



PUBLIC SERVICE PROPERTIES INVESTMENTS LIMITED

**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED
30 JUNE 2013**

Public Service Properties Investments



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Public Service Properties Investments



COMPANY INFORMATION

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Public Service Properties Investments



Chairman's Statement

I am pleased to report the Group's unaudited consolidated financial interim results for the six month period ended 30 June 2013.

Refocused portfolio of core assets

The Company has reported a net profit of £3.0 million for the first six months of 2013 compared to a loss of £36.9 million for the equivalent period in 2012. The interim results for the six months ended 30 June 2013 include £1.6 million from continuing operations and £1.4 million from discontinued operations.

Revenue from continuing operations was £3.4 million for the first half of 2013 compared to £7.7 million in 2012. Revaluation losses on investment properties at 30 June 2013 were £0.7 million compared to £38.6 million at 30 June 2012.

Following completion of disposals reported in the last twelve months, the Group owns portfolios of properties in the UK and Germany which will generate gross rental income of £7.1 million¹ and finance lease income of £0.9 million for the current financial year. The retained investment properties have been independently valued at 30 June 2013 at an aggregate gross value of £85.0 million², excluding the finance lease asset, with debt totalling £34.4 million², following the £8.5 million refinancing which completed in April 2013, secured against certain UK assets. The Group's weighted average interest rate is currently 5.0% per annum, and the debt will be amortised at the rate of £1.6 million per annum. The Asset Manager's Review below describes the financial position in more detail.

The UK healthcare market remains challenging with a number of external pressures affecting all operators of care homes, including low levels of fee increase negotiations with local authorities and declining occupancy rates. The Company's UK tenant, European Care, has experienced these pressures along with the rest of the market. In Germany, the Company derives approximately 75% of its rental income from the Marseille Kliniken group, which is a listed operator of care homes in Germany. Trading conditions in Germany are comparatively stable.

Strategic Review

The Board will continue to test the market for the Group's assets and refinance debt facilities, as they fall due, at longer maturities and/or reduced amortisation profiles. Pending the outcome of these matters, the Board will continue to keep its dividend policy under review.

Patrick Hall
Chairman
20 September 2013

¹ Figures in Euros for current income are reflected at an exchange rate of €1.1698:£1

² Figures in Euros at 30 June 2013 are reflected at an exchange rate of €1.1698: £1 (31 December 2012 €1.2234:£1)

Public Service Properties Investments



ASSET MANAGER'S REVIEW

Business Outlook

After the disposal of certain assets in the UK, Switzerland, Germany and the US which completed between July 2012 and February 2013, the Company's retained portfolios focus on assets in the UK and Germany. All of the assets in the UK are leased and licensed to the European Care Group ("EC") which is owned by Esquire Group ("Esquire") and which was subject to a major restructuring in 2012, including an agreed five-year banking platform and the retention of a highly experienced management team. Approximately 75% of the rental income from assets in Germany is now derived from properties leased to Marseille Kliniken AG ("MK").

In December 2012, the Group secured a €17.5 million, seven-year refinancing of the assets leased to MK from Coreal Bank AG, the existing lender. In addition, the Group completed an £8.5 million three-year refinancing of a part of the UK assets and businesses in April 2013 with the Bank of London and The Middle East PLC ("BLME"), the same bank that has provided debt secured on the rest of the UK assets.

The difficulties facing the UK Government's finances is expected to continue to provide challenging market conditions for operators in the care home sector with occupancy and fee rate increases under continued pressure. The German care home market has generally been more stable; however there are regulatory changes being planned in parts of Germany which may make conditions more difficult for some operating units in the years ahead.

UK

The Group owns nine care homes catering for 432 residents, a school and resource centre catering for 30 children and 70 adults with learning difficulties and a domiciliary care business providing care to individuals in their own residence. Rental income for the UK portfolio is adjusted annually at the rate of increases in the Retail Price Index ("RPI"), subject to a cap of 5% per annum. In February 2013, the Group's income from these assets and businesses increased by 3.3% to £4.9 million per annum, including £0.9 million per annum in respect of finance lease income due in respect of the domiciliary care business.

Following the restructuring of Esquire, the management of the European Care business is focused on improving operational performance across its many services over the medium term, including operation of the Company's remaining leased assets and licenced businesses in the UK, which represents 11% of EC's Older People business and 19% of EC's Specialist business.

Germany

The care home property market in Germany remains comparatively more stable than in the UK, although access to debt financing is also challenging in current market conditions. The Group owns six properties catering for 563 residents in care homes and 154 assisted living flats. The Group uses three different operators in Germany with current gross rental income of €3.6 million. The rents for the German portfolio increase every three or four years by a proportion of the increase in the German Consumer Price Index.

Financial Review

The unaudited consolidated income statement and balance sheet are presented to reflect income and expenses from continuing and discontinued operations, in accordance with International Financial Reporting Standards. As a result, the interim consolidated statement of income reflects a re-stated presentation for the results for the six months ended 30 June 2012 to allow a meaningful comparison to the results for the period to 30 June 2013, and the balance sheet reflects the format reported in the Company's audited consolidated financial statements for the year ended 31 December 2012. Discontinued operations reflect the historical results of assets held in Switzerland and the US, which were disposed of in December 2012 and February 2013, respectively. Income from discontinued operations for the first six months of 2013 include net rental income from the assets previously held in the US up to 28 February 2013 plus foreign exchange adjustments to reflect timing differences in the disposal of discontinued operations compared to previously reported results.

Continuing operations

The Group's revenues from continuing operations were £3.4 million for the six months ended 30 June 2013 compared to £7.7 million for the same period in 2012. The results for 2012 included rental income from the UK assets sold in July 2012 and two German investment properties sold in December 2012.

Following the £8.5 million refinancing completed in April 2013, BLME is the single debt provider secured by the UK assets and businesses with maturities in December 2013 and April 2016 with an aggregate loan to value ratio of 39% based on the gross independent valuation of the assets at 30 June 2013, including value attributed to income derived from the finance lease. The April refinancing was used to repay existing indebtedness, prepayment penalties and transaction costs with approximately £1.2 million used to augment working capital. The two debt facilities are cross collateralised and guaranteed by the Company. The Company has commenced discussions with BLME to refinance the £10.6 million facility maturing in December 2013.

In December 2012, the Company announced that it had refinanced the loan for €17.5 million with a revised maturity date of 31 December 2020 secured against six of the eight properties owned in Germany. Another property is provided as security for a loan of €1.2 million which matures in May 2014 whilst the remaining property in Germany is free of any debt. Aggregate debt secured on German assets reflected a loan to value ratio of 42% based on the gross independent valuation of the assets at 30 June 2013.

The Group currently has no commitments to capital expenditure, although the Group has retained €0.5 million in cash and has a contingent liability to contribute a further €1.5 million should it be necessary to re-develop one of the properties leased to MK in Germany. There are currently no plans for such a development.

Certain operational information by jurisdiction for continuing operations is provided below for the six months ended 30 June 2013. The data is stated before the allocation of management costs and other general charges.

	UK £ million	Germany £ million	Total £ million
Rent	1.9	1.5	3.4
Finance lease income	0.5	-	0.5
Interest & prepayment fees	(0.6)	(0.5)	(1.1)
Refinancing prepayment fees	(0.3)		(0.3)
Operating profit	1.5	1.0	2.5
Capital Expenditure and Amortisation	(0.1) (0.9)	- (0.2)	(0.1) (1.1)
Net cash flow (pre-tax)	0.5	0.8	1.3

Investment properties were independently valued at 30 June 2013 at a gross valuation of £85.0 million compared to £84.0 million at 31 December 2012. The half year valuations reflect a reduction of £0.7 million offset by a favourable exchange rate movement of £1.7 million on the German portfolio. The UK investment properties were independently valued at 30 June 2013 at a gross value of £46.9 million compared to £47.3 million at 31 December 2012. This reflects an average Capitalisation Rate¹ of 8.55% at 30 June 2013 compared to 8.27% at 31 December 2012. The German investment properties were independently valued at 30 June 2013 at a gross value of £38.1 million (€44.6 million) compared to £36.7 million (€45.0 million) at 31 December 2012. The portfolio was valued at an average Capitalisation Rate¹ of 7.83% at 30 June 2013 compared to 7.78% at 31 December 2012.

The Group's short and long term borrowings from continuing operations at 30 June 2013 were £11.5 million and £22.8 million, respectively, compared to £12.3 million and £20.6 million at 31 December 2012. The overall increase was as a result of the refinancing referred to above and adverse movements in the foreign exchange rates on loans denominated in Euros.

The table below summarises the Group's debt by jurisdiction following the recent refinancing noted above.

	UK £ million	Germany £ million	Total £ million
Debt, excluding amortised costs	18.8	15.6	34.4
Interest rate per annum	5.7%	4.1%	5.0%
Amortisation per annum	1.2	0.4	1.6
Debt maturity	December 2013 & April 2016	May 2014 & March 2020	

The Company has guaranteed the debt secured against the UK assets and liabilities and has a contingent liability to fund up to €1.5 million should one of the properties in Germany require redevelopment.

Deferred taxation on fair value gains and business combinations was stated at £4.3 million at 30 June 2013, the same level as reported at 31 December 2012. These deferred tax liabilities would be incurred if the Company sold the assets at the balance sheet values in the UK or Germany, respectively.

Total equity increased from £57.8 million at 31 December 2012 to £61.3 million at 30 June 2013 reflecting the net profit for the period and a £0.3 million improvement in the movement in the cash flow hedging reserve.

Administration costs were £1.1 million for the six months ended 30 June 2013 compared to £1.5 million for the comparable period in 2012. The reduction primarily reflected a reduction of £0.4 million in asset management fees.

RP&C International 20 September 2013

¹ Capitalisation rate is derived by dividing the gross rental income by the gross independent valuation of the assets, expressed as a percentage.

PUBLIC SERVICE PROPERTIES INVESTMENTS LIMITED
INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE PERIOD ENDED 30 JUNE 2013

	Note	Period Ended 30 June 2013	Period Ended 30 June 2012	Year Ended 31 Dec 2012
		£ (unaudited)	£ (unaudited and restated)	£ (audited)
Continuing Operations				
Revenue	4	3,429,571	7,655,011	11,869,125
Net loss from fair value adjustments on investment properties	9	(673,780)	(38,565,577)	(39,443,658)
Impairment of goodwill	11	-	(959,058)	(959,058)
Gain/(loss) on disposal of subsidiaries	14	-	-	(15,739,324)
Administrative expenses	5	(1,132,641)	(1,488,427)	(2,935,741)
Finance income	6a	1,470,602	1,699,606	3,014,250
Operating profit/(loss)		<u>3,093,752</u>	<u>(31,658,445)</u>	<u>(44,194,406)</u>
Finance costs	6b	(1,406,602)	(3,558,858)	(4,989,653)
Profit/(loss) before income tax		<u>1,687,150</u>	<u>(35,217,303)</u>	<u>(49,184,059)</u>
Income tax expense		(118,840)	779,383	832,650
Profit/(loss) for the period from continuing operations		<u><u>1,568,310</u></u>	<u><u>(34,437,920)</u></u>	<u><u>(48,351,409)</u></u>
Discontinued Operations				
Profit/(loss) for the period from discontinued operations		1,441,274	(2,484,944)	(5,870,918)
Profit/(loss) for the period		<u><u>3,009,584</u></u>	<u><u>(36,922,864)</u></u>	<u><u>(54,222,327)</u></u>
Basic and diluted earnings/(loss) per share (in pence)				
From continuing operations	7	1.49	(32.70)	(45.89)
From discontinued operations	7	1.37	(2.34)	(5.57)
From earnings/(loss) for the period	7	<u><u>2.86</u></u>	<u><u>(35.04)</u></u>	<u><u>(51.46)</u></u>

The notes on pages 11 to 27 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 2013

	Period Ended 30 June 2013	Period Ended 30 June 2012	Year Ended 31 Dec 2012
	£ (unaudited)	£ (unaudited and restated)	£ (audited)
Profit/(loss) for the period/year	3,009,584	(36,922,864)	(54,222,327)
Other comprehensive income			
<i>Items that may be subsequently reclassified to income statement:</i>			
Cash flow hedges	391,141	517,820	(1,233,295)
Recycling of translation reserve	-	-	(611,663)
Currency translation differences	34,952	(297,583)	(169,299)
Other comprehensive income/(loss) for the period/year	426,093	220,237	(2,014,257)
Total comprehensive income/(loss) for the period/year	<u>3,435,677</u>	<u>(36,702,627)</u>	<u>(56,236,584)</u>
	<u><u>3,435,677</u></u>	<u><u>(36,702,627)</u></u>	<u><u>(56,236,584)</u></u>

The notes on pages 11 to 27 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 2013

	Note	As at 30 June 2013 £ (unaudited)	As at 30 June 2012 £ (unaudited)	As at 31 Dec 2012 £ (audited)
ASSETS				
Non current assets				
Investment property	9	85,039,983	217,063,487	84,017,922
Investments in associated undertakings		1,000	-	1,000
Receivable from finance lease		9,306,885	9,057,586	9,299,417
Loans and receivables		1,751,000	4,351,500	1,751,000
Deferred income tax	13	-	584,241	-
Intangible assets - Goodwill	11	-	1,471,139	-
		<u>96,098,868</u>	<u>232,527,953</u>	<u>95,069,339</u>
Current assets				
Receivables and prepayments		706,063	4,769,441	664,912
Restricted cash		1,192,642	1,557,256	836,472
Current income tax receivable		-	256,326	-
Cash and cash equivalents		4,448,120	2,052,701	2,869,610
		<u>6,346,825</u>	<u>8,635,724</u>	<u>4,370,994</u>
Assets of disposal group classified as held for sale		<u>-</u>	<u>-</u>	<u>22,786,378</u>
				<u>27,157,372</u>
Total assets		<u><u>102,445,693</u></u>	<u><u>241,163,677</u></u>	<u><u>122,226,711</u></u>
EQUITY				
Capital and reserves				
Share capital	12	605,722	605,722	605,722
Share premium	12	89,736,103	89,736,103	89,736,103
Cash flow hedging reserve		(85,518)	1,274,456	(476,659)
Translation reserve		1,062,386	1,510,813	1,027,434
(Accumulated deficit)/Retained earnings		(30,067,900)	(15,778,021)	(33,077,484)
Total equity		<u><u>61,250,793</u></u>	<u><u>77,349,073</u></u>	<u><u>57,815,116</u></u>
LIABILITIES				
Non current liabilities				
Borrowings		22,869,983	33,730,618	20,610,889
Derivative financial instruments		85,518	-	416,301
Deferred income tax	13	4,315,522	16,422,913	4,311,793
		<u>27,271,023</u>	<u>50,153,531</u>	<u>25,338,983</u>
Current liabilities				
Borrowings		11,531,872	105,564,076	12,325,960
Derivative financial instruments		-	4,782,834	60,358
Trade and other payables		136,255	415,838	2,018,570
Current income tax liabilities		628,529	520,000	903,936
Provisions and Accruals		1,627,221	2,378,325	3,214,405
		<u>13,923,877</u>	<u>113,661,073</u>	<u>18,523,229</u>
Liabilities of disposal group classified as held for sale	14	<u>-</u>	<u>-</u>	<u>20,549,383</u>
		<u>13,923,877</u>	<u>113,661,073</u>	<u>39,072,612</u>
Total liabilities		<u><u>41,194,900</u></u>	<u><u>163,814,604</u></u>	<u><u>64,411,595</u></u>
Total equity and liabilities		<u><u>102,445,693</u></u>	<u><u>241,163,677</u></u>	<u><u>122,226,711</u></u>

The notes on pages 11 to 27 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 2013

	Note	Period ended 30 June 2013	Period ended 30 June 2012	Year ended 31 Dec 2012
		£ (unaudited)	£ (unaudited and restated)	£ (audited)
Cash flow from operating activities				
Cash generated from operations	15	(1,218,243)	6,346,036	9,575,124
Interest paid		(1,080,403)	(3,831,817)	(5,551,025)
Income tax received/(paid)		(414,030)	56,589	(4,873)
Net cash generated by operating activities		(2,712,676)	2,570,808	4,019,226
Cash flow from investing activities				
Capital expenditure		-	(2,194,864)	(2,261,977)
Change in restricted cash		(356,170)	(21,650)	231,728
Proceeds from sale of subsidiaries		1,090,805	-	-
Proceeds from sale of investment property		7,646,788	-	8,073,197
Interest received		1,731	21,282	322,229
Net cash generated/(used) in investing activities		8,383,154	(2,195,232)	6,365,177
Cash flow from financing activities				
Proceeds from borrowings		8,726,534	-	-
Costs associated with new borrowings		(537,014)	-	-
Repayments of borrowings		(12,366,645)	(1,667,355)	(10,565,164)
Costs of capital raise		-	(50,000)	(50,000)
Net cash (used)/generated by financing activities		(4,177,125)	(1,717,355)	(10,615,164)
Increase/(decrease) in cash and cash equivalents		1,493,353	(1,341,779)	(230,761)
Movement in cash and cash equivalents				
At start of period/year		2,869,610	3,416,828	3,116,828
Increase/(decrease)		1,493,353	(1,341,779)	(230,761)
Foreign currency translation adjustments		85,157	(22,348)	(16,457)
At end of period/year		4,448,120	2,052,701	2,869,610

The notes on pages 11 to 27 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 2013

	Attributable to equity holders of the Company					Total equity
	Share capital	Share premium	Cashflow hedging reserve	Translation reserve	Retained earnings	
	£	£	£	£	£	
Balance as of 1 January 2012 (audited)	605,722	89,786,103	756,636	1,808,396	21,144,843	114,101,700
Comprehensive income						
Loss for the period	-	-	-	-	(36,922,864)	(36,922,864)
Other comprehensive income						
Cash flow hedges – net of tax	-	-	517,820	-	-	517,820
Foreign currency translation	-	-	-	(297,583)	-	(297,583)
Total comprehensive income	-	-	517,820	(297,583)	-	220,237
Transactions with owners						
Costs of share issue	-	-	-	-	-	-
Balance as of 30 June 2012 and 1 July 2012 (unaudited)	605,722	89,786,103	1,274,456	1,510,813	(15,778,021)	77,349,073
Comprehensive income						
Loss for the period	-	-	-	-	(17,299,463)	(17,299,463)
Other comprehensive income						
Cash flow hedges – net of tax	-	-	(1,751,115)	-	-	(1,751,115)
Foreign currency translation	-	-	-	(483,379)	-	(483,379)
Total comprehensive income	-	-	(1,751,115)	(483,379)	-	(2,234,494)
Transactions with owners						
Costs of share issue	-	(50,000)	-	-	-	(50,000)
Balance as of 31 December 2012 and 1 January 2013 (audited)	605,722	89,736,103	(476,659)	1,027,434	(33,077,484)	57,815,116
Comprehensive income						
Profit for the period	-	-	-	-	3,009,584	3,009,584
Other comprehensive income						
Cash flow hedges – net of tax	-	-	391,141	-	-	391,141
Foreign currency translation	-	-	-	34,952	-	34,952
Total comprehensive income	-	-	391,141	34,952	-	3,435,677
Transactions with owners						
Costs of share issue	-	-	-	-	-	-
Balance as of 30 June 2013 (unaudited)	605,722	89,736,103	(85,518)	1,062,386	(30,067,900)	61,250,793

The notes on pages 11 to 27 are an integral part of these interim condensed consolidated financial statements

PUBLIC SERVICE PROPERTIES INVESTMENTS LIMITED
INTERIM CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2013

1. GENERAL INFORMATION

Public Service Properties Investments Limited was incorporated in 2001 and 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”), is an investment property Group with a portfolio in the UK, and Continental Europe. It is principally involved in leasing 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 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 most recent Annual Financial Statements, pages 14 to 22, in respect of the year ended 31 December 2012, 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 2013 and the comparative figures for the six months ended 30 June 2012 are unaudited. The extracts from the Group’s Annual Financial Statements for the year ended 31 December 2012 represent an abbreviated version of the Group’s full accounts for that year, on which the Auditors issued an unqualified audit report.

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.

The Group has adopted the following new standards, amendments to standards and interpretations for the financial period ended 30 June 2013, and year ended 31 December 2012.

Amendments to IAS 1 ‘Presentation of items of other comprehensive income’, (effective for annual periods beginning on or after 1 July 2012, retrospective application, earlier application permitted). The amendment did not have a material impact on the financial statements, and the indication was made on the statement of OCI.

IFRS 10, ‘Consolidated financial statements’, (effective for annual periods beginning on or after 1 January 2013, retrospective application, earlier application permitted if together with IFRS 11, IFRS 12, IAS 27R and IAS 28R). IFRS 10 replaces all of the guidance on control and consolidation in IAS 27 and SIC-12. IAS 27 is renamed and continues to be a standard dealing solely with separate financial statements.

The amendment did not have a material impact on the financial statements.

IFRS 11, ‘Joint arrangements’, (effective for annual periods beginning on or after 1 January 2013, earlier application permitted if together with IFRS 10, IFRS 12, IAS 27R and IAS 28R). The amendment did not have a material impact on the financial statements.

IFRS 12, ‘Disclosure of interests in other entities’, (effective for annual periods beginning on or after 1 January 2013, earlier application permitted). The amendment did not have a material impact on the financial statements.

Amendments to IFRS 10, 12 and IAS 27 – ‘Investment entities’ (effective for annual periods beginning on or after 1 January 2013). The amendments did not have a material impact on the financial statements.

Amendments to IFRS 10, 11 and 12 (effective for annual periods beginning on or after 1 January 2013) – ‘consolidated financial statements, Joint arrangements and Disclosure of interest in other entities: Transition Guidance’. The amendments did not have a material impact on the financial statements.

PUBLIC SERVICE PROPERTIES INVESTMENTS LIMITED
INTERIM CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2013

2.1 Basis of preparation (continued)

IFRS 13, 'Fair value measurement', (effective prospective for annual periods beginning on or after 1 January 2013, earlier application permitted). The amendment did not have a material impact on the financial statements.

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.

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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.

2.2.4 Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit/(loss) of associates' in the income statement.

Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising in investments in associates are recognised in the income statement.

2.3 Amendments to accounting and valuation principles

There have been no amendments to accounting or valuation principles during the period ended 30 June 2013.

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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 2012. There have been no significant changes in the risk management area since year end or in risk management policies.

3.2 Liquidity risk

The Group's investment property assets are substantially financed by concentrated debt facilities. As per the debt agreements, £10.6 million (approximately 32%) of the total borrowings are scheduled to be repaid in December 2013 to a sole lender. In addition, as per the debt agreements £5.5 million (approximately 17%) of the total borrowings were scheduled to be repaid in February 2014 to a sole lender. A three year refinancing of this debt facility was concluded in April 2013 with the same institution that provided the debt facility due in December 2013. If this is not renewed with the existing lender, the Group will seek other lenders to arrange a repayment, although there is a risk that this may not be completed by December 2013.

The Group will monitor the situation.

3.3 Fair value estimation

In 2013, 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 2013 there were no reclassifications of financial assets or liabilities

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

3.4 Other risk factors

The Group is exposed to property price and market rental risks. Wherever possible the Group builds into the terms of its leases indexation linked to consumer price indices, in order to manage its market rental risk.

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FOREIGN EXCHANGE RATES

	Balance Sheet		Income Statement and Cash Flow Statement	
	30 June 2013	30 June 2012	YTD average 2013	YTD average 2012
	£	£	£	£
CHF 1.00	1.43840	1.4921	1.44654	1.46479
USD 1.00	1.52160	1.5617	1.54489	1.57726
EUR 1.00	1.16980	1.2418	1.17650	1.21575

4. REVENUE

	30 June 2013	30 June 2012 (restated)	31 December 2012
	£	£	£
Rental income	3,429,571	7,655,011	11,869,125

Rental income is stated after reallocation of £102,295 (30 June 2012 - £313,915 and 31 December 2012 - £437,691) to interest income.

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

	As at 30 June 2013	As at 30 June 2012 (restated)	As at 31 December 2012
	£	£	£
Less than 1 year	6,699,888	6,772,192	6,769,745
More than 1 year and less than 5 years	19,825,618	19,502,316	19,482,728
More than 5 years	115,214,593	118,667,909	117,852,334
	141,740,099	144,942,417	144,104,807

The investment properties in the UK are leased for an initial period of 35 years. The leases terminate in 2039, although the lessee has the right to renew the leases two years before their expiry, for a further period of 35 years subject to agreement on the revised rent. Each lease is subject to an upward only market rent review every five years from the start of the lease. In the event that a UK property is damaged or destroyed by any insured risk and is not reinstated by the Group within a period of 3 years, the lessee has the right to terminate the lease in respect of that UK property. The lessor may terminate each lease, subject to the senior lender's consent, for various reasons including the breach of material clauses of the lease. In July 2012, the Group disposed of most of its UK property portfolio (see Note 14).

The majority of investment properties in Germany are leased for an initial period of 20 years; however the lessee has the right to renew the leases for a further period of 5 or 10 years, subject to the agreement of the revised rent. The rent on the majority of leases is changed every four years from the anniversary of inception, with reference to the German Consumer Price Index.

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4. REVENUE (Continued)

Discontinued operations

The investment property in Switzerland has been included in discontinued operations in 2012 and future minimum annual rentals are therefore not included in the table above (see Note 14).

Investment properties in the United States of America have been included in discontinued operations in 2012 and future minimum annual rentals are therefore not included in the table above (see Note 14). The investment properties were leased to the United States Postal Service under a master lease executed in March 1997 and amended on 29 January 1999. The lease expired on 28 February 2022. The rent under the lease is fixed for the entire period of the lease. The lessee had the right to unilaterally relinquish use of up to 25 of the post office properties provided that the resultant reduction in annual rent payable under the lease does not exceed a maximum of \$300,000 (£193,911) per annum or 13% of the annual rental. Management had factored this into their analysis of minimum lease payments, and had no reason to believe that this right will be exercised in the foreseeable future.

5. ADMINISTRATIVE EXPENSES

	30 June 2013	30 June 2012 (restated)	31 Dec 2012
	£	£	£
Third party company administration	71,237	67,066	151,303
Management fees	422,796	853,913	1,446,428
Professional fees	471,245	493,721	1,139,865
Audit fees	105,779	64,959	188,900
Provision for impairment of trade receivables	-	-	-
Repairs, insurance and general expenses	61,584	8,768	9,245
	<u>1,132,641</u>	<u>1,488,427</u>	<u>2,935,741</u>

6. a) FINANCE INCOME

	30 June 2013	30 June 2012 (restated)	31 Dec 2012
	£	£	£
Interest income – finance lease	458,988	447,666	1,130,451
Interest income – other third party	104,026	1,251,940	1,271,733
Interest rates swaps: ineffective element of cash flow hedges	-	-	133,507
Net exchange gains/(losses)	907,588	-	478,559
	<u>1,470,602</u>	<u>1,699,606</u>	<u>3,014,250</u>

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b) FINANCE COSTS

	30 June 2013	30 June 2012 (restated)	31 Dec 2012
	£	£	£
Interest on mortgages	1,073,171	3,394,253	4,631,625
Other interest and borrowing expenses	4,886	5,332	110,121
	<u>1,078,057</u>	<u>3,399,585</u>	<u>4,741,746</u>
Interest rate swaps: ineffective element of cash flow hedges	-	(133,507)	-
Credit enhancement premiums	-	-	-
Repayment Penalties	315,898	-	247,907
Net exchange losses/(gains)	12,647	292,800	-
	<u>1,406,602</u>	<u>3,558,878</u>	<u>4,989,653</u>

7. EARNINGS PER SHARE

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

	As of 30 June 2013 £	As of 30 June 2012 £	As of 31 Dec 2012 £
Profit/(loss) from continuing operations attributable to shareholders	1,568,310	(34,437,920)	(48,351,409)
Profit/(loss) from discontinued operations attributable to shareholders	1,441,274	(2,484,944)	(5,870,918)
Total	3,009,584	(36,922,864)	(54,222,327)
Weighted average number of ordinary shares outstanding	105,365,717	105,365,717	105,365,717
Basic and diluted earnings/(loss) per share (pence per share) –continued operations	1.49	(32.70)	(45.89)
Basic and diluted earnings/(loss) per share (pence per share)	1.37	(2.34)	(5.57)
Total	2.86	(35.04)	(51.46)

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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 2013 £	As of 30 June 2012 £	As of 31 Dec 2012 £
Net profit/(loss) attributable to shareholders		3,009,584	(36,922,864)	(54,222,327)
Fair value loss/(gains) on investment properties	9	673,780	40,247,991	43,165,914
Impairment of goodwill	10	-	959,058	959,058
Deferred taxation on fair value gains	13	(11,682)	(2,622,349)	(3,266,425)
Amortisation of debt issue costs		268,862	503,441	574,541
Interest rate swap charge to income statement	6b	-	(133,507)	(133,507)
Transaction fees	14	237,981	-	1,421,825
Recycling of translation reserve	14	-	-	(611,663)
Repayment penalty on borrowings		315,898	-	247,907
Movement of deferred tax asset	13	-	798,933	856,557
Impairment provision on receivable	5	-	221,555	296,101
Current taxation		130,522	428,171	963,554
(Profit)/loss on disposal of properties	14	(1,572,124)	1,398,179	18,846,811
Foreign exchange (gains)/losses	6b	(894,941)	292,800	(519,649)
Adjusted earnings		2,157,880	5,171,408	8,578,697
Weighted average number of ordinary shares outstanding		105,365,717	105,365,717	105,365,717
Adjusted earnings per share (pence per share)		2.05	4.91	8.14

8. DIVIDENDS

No Dividends have been paid during the period ended 30 June 2013, or in the year ended 31 December 2012.

9. INVESTMENT PROPERTY

	30 June 2013 £	30 June 2012 £	31 Dec 2012 £
Beginning of the period/year	84,017,922	256,442,372	256,442,372
Additions resulting from subsequent expenditure	-	3,153,782	3,283,658
Net (loss)/gain on fair value adjustment - continuing	(673,780)	(38,565,577)	(39,443,658)
Net (loss)/gain on fair value adjustment - discontinued	-	(1,682,414)	(3,722,256)
Disposals	-	-	(108,616,508)
Transferred to disposal group classified as held for sale	-	-	(21,767,788)
Net changes in fair value adjustments due to exchange differences	1,695,841	(2,284,676)	(2,157,898)
End of the period/year	85,039,983	217,063,487	84,017,922

Valuations of the investment properties were made at the end of each period/year by independent property consultants.

The valuation of the investment properties in the UK was conducted by Colliers CRE, UK. Based on the detailed review of relevant information, Colliers CRE concluded that capitalisation rates of between 7.0% and 20.0% were appropriate under market conditions prevailing at 30 June 2013 (30 June 2012 – between 6.25% and 21.75% and 31 December 2012 – between 6.25% and 20.00%), resulting in an average of 8.55% (30 June 2012 – 9.24 % and 31 December – 8.27%). PSPI has applied individual capitalisation rates as advised by Colliers CRE to each investment property in preparation of the interim condensed consolidated financial statements.

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9. INVESTMENT PROPERTY (Continued)

The valuation of the investment properties in Germany was conducted by Colliers CRE, UK. Based on both the duration of the leases and the future cash flows and after due consideration of transaction activity in the market, Colliers CRE concluded that capitalisation rates of 7.25% to 9.40% were appropriate under the market conditions prevailing at 30 June 2013 (30 June 2012 – 7.15% to 9.50% and 31 December 2012 – 7.15% to 9.50%), resulting in an average capitalisation rate of 7.83% (30 June 2011 – 7.81% and 31 December 2012 – 7.78%). PSPI has applied individual capitalisation rates as advised by Colliers CRE to each investment property in preparation of the interim condensed consolidated financial statements.

Investment property held for sale

The valuation of the investment properties in the US was conducted in June 2012 by Real Estate Asset Counselling Inc, US, using the direct capitalisation of the NOI (Net Operating Income) approach in their valuation. This valuation was used to estimate the fair value at December 2012. These properties were approved for sale by the Directors in December 2012 and sold in February 2013 and, as such, have been treated as held for sale as at 31 December 2012 (see Note 14).

Two properties in Germany have been treated as held for sale as at 31 December 2012 as the Directors approved their sale in December (see Note 18).

Disposal of investment property

Disposals during the year ended 31 December 2012 relate to the disposal of the majority of the UK property portfolio in July 2012 (see Note 14) totalling £100,543,311 and the disposal of the property in HCP Etzelgut (Switzerland) in December 2012 totalling £8,073,197.

10. INVESTMENTS IN ASSOCIATES

	30 June 2013 £	30 June 2012 £	31 Dec 2012 £
Beginning of period/year	1,000	-	-
Recognition of associate (at 25 th July 2012)	-	-	1,000
Share of profit	-	-	-
Share of cash flow hedging reserve	-	-	-
End of period/year	<u>1,000</u>	<u>-</u>	<u>1,000</u>

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

Esquire Realty Holdings Limited, a wholly-owned subsidiary of Esquire Group Investment (Holdings) Limited ("Esquire"), the holding company of the European Care Group, acquired certain of the Group's subsidiary companies in consideration for issuance of 20% of the ordinary share capital of Esquire and the issuance of a subordinated secured loan note instrument in Esquire Consolidated Investment (Holdings) Limited, a wholly owned subsidiary of Esquire, with the principal amount of £2.8 million.

Esquire has not provided signed financial statements for the year ended 31 December 2011 and is not expected to complete the audit of its results for the year ended 31 December 2012 until later in the year. As a result, it is not possible to confirm the Group's share of results of its associates and its share of the assets and liabilities at this time. However, it is expected that Esquire will report a loss for the years ended 31 December 2011 and 31 December 2012 and June 2013.

In order to demonstrate the relative size of Esquire for illustrative purposes, if the Group would have owed 20% of Esquire in 2010, the Group's share of its associate and its share of the asset and liabilities for the year ended 31 December 2010 as prepared under UK GAAP would have been as follows.:

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10. INVESTMENTS IN ASSOCIATES (Continued)

Name	Country of Incorporation	Assets £	Liabilities £	Revenues £	Loss £	% Interest Held
Esquire Consolidated Group Limited	United Kingdom	61,584,400	(43,268,600)	24,607,200	(4,103,200)	20.00%

The Board of PSPI initially valued the consideration shares at a nominal value of £1,000 on completion of the transaction in July 2012.

Impairment Test of Carrying Value

In accordance with IAS 36, "Impairment of Assets" an annual test has been performed to compare the recoverable amount with the carrying value to ensure that no impairment has occurred other than already provided. Due to the investment carrying value recorded at nominal value, no impairment is required.

11. INTANGIBLE ASSETS - GOODWILL

	30 June 2013 £	30 June 2012 £	31 Dec 2012 £
Beginning of the period/year	-	2,430,197	2,430,197
Impairment recognised in the period/year	-	(959,058)	(959,058)
Disposals	-	-	(1,471,139)
End of the period /year	-	1,471,139	-

Goodwill arose on the acquisition of the issued share capital of Stonelea Healthcare Limited on 4 September 2007 and represents the excess of the total purchase consideration over the fair value of the net assets acquired. On 25th July 2012, the Group disposed of HCP Stonelea as part of the UK property sales.

12. SHARE CAPITAL

	30 June 2013 £	30 June 2012 £	31 Dec 2012 £
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	605,722	605,722	605,722

	Number of shares	Ordinary shares £	Share premium £	Total £
At 30 June 2012, 31 December 2012 and 30 June 2013.	105,365,717	605,722	89,736,103	90,341,825

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13. DEFERRED INCOME TAX

Deferred tax liabilities:	Fair value gains from business combinations	Fair value gains	Total
At 30 June 2012	11,057,272	5,365,641	16,422,913
Charged to the income statement	(303,994)	(340,082)	(644,076)
Disposals	(9,354,909)	(192,401)	(9,547,310)
Transferred to disposal group classified as available for sale	-	(1,842,157)	(1,842,157)
Effect of exchange rate movements	-	(77,578)	(77,578)
At 31 December 2012	1,398,369	2,913,423	4,311,792
Charged to the income statement	-	(11,682)	(11,682)
Effect of exchange rate movements	-	15,412	15,412
At 30 June 2013	1,398,369	29,17,153	4,315,522

Deferred tax assets:

A deferred income tax asset relating to taxable losses in certain Group companies was recognised in 2011 as it was highly probable that future tax profit will be available against which it can be utilised. During 2012, the deferred taxation asset was eliminated by the utilisation of such losses against taxable profits.

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

a) Non-current assets held for sale

The assets and liabilities related to two investment properties owned in Germany and the United Properties Holdings Incorporation Group which have been presented as held for sale following the approval of the Directors in December 2012 for their disposal. The completion dates for these transactions were January and February 2013, respectively.

Assets of disposal group classified as held for sale

	30 June 2013 £	30 June 2012 £	31 December 2012 £
Investment property	-	-	21,767,788
Receivables and prepayments	-	-	251,184
Restricted cash	-	-	767,406
	-	-	22,786,378

Liabilities of disposal group classified as held for sale

	30 June 2013 £	30 June 2012 £	31 December 2012 £
Borrowings	-	-	15,916,052
Deferred income tax	-	-	1,842,157
Accruals	-	-	2,686
Provision for loss on subsidiary	-	-	2,788,488
	-	-	20,549,383

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

b) Discontinued operations

The results of HCP Etzelgut and the United Holdings Incorporation Group were treated as discontinued operations as at 31 December 2012 as they represent significant segments of the business. An analysis of the result of discontinued operations, and the result recognised on the re-measurement of assets or disposal group is as follows:

	30 June 2013 £	30 June 2012 £	31 December 2012 £
Operating cash flows	-	279,016	(143,667)
Investing cash flows	-	-	8,073,197
Financing cash flows	-	(302,554)	(8,100,104)
	<hr/>	<hr/>	<hr/>
	-	(23,538)	(170,574)

	30 June 2013 £	30 June 2012 £	31 December 2012 £
Revenue	244,749	1,157,592	2,265,384
Net gain/(loss) from fair value adjustments on investment properties	-	(1,682,414)	(3,722,256)
Gain/(loss) on disposal of subsidiaries (including recycling of translation reserve)	1,572,124	-	(2,474,617)
Administrative expenses	(263,891)	(2,142,999)	(1,737,082)
Finance income	11	42	18,208
Finance costs	(111,719)	(433,027)	(834,448)
Income tax expense	-	615,862	613,893
	<hr/>	<hr/>	<hr/>
Gain/(loss) for the year from discontinued operations	1,441,274	(2,484,944)	(5,870,918)

c) Other transactions

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

Esquire Realty Holdings Limited, a wholly-owned subsidiary of Esquire Group Investment (Holdings) Limited ("Esquire"), the holding company of the European Care Group, acquired certain of the Group's subsidiary companies in consideration for issuance of 20% of the ordinary share capital of Esquire and the issuance of a subordinated secured loan note instrument in Esquire Consolidated Investment (Holdings) Limited, a wholly owned subsidiary of Esquire, with the principal amount of £2.8 million (see Note 10).

The Board of PSPI has initially valued the Consideration Shares and the Loan Note at a nominal value of £1,000 each on the completion of the transaction in July 2012, reflecting the significant level of post-transaction debt of Esquire, which will be greater than the independently assessed valuation of Esquire.

The loss recognised on this transaction is calculated as follows as at 31 December 2012:

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

Assets	£	£
Investment properties	100,543,311	
Goodwill	1,471,139	
Loans and receivables	2,601,500	
Other assets	4,992,855	
Contracted post completion capital expenditure	600,000	
Total assets in disposal group	<u>110,208,805</u>	110,208,805
Liabilities		
Borrowings	(81,201,275)	
Derivatives	(4,615,210)	
Deferred tax liability	(9,547,310)	
Other liabilities	(691,636)	
Total liabilities in disposal group	<u>(96,055,431)</u>	(96,055,431)
Release of cashflow hedging reserve on disposal		(1,442,080)
Transaction costs associated with disposal		3,028,030
Loss on disposal		<u>15,739,324</u>

In addition, the Company recognised fair value losses of £19,931,864 included in the Consolidated Statement of Income in respect of the investment properties included in the transaction which completed in July 2012.

Additionally, on 19th December 2012, the Group disposed of its investment property in Switzerland held in HCP Etselgut Limited. The results of this entity for the year ended 31 December 2012 have been included within discontinued operations.

15. CASH GENERATED FROM OPERATIONS

	NOTE	30 June 2013 £	30 June 2012 £	31 Dec 2012 £
Profit/(loss) for the period attributable to equity holders:		3,009,584	(36,922,864)	(54,222,327)
<i>Adjustments for non-cash items:</i>				
- Interest expense	6b	1,078,057	3,806,451	5,824,101
- Net foreign exchange (gains)/losses	6a	(907,588)	292,800	(1,131,312)
- Changes in fair value of investment property & loans	9	673,780	40,247,991	43,165,914
- Impairment of Goodwill		-	959,058	959,058
- Interest income	6a	(563,014)	(1,699,648)	(2,420,393)
- Income tax expense		118,840	(1,303,416)	(1,446,525)
- Ineffective element of cash flow hedge	6b	-	(133,507)	(133,507)
- Cash payment of transaction costs		(3,255,946)	-	-
- Loss on disposal of subsidiary		-	-	12,109,300
- Provision release for loss on disposal of subsidiary		(2,345,276)	-	-
- Provision for receivables		-	221,555	305,226
- Amortisation of debt issue costs		257,766	503,439	574,541
<i>Changes in working capital</i>				
- Changes in receivables and prepayments		1,420,252	(949,668)	(1,565,099)
- Changes in trade and other payables		-	191,048	1,987,122
- Changes in accruals		(704,698)	1,132,797	5,569,025
Cash generated from operations		<u>(1,218,243)</u>	<u>6,346,036</u>	<u>9,575,124</u>

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16. SEGMENT INFORMATION

Income Statement disclosures

Continuing Operations

Discontinued Operations

	UK	Germany	Total	US	Switzerland	Germany	Total
	£	£	£	£	£	£	£
Period ended 30 June 2013							
Revenue (Note 4)	1,885,176	1,544,395	3,429,571	244,749	-	-	244,749
Profit/(loss) for the period	980,834	587,476	1,568,310	89,894	(104,920)	1,426,248	1,441,274
Net gain or (loss) from fair value adjustments on investment property (Note 11)	(388,273)	(285,507)	(673,780)	-	-	-	-
Adjusted profit after tax (Note 7)	1,526,107	804,518	2,330,625	(67,825)	(104,920)	-	(172,745)
Period ended 30 June 2012							
Revenue	5,881,589	1,773,422	7,655,011	733,487	424,105	-	1,157,592
Profit/(loss) for the period	(31,941,447)	(2,496,473)	(34,437,920)	(653,159)	(1,831,785)	-	(2,484,944)
Net gain or (loss) from fair value adjustments on investment property (Note 11)	(35,032,951)	(3,532,626)	(38,565,577)	(554,760)	(1,127,654)	-	(1,682,414)
Adjusted profit after tax (Note 7)	5,844,537	497,909	6,342,446	(287,017)	(884,021)	-	(1,171,038)
Year ended 31 December 2012	£	£	£	£	£	£	£
Revenue (Note 4)	8,297,757	3,571,368	11,869,125	1,460,409	804,975	-	2,265,384
Loss for the year	(46,011,745)	(2,339,664)	(48,351,409)	(2,059,560)	(3,811,358)	-	(5,870,918)
Net gain or (loss) from fair value adjustments on investment property (Note 11)	(35,435,230)	(4,008,428)	(39,443,658)	(1,127,668)	(2,594,588)	-	(3,722,256)
Adjusted profit after tax (Note 7)	6,274,870	1,671,620	7,946,490	46,778	585,429	-	632,207

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16. SEGMENT INFORMATION

	Continuing Operations					Disposal group classified as held for sale		
	UK £	Germany £	Switzerland £	US £	Total £	US £	Germany £	Total £
Period ended 30 June 2013								
Assets								
Investment properties (Note 9) (including capital expenditure)	46,885,806	38,154,177	-	-	85,039,983	-	-	-
Goodwill	-	-	-	-	-	-	-	-
Cash	3,246,352	1,091,069	110,699	-	4,448,120	-	-	-
Segment assets for reportable segments	50,132,158	39,245,246	110,699	-	89,488,103	-	-	-
Liabilities								
Total borrowings	18,755,636	15,646,219	-	-	34,401,855	-	-	-
Segment liabilities for reportable segments	18,755,636	15,646,219	-	-	34,401,855	-	-	-
Year ended 31 December 2012	£	£	£	£	£	£	£	£
Assets								
Investment properties (Note 9) (including capital expenditure)	47,275,914	36,742,008	-	-	84,017,922	13,839,065	7,928,723	21,767,788
Goodwill	-	-	-	-	-	-	-	-
Cash	761,135	1,298,470	810,005	-	2,869,610	-	-	-
Segment assets for reportable segments	48,037,049	38,040,478	810,005	-	86,887,532	13,839,065	7,928,723	21,767,788
Liabilities								
Total borrowings	17,602,003	15,334,846	-	-	32,936,849	11,417,099	4,498,953	15,916,052
Segment liabilities for reportable segments	17,602,003	15,334,846	-	-	32,936,849	11,417,099	4,498,953	15,916,052

Revenues derived from the UK, US and Swiss segments relate entirely to one external customer per segment. German segment revenues derive from three external customers, one of which represents 15% of total Group revenue. Amounts for PSPI Limited, domiciled in the British Virgin Islands are included in the UK Column.

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16. SEGMENT INFORMATION (Continued)

A reconciliation of total adjusted profit after tax to profit after tax as per the interim condensed consolidated income statement is provided as follows:

	30 June 2013	30 June 2012	31 Dec 2012
	£	£	£
Adjusted profit for reportable segments	2,157,880	5,171,408	8,578,697
Fair value movement on investment properties	(673,780)	(40,247,991)	(43,165,914)
Deferred taxation on fair value gains	11,682	2,622,349	3,266,425
Amortisation of debt issue costs	(268,862)	(503,441)	(574,541)
Interest rate swap charge to income statement	-	133,507	133,507
Movement of deferred tax asset	-	(798,933)	(856,557)
Impairment provision on receivables	-	(221,555)	(296,101)
Impairment of goodwill	-	(959,058)	(959,058)
Repayment penalty on borrowings	(315,898)	-	(247,907)
Transaction fees	(237,981)	-	(1,421,825)
Recycling of translation reserve	-	-	611,663
Profit/(loss) disposal of properties	1,572,124	(1,398,179)	(18,846,811)
Current taxation	(130,522)	(428,171)	(963,554)
Foreign exchange movement	894,941	(292,800)	519,649
Profit/(loss) for the period per income statement	3,009,584	(36,922,864)	(54,222,327)

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

	30 June 2013	30 June 2012	31 Dec 2012
	£	£	£
Total segment assets	89,488,103	220,832,516	86,887,532
Receivable from finance lease	9306,885	9,057,586	9,299,417
Deferred income tax	-	584,241	-
Current income tax receivable	-	256,326	-
Loans and receivables	1,751,000	4,351,500	1,751,000
Receivables and prepayments	1,899,705	6,326,697	1,501,384
Assets of disposal group classified as held for sale	-	-	22,786,378
Total assets per balance sheet	102,445,693	241,163,677	122,226,711

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

	30 June 2013	30 June 2012	31 Dec 2012
	£	£	£
Total segment liabilities	34,401,855	139,936,849	32,936,849
Deferred taxation	4,315,522	16,422,913	4,311,793
Current taxation	628,529	520,000	903,936
Derivatives	85,518	4,782,834	476,659
Trade payables and accruals	1,763,476	2,794,163	5,232,975
Total continuing liabilities per balance sheet	41,194,900	163,814,604	43,862,212
Liabilities of disposal group classified as held for sale	-	-	20,549,383
Total liabilities per balance sheet	41,194,900	163,814,604	64,411,595

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17. SUBSEQUENT EVENTS

There have been no significant subsequent events.

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