for the six months ended 30 June 2016 compared to net foreign exchange rate losses of £1.6 million for the equivalent period in 2015. The gain arises from the weakening of sterling against the Euro since the start of 2016, primarily as a result of the impact of uncertainty leading up to the UK referendum on its membership of the European Union.

The Company was able to convert the majority of its Euro net proceeds from the sale of German assets after sterling had started to weaken. As a result, the majority of the gain on changes in foreign exchange rates has been crystallised with approximately 98% of the Company's cash balances in sterling at 30 June 2016. The cash retained in Euros is expected to be sufficient to meet future expenses denominated in Euros.

Administration costs not allocated to discontinued operations were £0.35 million for the six months ended 30 June 2016, 33% lower than the corresponding period in 2015. Within the total of administration costs, management fees were 65% lower than the corresponding period in 2015 at £0.09 million and are expected to be 50% lower in the second half than in the first half of the year. Professional fees were largely unchanged at £0.18 million for the first six months of 2016 and 2015; however, the costs for the second half of 2016 should also be lower following the reduction the number of Board members from five to three, a 50% reduction in fees paid to the remaining Board members from 1 July 2016 and reduced provisions for audit costs in the second half of 2016.

The Group had cash balances of £12.9 million at 30 June 2016, of which £11.5 million was used to repay shareholders in early July 2016 on completion of the third compulsory partial redemption of shares. The Company had no debt at 30 June 2016 and had accrued liabilities of approximately £0.23 million.

Total equity at 30 June 2016 was stated at £12.7 million compared to £12.4 million at 31 December 2015. The Net Asset Value per share[1] ("NAV") at 30 June 2016 was 55.8 pence per share compared to 54.4 pence per share at 31 December 2015.

On 7 July 2016 the Company repurchased 99% of the outstanding shares in the third compulsory partial redemption of shares. The Company redeemed 22.5 million shares at a price of 51.0 pence per share, which presented an 8.6% discount to the NAV at 30 June 2016. As a result, adjusting the reported unaudited net asset value at 30 June 2016 for the funds repaid to shareholders in July 2016 and using the number of shares in issue today results in an adjusted net asset value per share of approximately 531.5 pence per share. Please note that this adjusted net asset value per share does not take into account any costs incurred in excess of the accruals reflected in the unaudited consolidated balance sheet at 30 June 2016.

RP&C International
17 August 2016

[1] Total equity divided by the number of ordinary shares in issue as at the balance sheet date.

PUBLIC SERVICE PROPERTIES INVESTMENTS LIMITED
INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE PERIOD ENDED 30 JUNE 2016

	Note	Period Ended 30 June 2016 £ (unaudited)	Period Ended 30 June 2015 (restated) £ (unaudited)	Year Ended 31 Dec 2015 £ (audited)
Continuing Operations				
Revenue		-	-	-
Administrative expenses	5	(345,360)	(513,755)	(786,693)
Operating loss		(345,360)	(513,755)	(786,693)
Finance income	6a	1,002,883	905	1,529
Finance costs	6b	(653)	(1,574,642)	(1,138,219)
Profit/(loss) before income tax		656,870	(2,087,492)	(1,923,383)
Income tax expense		-	-	-
Profit/(loss) for the period from continuing operations		656,870	(2,087,492)	(1,923,383)
Discontinued Operations				
Loss for the period from discontinued operations	12b	(26,681)	(904,677)	(1,058,202)
Profit/(loss) for the period		630,189	(2,992,169)	(2,981,585)
Basic and diluted earnings/(loss) per share (in pence)				
From continuing operations	7	2.89	(2.56)	(3.35)
From discontinued operations	7	(0.12)	(1.11)	(1.84)
From earnings/(loss) for the period	7	2.77	(3.67)	(5.19)

The notes on pages 10 to 22 are an integral part of these interim condensed consolidated financial statements.

PUBLIC SERVICE PROPERTIES INVESTMENTS LIMITED
INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 JUNE 2016

	Period Ended 30 June 2016	Period Ended 30 June 2015	Year Ended 31 Dec 2015
	£ (unaudited)	£ (unaudited)	£ (audited)
Profit/(loss) for the period/year	630,189	(2,992,169)	(2,981,585)
Other comprehensive income			
Items that may be subsequently reclassified to income statement:			
Cash flow hedges	158,954	167,051	29,076
Recycle of cash flow hedging reserve on disposal	-	-	117,249
Currency translation differences	(474,772)	1,122,764	445,827
Other comprehensive (loss)/income for the period/year	**(315,818)**	**1,289,815**	**592,152**
Total comprehensive income/(loss) for the period/year	314,371	(1,702,354)	(2,389,433)

The notes on pages 10 to 22 are an integral part of these interim condensed consolidated financial statements.

PUBLIC SERVICE PROPERTIES INVESTMENTS LIMITED
INTERIM CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2016

	Note	As at 30 June 2016 £ (unaudited)	As at 30 June 2015 £ (unaudited)	As at 31 Dec 2015 £ (audited)
ASSETS				
Non-current assets				
Investment property	9	-	9,747,205	-
		-	9,747,205	-
Current assets				
Receivables and prepayments	10	18,057	2,563,326	64,954
Restricted cash		-	466,196	-
Cash and cash equivalents		12,881,169	5,830,593	6,119,892
		12,899,226	8,860,115	6,184,846
Assets of disposal group classified as held for sale	12a	27,291	3,811,406	10,315,710
		12,926,517	12,671,521	16,500,556
Total assets		12,926,517	22,418,726	16,500,556
EQUITY				
Capital and reserves				
Share capital	11	130,836	218,060	130,836
Share premium	11	68,573,102	74,023,893	68,573,102
Cash flow hedging reserve		-	(138,228)	(158,954)
Translation reserve		592,442	1,744,151	1,067,214
Retained earnings		(56,595,368)	(57,236,141)	(57,225,557)
Total equity		12,701,012	18,611,735	12,386,641
LIABILITIES				
Non-current liabilities				
Borrowings		-	2,771,653	-
Derivative financial instruments		-	138,228	-
		-	2,909,881	-
Current liabilities				
Borrowings		-	190,570	-
Trade and other payables		6,682	61,302	46,272
Current income tax liabilities		-	303,000	-
Accruals		92,726	333,017	132,205
		99,408	887,889	178,477
Liabilities of disposal group classified as held for sale	12a	126,097	9,221	3,935,438
		225,505	897,110	4,113,915
Total liabilities		225,505	3,806,991	4,113,915
Total equity and liabilities		12,926,517	22,418,726	16,500,556

The notes on pages 10 to 22 are an integral part of these interim condensed consolidated financial statements.

PUBLIC SERVICE PROPERTIES INVESTMENTS LIMITED
INTERIM CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE PERIOD ENDED 30 JUNE 2016

	Note	Period ended 30 June 2016 £ (unaudited)	Period ended 30 June 2015 £ (unaudited)	Year ended 31 Dec 2015 £ (audited)
Profit/(loss) for the period attributable to equity holders		630,189	(2,992,169)	(2,981,585)
Adjustments for non-cash items				
Interest expense		40,681	75,423	131,741
Net foreign exchange (gains)/losses	6a	(988,109)	1,573,664	1,137,905
Changes in fair value of investment property	9	-	864,815	1,442,732
Interest income	6a	(14,774)	(972)	(1,612)
Income tax expense		14,778	9,509	(86,937)
Proceeds from finance lease		-	-	-
Loss on disposal of subsidiary		-	493,276	(67,822)
Amortisation of debt issue costs		-	5,425	67,168
Changes in workings capital:				
Changes in receivables and prepayments		46,897	452,633	451,005
Changes in trade and other payables		(39,590)	(213,749)	(228,779)
Changes in accruals		180,060	767,249	1,296,556
Cash (used)/generated from operations		(129,868)	1,035,104	1,160,372
Cash flow from operating activities				
Interest paid		(40,681)	(178,561)	(298,101)
Income tax paid		(14,778)	(322,439)	(663,444)
Net cash (used)/generated by operating activities		(185,327)	534,104	198,827
Cash flow from investing activities				
Change in restricted cash		-	36,397	2,519
Proceeds from sale of subsidiaries - net of costs		-	30,813,652	33,342,049
Proceeds from sale of investment property - net of costs		9,605,184	1,591,464	5,344,012
Interest received		14,774	972	1,611
Net cash generated by investing activities		9,619,958	32,442,485	38,690,191
Cash flow from financing activities				
Compulsory partial capital redemption		-	(16,099,872)	(21,637,887)
Costs associated with new borrowings		-	-	-
Repayments of borrowings		(2,958,005)	(16,762,512)	(16,699,976)
Net cash used by financing activities		(2,958,005)	(32,862,384)	(38,337,863)
Increase in cash and cash equivalents		6,476,626	114,205	551,155
Movement in cash and cash equivalents				
At start of period/year		6,327,856	5,968,761	5,968,761
Increase in period/year		6,476,626	114,205	551,155
Foreign currency translation adjustments		76,687	(252,373)	(192,060)
At end of period/year		12,881,169	5,830,593	6,327,856
Cash and cash equivalents		12,881,169	5,830,593	6,119,892
Cash and cash equivalents - discontinued		-	-	207,964
		12,881,169	5,830,593	6,327,856

The notes on pages 10 to 22 are an integral part of these interim condensed consolidated financial statements.

PUBLIC SERVICE PROPERTIES INVESTMENTS LIMITED
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS’ EQUITY
FOR THE PERIOD ENDED 30 JUNE 2016

	Attributable to equity holders of the Company					
	Share capital	**Share premium**	**Cashflow hedging reserve**	**Translation reserve**	**Retained earnings**	**Total equity**
	£	**£**	**£**	**£**	**£**	**£**
Balance as of 1 January 2015 (audited)	**605,722**	**89,736,103**	**(305,279)**	**621,387**	**(54,243,972)**	**36,413,961**
Comprehensive income						
Loss for the period	-	-	-	-	(2,992,169)	(2,992,169)
Other comprehensive income						
Cash flow hedges – net of tax	-	-	167,051	-	-	167,051
Foreign currency translation	-	-	-	1,122,764	-	1,122,764
Total comprehensive income	-	-	167,051	1,122,764	(2,992,169)	(1,702,354)
Transactions with owners						
Compulsory partial capital reduction	(387,662)	(15,712,210)	-	-	-	(16,099,872)
Balance as of 30 June 2015 and 1 July 2015 (unaudited)	**218,060**	**74,023,893**	**(138,228)**	**1,744,151**	**(57,236,141)**	**18,611,735**
Comprehensive income						
Profit for the period	-	-	-	-	10,584	10,584
Other comprehensive income						
Cash flow hedges – net of tax	-	-	(20,726)	-	-	(20,726)
Foreign currency translation	-	-	-	(676,937)	-	(676,937)
Total comprehensive income	-	-	(20,726)	(676,937)	10,584	(687,079)
Transactions with owners						
Compulsory partial capital reduction	(87,224)	(5,450,791)	-	-	-	(5,538,015)
Balance as of 31 December 2015 and 1 January 2016 (audited)	**130,836**	**68,573,102**	**(158,954)**	**1,067,214**	**(57,225,557)**	**12,386,641**
Comprehensive income						
Profit for the period	-	-		-	630,189	630,189
Other comprehensive income						
Cash flow hedges – net of tax	-	-	158,954	-	-	158,954
Foreign currency translation	-	-	-	(474,772)	-	(474,772)
Total comprehensive income	-	-	158,954	(474,772)	630,189	314,371
Transactions with owners						
None	-	-	-	-	-	-
Balance as of 30 June 2016 (unaudited)	**130,836**	**68,573,102**	**-**	**592,442**	**(56,595,368)**	**12,701,012**

The notes on pages 10 to 22 are an integral part of these interim condensed consolidated financial statements.

1. GENERAL INFORMATION

Public Service Properties Investments Limited was incorporated in 2001, is domiciled in the British Virgin Islands (registered office at Nerine Chambers, Road Town, Tortola, British Virgin Islands) and is the parent company of the PSPI Group. Public Service Properties Investments Limited and its subsidiaries (together "the Group" or "the Company"), was an investment property group with a portfolio in Germany. At 31 December 2015 the Group owned four investment properties in Germany which were presented as held for sale and their results for the year treated as discontinued operations. During the six months ended 30 June 2016 these sales successfully completed and, as such, the Group holds no investment properties at 30 June 2016. The Group has given a number of representations and warranties in respect of the various sale transactions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

The interim condensed consolidated financial statements of the Group have been prepared in accordance with IAS 34 "Interim Financial Reporting", published by the International Accounting Standards Board (IASB). The interim condensed consolidated financial statements are reported in Pound Sterling unless otherwise stated.

These interim condensed financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's Annual Financial Statements for the year ended 31 December 2015, which have been prepared in accordance with International Financial Reporting Standards ('IFRS'). These condensed consolidated interim financial statements for the six months ended 30 June 2016 and the comparative figures for the six months ended 30 June 2015 are unaudited. The extracts from the Group's Annual Financial Statements for the year ended 31 December 2015 represent an abbreviated version of the Group's full accounts for that year, on which the Auditors issued an unqualified audit report.

Comparative information in the interim condensed consolidated income statement for the period ended 30 June 2015 has been restated in order to be consistent with the presentation of certain items as discontinued in 2016 as detailed in Note 12.

The interim condensed consolidated financial statements are prepared under the historical cost convention as modified by the revaluation of investment properties, other financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss. The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results can differ from those estimates. Critical judgments made by management in the application of IFRS and key sources of estimation uncertainties were the same as those that applied to the consolidated financial statements for the year ended 31 December 2015. Income tax expense, if applicable, is recognised based upon the best estimate of the weighted average annual income tax rate expected for the financial year.

The accounting policies and valuation principles adopted are consistent with those of the previous financial year.

The Group has adopted the following, new standards, amendments to standards and interpretations annual improvements for the six months ended 30 June 2016, which do not have significant impact on the interim consolidated financial statements.

Annual improvements 2010-2012 (effective 1 July 2014)
Annual improvements 2011-2013 (effective 1 July 2014)
Amendment to IAS 19, 'Employee benefits', on defined benefit plans (effective 1 July 2014)

The Group is not exposed to seasonal variation in its operations.

2.2 Principles of consolidation

2.2.1 Subsidiaries

Subsidiaries are entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The Group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control. De-facto control may arise in circumstances where the size of the Group's voting rights relative to the size and dispersion of holdings of other shareholders give the Group the power to govern the financial and operating policies, etc. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Accounting for business combinations under IFRS 3 only applies if it is considered that a business has been acquired. The Group may invest in subsidiaries that hold properties but do not constitute a business. These transactions are therefore treated as asset acquisitions rather than business combinations.

For acquisitions meeting the definition of a business combination, the acquisition method of accounting is used. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

For acquisitions of subsidiaries not meeting the definition of a business, the Group allocates the cost between the individual identifiable assets and liabilities in the Group based on their relative fair values at the date of acquisition. Such transactions or events do not give rise to goodwill.

Inter-company transactions, balances, income and expenses on transactions between Group companies are eliminated. Profits and losses resulting from intercompany transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

All the Group companies have 31 December as their year-end. Consolidated financial statements are prepared using uniform accounting policies for like transactions. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.2.2 Changes in ownership interests in subsidiaries without change in control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

2.2.3 Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

2.3 Amendments to accounting and valuation principles

There have been no amendments to accounting or valuation principles during the period ended 30 June 2016.

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

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

The interim condensed consolidated financial statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2015. There have been no significant changes in the risk management policies since prior year end.

3.2 Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Management monitors rolling forecasts of the Group's liquidity reserve on the basis of expected cash flow.

3.3 Fair value estimation

In 2016, there were no significant changes in the business or economic circumstances that affect the fair value of the Group's financial assets and financial liabilities. In 2016, there were no reclassifications of financial assets or liabilities. During the period there have not been transfers between levels.

4. FOREIGN EXCHANGE RATES

	Balance Sheet		Income Statement and Cash Flow Statement	
			YTD average	YTD average
	30 June 2016	30 June 2015	2016	2015
	£	£	£	£
EUR 1.00	1.206	1.417	1.282	1.365

5. ADMINISTRATIVE EXPENSES

	30 June 2016	30 June 2015 (restated)	31 Dec 2015
	£	£	£
Third party company administration	37,386	35,353	76,932
Management fees	85,290	247,157	340,683
Professional fees (including audit fees)	181,211	202,464	319,735
Insurance and general expenses	41,473	28,781	49,343
	345,360	513,755	786,693

6. a) FINANCE INCOME

	30 June 2016	30 June 2015 (restated)	31 Dec 2015
	£	£	£
Interest income – other third party	14,774	905	1,529
Net exchange gains	988,109	-	-
	1,002,883	905	1,529

b) FINANCE COSTS

	30 June 2016	30 June 2015 (restated)	31 Dec 2015
	£	£	£
Other interest and borrowing expenses	653	978	314
Net exchange losses	-	1,573,664	1,137,905
	653	1,574,642	1,138,219

7. EARNINGS PER SHARE

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

	As of 30 June 2016	**As of 30 June 2015 (restated)**	**As of 31 Dec 2015**
	£	**£**	**£**
Profit / (loss) from continuing operations attributable to shareholders	656,870	(2,087,492)	(1,923,383)
Profit / (loss) from discontinued operations attributable to shareholders	(26,681)	(904,677)	(1,058,202)
Total	**630,189**	**(2,992,169)**	**(2,981,585)**
Weighted average number of ordinary shares outstanding	22,759,054	81,521,644	57,385,592
Basic and diluted earnings/(loss) per share (pence per share) –continued operations	2.89	(2.56)	(3.35)
Basic and diluted earnings/(loss) per share (pence per share) – discontinued operations	(0.12)	(1.11)	(1.84)
Total	**2.77**	**(3.67)**	**(5.19)**

ADJUSTED EARNINGS PER SHARE – NON GAAP

The Directors have chosen to disclose “adjusted earnings per share” in order to provide an indication of the Group’s underlying business performance. Accordingly, it excludes the effect of the items as detailed below:

	Note	**As of 30 June 2016**	**As of 30 June 2015**	**As of 31 Dec 2014**
		£	**£**	**£**
Net profit/(loss) attributable to shareholders		630,189	(2,992,169)	(2,981,585)
Loss on disposal of subsidiaries		-	493,276	437,435
Fair value loss on investment properties	9	-	864,815	1,442,732
Deferred income tax liability movement		-	(12,688)	
Amortisation of debt issue costs		-	5,425	10,748
Impairment of loan		-	-	
Repayment penalty		-	-	290,381
Recycling of cash flow hedging reserve		16,852	114,320	113,249
Non-recurring transaction fees		124,877	-	752,924
Current income tax expense		14,778	22,197	86,937
Foreign exchange (gains)/losses	6b	(988,109)	1,573,664	1,137,905
Total adjusted earnings		(201,413)	68,840	1,290,726
Weighted average number of ordinary shares outstanding		22,759,054	81,521,644	57,385,592
Basic adjusted and diluted earnings/(loss) per share (pence per share)		**(0.08)**	**0.08**	**0.22**

8. DIVIDENDS

No dividends have been paid during the period ended 30 June 2016, or in the year ended 31 December 2015. See Note 11 for details of Compulsory Partial Redemptions of Ordinary Shares made.

9. INVESTMENT PROPERTY

	30 June 2016	30 June 2015 (restated)	31 Dec 2015
	£	£	£
Beginning of the period/year	-	15,954,390	15,954,390
Net (loss)/gain on fair value adjustment - discontinued	-	(864,815)	(1,442,732)
Disposals	-	-	(3,933,853)
Transferred to disposal group classified as held for sale	-	(3,811,406)	(9,580,381)
Net changes in fair value adjustments due to exchange differences	-	(1,530,964)	(997,424)
End of the period/year	-	9,747,205	-

Disposal of investment property and investment property held for sale

On 2 February 2016 the Group announced it had exchanged binding contracts to dispose of the Brakel property for a gross price of €3 million. On 10 March 2016 the Group announced the sale of the three remaining assets leased to Marseille Kliniken for a gross price of €10 million. After these sales the Group has disposed of all investment property held in all jurisdictions. Prior to the transfer to the disposal group classified as held for sale, these properties were written down to their estimated sales values.

Included in investment property held for sale as at 31 December 2015 are the four remaining investment properties held at this date by the Company in Germany (Brakel, Buren, Arnsberg and Kreuztal-Kromabch); these were approved for sale in 2015. At 30 June 2015 these investment properties were valued by Colliers International Property Consultants Limited (“Colliers”). The valuation basis is market value and conforms to international valuation standards. The main inputs in the model are the annual net rental and the average capitalisation rate of 11.7%. The capitalisation rate is based on properties in similar conditions and reflects the expectations on future incomes. Given the unobservable inputs used for the valuation, the fair value is of level 3. Colliers is a qualified independent valuer who holds recognised and relevant professional qualifications and has recent experience in the relevant locations and category of properties being valued. The valuations were presented before estimated purchasers’ costs; however, sellers’ costs are not included.

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Included in investment property held for sale as at 30 June 2015 is one property in Germany (Huttenstrasse, Berlin). The Directors approved the sale of this property prior to 30 June 2015 and the Group announced its sale on 9 July 2015 for a gross sale price of €5.4 million (£3.9 million). Prior to transfer to the disposal group classified as held for sale, this property was written down to its sale value.

Disposals during the year ended 31 December 2015 relate to the sale of one care home in Germany (Huttenstrasse, Berlin). This property was written down to its sales value of €5.4 million (£3.9 million) prior to disposal. In doing so the Group recognised a loss of €0.6 million (£0.4 million) which is included in the net losses on fair value adjustments of £1.4 million in the table above.

10. RECEIVABLES AND PREPAYMENTS

	30 June 2016 £	30 June 2015 £	31 Dec 2015 £
Deferred consideration	-	2,500,000	-
Prepayments	18,057	63,326	64,954
	18,057	2,563,326	64,954

Included in receivables and prepayments as at 30 June 2015 is an amount of £2.5 million in relation to the disposal of the Wellcare portfolio of UK properties and businesses, which was concluded on 4 March 2015. The total consideration for the sale of the Wellcare portfolio was £34.5 million of which £2.5 million was deferred until 31 December 2015 and payable if Embrace was successful in tendering for certain ongoing domiciliary care contracts. On 30 April 2015 the Company was notified by Embrace that it had been successful in tendering. Accordingly, the deferred amount was received on 31 December 2015.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable and prepayment mentioned above.

None of the receivables and prepayments are impaired.

11. SHARE CAPITAL

	30 June 2016 £	30 June 2015 £	31 Dec 2015 £
Authorised:			
Equity interests:			
500,000,000 Ordinary shares of $0.01 each	2,569,974	2,569,974	2,569,974
Allotted, called up and fully paid:			
Equity interests:			
105,365,717 Ordinary shares of $0.01 each	-	-	-
37,931,697 Ordinary shares of $0.01 each	-	218,060	-
22,759,054 Ordinary shares of $0.01 each	130,836	-	130,836

	Number of shares	Ordinary shares £	Share premium £	Total £
At 31 December 2014	**105,365,717**	**605,722**	**89,736,103**	**90,341,825**
Compulsory partial redemption – 27 April 2015	(67,434,020)	(387,662)	(15,712,210)	(16,099,872)
At 30 June 2015	**37,931,697**	**218,060**	**74,023,893**	**74,241,953**
Compulsory partial redemption – 9 November 2015	(15,172,643)	(87,224)	(5,450,791)	(5,538,015)
At 31 December 2015 and 30 June 2016	**22,759,054**	**130,836**	**68,573,102**	**68,703,938**

Compulsory Partial Redemption of Ordinary Shares

On 14 April 2015 the Company announced the Compulsory Partial Redemption of 67,434,020 ordinary shares at 23.875p per ordinary share redeemed. On 27 April 2015, the Company completed the redemption of these shares for a total consideration of approximately £16.1 million. The Company's share capital after the partial redemption comprised 37,931,697 ordinary shares of $0.01 each.

On 26 October 2015 the Company announced a further Compulsory Partial Redemption of 15,172,643 shares at 36.50p per ordinary share redeemed. On 9 November 2015, the Company completed the redemption of these shares for a total consideration of approximately £5.5 million. The Company's share capital after the partial redemption comprised 22,759,054 ordinary shares of $0.01 each.

Following the completion of the sales of the Group's remaining investment properties in the six months to 30 June 2016 (as outlined in Note 9), the Company announced a further Compulsory Partial Redemption on 23 June 2016 of approximately 22.5 million shares which was completed on 7 July 2016. (See Note 15).

12. NON-CURRENT ASSETS HELD FOR SALE, DISCONTINUED OPERATIONS AND OTHER TRANSACTIONS

a) Non–current assets held for sale

As at 31 December 2015, the assets and liabilities directly associated with the four remaining German investment properties held by the group were presented as held for sale and written down to their anticipated sales value following the approval for their disposal in 2015.

As at 31 December 2015, the properties were available for immediate sale and being actively marketed, with negotiations with potential buyers at an advanced stage. Other assets and liabilities directly associated with the investment properties which will be disposed of in the same transaction have also been presented in this disposal group.

The sale of the four remaining properties was completed by two transactions in February and March 2016 (see Note 9) after which the Group held no investment property. Borrowings secured on these assets were repaid from proceeds received.

As at 30 June 2016 any assets and liabilities directly associated with these properties, have been presented in the disposal group and classified as held for sale for consistency of presentation. These relate to taxation receivable and accruals in relation to unpaid transaction fees.

As at 30 June 2015, one investment property in Germany (Huttenstrasse) has been presented as available for sale. This property was approved for sale prior to 30 June 2015 and the Group announced its sale on 9 July 2015 for a gross sale price of €5.4 million (£3.8 million).

Assets of disposal group classified as held for sale:

	30 June 2016 £	**30 June 2015 £**	**31 Dec 2015 £**
Investment property	-	3,811,406	9,580,381
Receivables and prepayments	27,291	-	27,291
Cash and cash equivalents	-	-	207,964
Restricted cash	-	-	500,074
	27,291	3,811,406	10,315,710

Liabilities of disposal group classified as held for sale:

	30 June 2016 £	**30 June 2015 £**	**31 Dec 2015 £**
Borrowings	-	-	3,055,556
Deferred income tax	-	9,221	-
Accruals	126,097	-	720,928
Derivative financial instruments	-	-	158,954
	126,097	9,221	3,935,438

12. NON-CURRENT ASSETS HELD FOR SALE, DISCONTINUED OPERATIONS AND OTHER TRANSACTIONS (Continued)

b) Discontinued operations

In the year ended 31 December 2015, the results of the German segment of the business were treated as discontinued operations as it represents a significant segment of the business and the four remaining investment properties were presented as available for sale at 31 December 2015.

As mentioned in Note 12 a) the sales of the final four investment properties owned by the Group completed in February and March 2016. The result of the German segment to the point of disposal has been treated as discontinued in the period to 30 June 2016.

The comparative information for the period ended 30 June 2015 has been restated to reflect this treatment in the table below:

	30 June 2016	30 June 2015 (restated)	31 Dec 2015
	£	£	£
Revenue	352,970	816,929	1,469,151
Net loss from fair value adjustments on investment properties	-	(864,815)	(1,442,732)
Gain/(loss) on disposal of subsidiaries - UK	-	(519,969)	67,822
Gain/(loss) on disposal of subsidiaries - Germany	(129,076)	-	(701,484)
Administrative expenses	(175,767)	(131,415)	(215,560)
Finance income	-	67	83
Finance costs	(60,030)	(195,965)	(322,419)
Income tax expense	(14,778)	(9,509)	86,937
Gain/(loss) for the year from discontinued operations	(26,681)	(904,677)	(1,058,202)

13. SEGMENT INFORMATION

Income Statement disclosures	Continuing Operations			Discontinued Operations		
	Central Costs	**Germany**	**Total**	**UK**	**Germany**	**Total**
Period ended 30 June 2016	**£**	**£**	**£**	**£**	**£**	**£**
Revenue	-	-	-	-	352,970	352,970
Net gain or (loss) from fair value adjustments on investment property (Note 9)	-	-	-	-	-	-
Profit/(loss) for the period	656,870	-	656,870	-	(26,681)	(26,681)
Period ended 30 June 2015 (restated)						
Revenue	-	-	-	2,613	814,316	816,929
Net gain or (loss) from fair value adjustments on investment property (Note 9)	-	-	-	-	(864,815)	(864,815)
Profit/(loss) for the period	(2,087,492)	-	(2,087,492)	(493,276)	(411,401)	(904,677)
Year ended 31 December 2015						
Revenue	-	-	-	-	1,469,151	1,469,151
Net gain or (loss) from fair value adjustments on investment property (Note 9)	-	-	-	-	(1,442,732)	(1,442,732)
(Loss)/profit for the year	(1,923,382)	-	(1,923,382)	170,855	(1,229,057)	(1,058,202)

German segment revenues derive from external customers. Amounts for the Company are included in the Central Costs column.

13. SEGMENT INFORMATION

	Continuing Operations			Disposal group classified as held for sale		
	Central Costs	**Germany**	**Total**	**UK**	**Germany**	**Total**
Period ended 30 June 2016	**£**	**£**	**£**	**£**	**£**	**£**
Assets						
Investment properties (Note 9) (including capital expenditure)	-	-	-	-	-	-
Cash and cash equivalents	12,881,169	-	12,881,169	-	-	-
Restricted cash	-	-	-	-	-	-
Segment assets for reportable segments	**12,881,169**	**-**	**12,881,169**	**-**	**-**	**-**
Liabilities						
Total borrowings	-	-	-	-	-	-
Segment liabilities for reportable segments	**-**	**-**	**-**	**-**	**-**	**-**
Year ended 31 December 2015						
Assets						
Investment properties (Note 9)	-	-	-	-	9,580,381	9,580,381
Cash and cash equivalents	6,119,892	-	6,119,892	-	207,967	207,967
Restricted cash	-	-	-	-	500,074	500,074
					-	
Segment assets for reportable segments	**6,119,892**	**-**	**6,119,892**	**-**	**10,288,422**	**10,288,422**
Liabilities						
Total borrowings	-	-	-	-	3,055,566	3,055,566
Segment liabilities for reportable segments	**-**	**-**	**-**	**-**	**3,055,566**	**3,055,566**

German segment revenues derive from external customers. Amounts for the Company are included in the “Central Costs” column.

13. SEGMENT INFORMATION (Continued)

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

	30 June 2016 £	30 June 2015 £	31 Dec 2015 £
Total segment assets	12,881,169	16,043,994	6,119,892
Receivable from finance lease	-	-	-
Restricted cash	-	-	-
Investments	-	-	-
Loans and receivables	-	-	-
Receivables and prepayments	18,057	2,563,326	64,954
Total continuing assets per balance sheet	12,899,226	18,607,320	6,184,846
Assets of disposal group classified as held for sale	27,291	3,811,406	10,315,710
Total assets per balance sheet	12,926,517	22,418,726	16,500,556

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

	30 June 2016 £	30 June 2015 £	31 Dec 2015 £
Total segment liabilities	-	2,962,223	-
Current taxation	-	303,000	-
Derivatives	-	138,228	-
Trade payables and accruals	99,408	394,319	178,477
Total continuing liabilities per balance sheet	99,408	3,797,770	178,477
Liabilities of disposal group classified as held for sale	126,097	9,221	3,935,438
Total liabilities per balance sheet	225,505	3,806,991	4,113,915

14. CONTINGENT LIABILITIES

The Company has outstanding contingent liabilities in respect of the sale of German assets in 2015 and 2016 at a maximum aggregate amount of €1.5 million. The Company does not expect to receive any claims under representations and warranties given as part of the sale of asset documentation.

15. SUBSEQUENT EVENTS

On 23 June 2016 the Company announced the Compulsory Partial Redemption of approximately 22.5 million ordinary shares to shareholders of the Company on the register on 6 July 2016 at 51.0p per ordinary share redeemed. Effective 7 July 2016, the Company compulsorily redeemed 22,531,399 ordinary shares for a total consideration of £11,491,013.50. Subsequent to this transaction the Company's issued share capital comprises 227,655 ordinary shares of $0.01 each.

CONTACTS

PRINCIPAL PLACE OF BUSINESS

Public Service Properties Investments Limited
P.O. Box 179, Uplands Business Centre
Upland Road
St Peter Port
Guernsey GY1 4HH
Channel Islands

T: +44 (0) 1481 701292
E: info@pspiltd.com
E: ralph.beney@pspiltd.com
W: www.pspiltd.com

COMPANY SECRETARY

Fides Corporate Services Limited
Upland Business Centre
Upland Road
St Peter Port
Guernsey GY1 4HH
Channel Islands

REGISTRARS

Computershare Investor Services
(Jersey) Ltd
Queensway House
Hilgrove Street
St Helier
Jersey JE4 9XY
Channel Islands

DEPOSITORY

Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol BS99 6ZY

ADVISOR TO THE ASSET MANAGER

RP&C International Limited
31a St James's Square
London SW1Y 4JR

T:+(44) 207 766 7000
F: +(44) 207 766 7001
E: info@rpcint.co.uk
W: www.rpcint.co.uk

ASSET MANAGER

RP&C International, Inc
630 Fifth Avenue, 20th Floor
New York, New York 10111
USA

NOMINATED ADVISOR AND BROKER

Stockdale Securities Limited
Beaufort House
15 St Botolph Street
London EC3A 7BB