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22 December 2016

# Arundel AG
# Interim Report 2016

## Overview

The Company is pleased to report its unaudited consolidated financial results for the six month period ended 30 September 2016 ("H1 2017").

Overall, H1 2017 was a period of transition and development. Our German investment properties ("the Leipzig Properties") continued to produce strong operational cash flow which has been used to reduce associated debt. The Company completed a $22 million re-financing of debt secured against the Leipzig Properties thereby reducing financing costs. The Company made further progress with the acquisition of its Indian land parcels which should provide development opportunities and capital appreciation in the years ahead. And, as previously reported, the Company ceased its gold trading activities.

Mr Marcus Müller replaced Mr William Vanderfelt as a director with effect from 27 September 2016.

## Subsequent Events

Since the end of H1 2017, there have been important developments which we expect to have a positive impact on the Company's future results.

On 4 October 2016, the Company completed the acquisition of the RP&C International group ("RP&C") in exchange for approximately 2.0 million shares of the Company ("Shares) and a promissory note for $1.4 million. Contemporaneously with this acquisition the Company changed its name to Arundel AG ("Arundel"). Our new name marks the Company's transition from an investment holding company focused on India to a more broadly based investment and financing group that intends to expand its investment and advisory capabilities not only in India but also in Europe and the USA where RP&C historically has operated. The Company will recognise an increase of net assets of approximately $19.5 million in H2 2017 in respect of this acquisition partially offset by the value of approximately 0.5 million Shares taken into treasury on 4 October 2016 as a result of the acquisition.

On 4 October 2016, the Company further increased the number of Shares held in treasury by 892,983 through the settlement of obligations due to the group from former shareholders that had sold their gold trading business to the Company in 2013. Some these Shares were used as part of the consideration for the acquisition of RP&C described above.

The acquisition of RP&C marks an important development for the Company as it involves the addition of a valuable freehold property in a prime area of London to the Company's asset base as well as a financial services capability built on a 24 year period of operations. The acquisition internalises expertise, which is expected to increase income generation and cost savings for the enlarged group. David Quint and Dr Srinivas already served as directors of the Company; however, following completion of the acquisition, Ralph Beney became the Group's Chief Financial Officer and Richard Borg became the Group's General Counsel and Compliance Officer.

The Arundel group's activities now comprise:

- (i) principal investments in undervalued assets in conjunction with highly regarded partners;
- (ii) the financing of third party investment opportunities from which the Company can generate fees and carried interests; and
- (iii) the provision of investment advice to family office groups which will generate fees and investment opportunities.

Principal among our current opportunities are the financing / development of energy infrastructure assets in the United States and the acquisition of a substantial minority interest in an Indian investment company that holds securities in other publically listed companies. We expect to make further announcements on these subjects in the months ahead.

On 14 November the Company entered into an agreement ("Lease Extension") to extend the lease of the Leipzig Properties with the Government of Saxony which was due to expire on 31 March 2020. Pursuant to the Lease Extension, the tenant has committed to a 30 year lease of the Records Bureau (constituting approximately 15% of the total area) and a lease of the balance of the space until 30 June 2025 (with two 3 year renewal options). The weighted average lease term for the Leipzig Properties is now approximately 12 years. The present rent of €9.4 million p.a. will continue until 1 September, 2017 at which time a new annual rent of €6.25 million p.a. will be payable, reflecting current market levels. After discussion with the Company's independent valuer, the Board expect the valuation for the Leipzig Properties, assuming current market conditions, will be at least the same or higher than the value used at 30 September 2016.

### Financial results

Total revenue for H1 2017 was $5.3 million compared to $5.2 million for the first six months of FY 2016 ("H1 2016"). This revenue related solely to rental income from the Leipzig Properties while revenue derived from gold trading has been shown under discontinued operations.

The Company is reporting a net loss of $2.4 million for H1 2017 compared to a net loss of $3.8 million for H1 2016. The net loss for H1 2017 is stated after a non-cash reduction in the fair value of the Leipzig Properties of $Nil (H1 2016 – $4.1 million) and administrative expenses of $2.6 million (H1 2016 - $1.9 million). Finance costs for H1 2017 are stated at $5.0 million (H1 2016 - $4.1 million), including a negative movement in foreign exchange rates of $0.5 million (H1 2016 – nil).

Total assets equalled $191.1 million at 30 September 2016 compared to $189.1 million at 31 March 2016. The Leipzig Properties were independently valued at €135.17 million ($151.5 million) at 30 September 2016 compared to €135.17 million ($153.5 million) at 31 March 2016 with the decrease in value reflecting adverse movements in the US Dollar/Euro exchange rate between reporting dates. While there was a corresponding positive foreign exchange movement on the recognition of Euro denominated debt of $1.2 million, the net negative movement on the foreign exchange translation reserve during H1 2017 was $0.7 million.

Current assets at 30 September 2016 were $17.5 million compared to $13.3 million at 31 March 2016 with the increase largely attributable to increases in cash reserves of $2.6 million and payments to third parties in relation to the acquisition of development rights of $1.3 million. Current liabilities at 30 September 2016 were stated at $46.4 million compared to $41.5 million at 31 March 2016 with the increase primarily reflecting the drawdown of a further $8.1 million of short term working capital loans during the period. Long term borrowings at 30 September 2016 were $101.9 million compared to $101.6 million at 31 March 2016. Management remains confident that short-term borrowings can be refinanced with existing lenders when they fall due.

### Shares Available for Issuance

As of 30 September 2016, the Company and its subsidiaries held 1,341,458 Shares in treasury (31 March 2016 - 1,341,458 Shares) with a carrying value of $13.4 million (31 March 2016 - $13.4 million). These Shares are available for issuance in exchange for cash, as are Shares held by NCR Developments Ltd which were conditionally exchanged earlier this year for a second parcel of land in India. Following delays with land approvals and the emergence of other attractive opportunities subsequent to the acquisition of RP&C, shareholders of NCR agreed that its Shares could be sold for cash with proceeds substituted on a pro rata basis for the land it was committed to deliver to the Company. In this manner, additional working capital can be generated for the Arundel Group.

### Return of capital

At the annual general meeting of shareholders held on 27th September 2016, shareholders approved the Board's recommendation of a capital distribution, in cash, by way of a par value capital reduction of CHF 0.50 per Share to occur on 11 January 2017. As with the dividend payment authorised in FY16, the Board believes that a significant majority of shareholders will elect to reinvest the proceeds into Shares of the Company. In fact, shareholders holding an aggregate of 9,222,925 Shares already have indicated their intention to reinvest in this manner.

As a result of the matters referred to above, total equity decreased from $27.3 million at 31 March 2016 to $24.3 million at 30 September 2016. The decline primarily reflects the reported loss of $2.4 million and a negative net movement in foreign exchange rates of approximately $0.7 million. Total equity will increase as a result of the acquisition of RP&C as already mentioned above. Total equity will increase further once the Company is able to reflect the value of its investment in Indian land under IFRS and the placement of Shares for cash as discussed above.

Overall, your Company is pleased with its progress during the current financial year and further progress is expected during H2 2017. It remains the Board's intention to grow your Company substantially both organically and through acquisitions in the years ahead.

Full information concerning the Company's Board members and other matters are available from the Company's website at www.arundel-ag.com

**Arundel AG**
Dr Volkert Klaucke (Chairman)

**2016 Interim Report**
This document is available at
http://www.arundel-ag.com/get.php/2016/Arundel_Group_Consolidated_Interim_Accounts_Sep_16_v8.pdf

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