



# ARUNDEL

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## PRESS RELEASE

29 April 2019

### ARUNDEL AG FINANCIAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

#### CHAIRMAN'S STATEMENT

The Company is pleased to report its results for the year ended 31 December 2018 ("Dec18").

Since its acquisition of the RP&C International Group in 2016, the Arundel group's activities have comprised:

- (i) principal investments in selective assets;
- (ii) the financing of investment opportunities from which the Company generates fees and carried interests; and
- (iii) the provision of investment advice to various groups which generate fees and investment opportunities.

In furtherance of its strategy the Company announced in March 2018 the proposed acquisition of two German groups ("IMMAC") which develop and market real estate investment funds for German investors in the healthcare and hotel sectors with plans to expand into the United States (the "Acquisition"). The Company also announced on 5 April 2018 in that connection its intention to sell its interest in the investment properties in Leipzig with the net proceeds to be used to repay debt. Based on a number of factors, including political uncertainties, the Company has decided not to pursue the Acquisition for the foreseeable future, although the Group is working closely with IMMAC at this time on a corporate finance project under its existing joint venture agreement.

The Company has also decided that in the current uncertain global markets that the Group will be better served to retain the Group's investment properties in Germany leased to the Government of Saxony (the "Leipzig Properties") and to refinance the debt secured against these properties in the present low interest rate environment. The Directors expect that the refinanced debt will significantly improve operational cash flow.

During 2018, the carrying value of the Leipzig Properties was adversely affected by a 4.6% depreciation in the value of the Euro against the US dollar and the carrying value of the London office building was adversely affected by a 5.6% depreciation of sterling against the US dollar. Nevertheless, the Company believes that due to the credit strength of the tenant for the Leipzig Properties (AA+) and the prime location of its freehold London office building, in St James's Square, that these assets remain an excellent store of long term value for the Group. In addition, the Company expects that its development land in India, which is discussed in more detail below, will also be an additional source of long term value.

Overall, your Company is reporting a consolidated net loss of \$16.0 million for Dec18 (net loss of \$2.2 million – period ended 31 December 2017 ("PE Dec17")) of which \$13.3 million was reported in our interim results at 30 June 2018. Approximately \$11.3 million of the loss for Dec18 relates to non-cash items described in more detail in the management report which follows. In view of the Company's decision to retain the Leipzig Properties it is expected that a significant proportion of the non-cash write down taken on the Leipzig Properties in 2018 will be reversed in the current year.

During Dec18, 75% of the Company's income was derived from lease income (70% for PE Dec17) and 25% was derived from investment advisory activities (30% for PE Dec17).

### **Management shareholdings**

At 31 December 2018 management owned 4,047,372 or 26.8% of the Company's issued share capital compared to 3,846,757 shares or 25.4% at 31 December 2017.

### **Events after the balance sheet date**

There have been a number of important positive developments since the beginning of 2019, including:

- In February 2019 the Group secured bond holder consent to extend the maturity date of its Swiss Franc convertible bonds for three years with a new maturity date of 31 March 2022. The conversion price decreased to CHF 10.00 per share whilst the interest rate remained unchanged.
- The Group is in advanced discussions with major European financial institutions to refinance debt secured against the Leipzig Properties for a term of five years. The Directors expect the refinancing to complete next month at a level which will generate significant interest savings. The proceeds of the refinancing will be used to a) repay the existing senior and junior notes secured on the Leipzig Properties, b) repay \$7.0 million of other more expensive working capital loans and c) to provide additional working capital to the Group.
- On 29 March 2019, following approval for a change of land use ("CLU") for an aggregate of 61 acres of land in India to be used for residential development, the Group acquired the entire share capital of three property owning companies. As a result, the Group will recognise \$4.8 million as the initial recognition of the development land value in its consolidated balance sheet which represents the market value of approximately 2.1 million of the Company's shares which formed part of the consideration for the land for which no value had been reflected in the consolidated balance sheet at 31 December 2018. Accordingly, net assets will increase by \$4.8 million at 29 March 2019. An independent valuation commissioned by the Group at 31 December 2018 in respect of the 61 acres plus an additional 54 acres of contiguous land indicated a long term development value of \$64 million.
- The Group extended the maturity on \$7 million of loans due to be repaid in June 2019 by up to 12 months and has secured approximately \$2.0 million of additional working capital since the beginning of the year.

### **New advisory business**

Since the beginning of 2018, the Group has been developing a number of new business initiatives which are expected to lead to an increase in advisory income in the current and subsequent financial years. The main areas of activity include:

- The Group has entered into a joint venture agreement with a highly respected US investment bank specialising in the US energy sector and a leading UK broker in the placement of convertible bonds. Management expects to generate a pipeline of convertible debt placements for US energy companies which will lead to significant transaction income.
- The Group is advising an Indian company specialising in the chemicals sector on a convertible bond issue.
- The Group is advising entities in the US, Europe and India in respect of UK listed fund opportunities which, if successful, will create additional recurrent income for the Group.

Whilst all of the aforementioned initiatives may not ultimately be successful, the Group is optimistic that there is greater activity in this business than has been evident during the last 3-5 years.

## Distributions

In view of the difficult trading conditions in 2018 and the Company's present depressed share price, the Board does not recommend a distribution to shareholders at the forthcoming Annual General meeting. However, it is the Board's intention that distributions will re-commence as soon as conditions warrant.

We look forward to reporting on future developments in the months ahead.

## Arundel AG

Dr. Volkert Klaucke (Chairman)

Approved by the board: 29 April 2019

## MANAGEMENT REPORT ON THE FINANCIAL RESULTS

### Financial results

Income and expenses related to the Leipzig properties have been included under *(loss)/profit for the year/period from discontinued operations* in the consolidated income statement.

Total revenue from continuing operations for the year ended 31 December 2018 ("Dec18") was \$2.4 million compared to \$2.9 million for nine month period ended 31 December 2017 ("PE Dec17"). In addition, rental income from the Leipzig Properties for Dec18 was \$7.4 million (PE Dec17 - \$6.9 million).

Administrative and marketing expenses from continuing operations for Dec18 were \$5.8 million (PE Dec17 - \$5.2 million) with the increase primarily attributable to recognition of a twelve months period ending 31 December 2018 compared to a nine month period ending 31 December 2017.

Finance income for Dec18 was nil (PE Dec17 - \$2.4 million which consisted entirely of foreign exchange gains). Finance costs for Dec18 were \$5.3 million (PE Dec17 - \$3.0 million) which included adverse movement in foreign exchange rates of \$1.7 million (PE Dec17 - nil).

The Company is reporting a consolidated net loss from continuing operations of \$8.9 million for Dec18 (PE Dec17 - loss \$2.2 million) of which \$4.1 million of the difference relates to non-cash movements in foreign exchange rates. In addition, the Company is reporting a consolidated net loss of \$7.0 million from discontinued operations for Dec18 which includes a non-cash provision of \$8.8 million mainly relating to estimated costs of sale and anticipated deductions which a buyer might require in connection with existing borrowings.

### The balance sheet

Assets and liabilities related to the Leipzig properties have been included under *assets/liabilities of a disposal group classified as held for sale* in the consolidated balance sheet.

Total assets were \$190.2 million at 31 December 2018 compared to \$212.5 million at 31 December 2017. The Leipzig properties were independently valued at \$153.5 million (€134.0 million) at 31 December 2018 compared to \$160.8 million (€134.1 million) at 31 December 2017. The decrease reflects a 4.6% adverse movement in the US Dollar/Euro exchange rate between reporting dates. There was also a 5.6% adverse movement in the US Dollar/sterling exchange rates which, after depreciation, decreased the value of the London property, plant and equipment by \$1.8 million to \$24.8 million at 31 December 2018 compared to \$26.6 million at 31 December 2017. These adverse movements were partially offset by corresponding positive foreign exchange movements on the recognition of Euro, sterling and Swiss Franc denominated debt. The net adverse effect on the foreign exchange translation reserve at 31 December 2018 was \$3.8 million which is in addition to \$1.7 million of adverse movements recognised through the consolidated income statement.

Current assets at 31 December 2018 were \$2.3 million compared to \$14.5 million at 31 December 2017. Current liabilities at 31 December 2018 were stated at \$37.5 million compared to \$24.9 million at 31 December 2017. Trade and other payables decreased from \$11.3 million to \$3.9 million, primarily reflecting the provision for the par value capital reduction of \$7.3 million at 31 December 2017. Current borrowings increased between reporting dates from \$9.0 million to \$32.0 million at 31 December 2018. However, \$25.0 million of this debt was in respect of the Swiss Franc convertible bonds where the maturity date was extended to 31 March 2022 after the year end.

Similarly, the maturity date for \$7.0 million of debt originally scheduled for repayment in June 2019 has been extended and will be repaid the earlier of a) a refinancing of debt secured against the Leipzig Properties, b) a sale of an interest in the Leipzig Properties and c) 30 June 2020.

Long term liabilities from continuing operations at 31 December 2018 were \$45.6 million compared to \$158.1 million at 31 December 2017. However, liabilities of the disposal group also includes debt of \$82.2 million. The Company expects to refinance approximately \$60 million of this debt in May 2019. Approximately, \$58 million of long term debt and liabilities of the disposal group are interest only loans with a scheduled maturity date of 31 December 2028.

The Group's current weighted average loan maturity is 4.7 years (31 December 2017 - 5.4 years), and the weighted average loan interest rate is 4.4% per annum at 31 December 2018 (4.2% - 1 January 2018).

Management remains confident that short-term borrowings can be refinanced with existing lenders when they fall due and that additional working capital can be raised as required.

### **Cash flow**

During Dec18 the group used \$1.4 million in operating activities compared to \$2.4 million generated for PE Dec17. Net cash generated from investing activities totalled \$0.3 million for Dec18 (\$7.2 million in PE Dec17) and net cash used by financing activities totalled \$4.6 million for Dec18 (generated \$9.4 million – PE Dec17).

Overall the group decreased its net cash and cash equivalents in Dec18 by \$11.6 million compared to a net increase of \$11.9 million in PE Dec17.

### **Treasury shares**

The Company held 252,165 of its shares in treasury at 31 December 2018 with a carrying value of \$1.0 million (31 December 2017 – 834,386 shares with a carrying value of \$5.4 million). The reduction in shares held primarily relates to shares sold to existing shareholders who elected to reinvest their proceeds from the repayment of capital in January 2018.

### **Arundel AG**

Approved by the board: 29 April 2019

Information concerning the Company's Board members and other matters are available from the Company's website at [www.arundel-ag.com](http://www.arundel-ag.com).

Arundel AG  
Dr Volkert Klaucke (Chairman)

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Financial results for the year ended 31 December 2018

*This document is available at the Company's registered office and by direct link at [http://www.arundel-ag.com/get.php/2019/Arundel\\_AG\\_Consolidated\\_Accounts\\_Dec\\_2018\\_-\\_FINAL\\_FULL\\_PDF\\_\(29\\_April\).pdf](http://www.arundel-ag.com/get.php/2019/Arundel_AG_Consolidated_Accounts_Dec_2018_-_FINAL_FULL_PDF_(29_April).pdf)*

SIX Swiss Exchange – symbol ARON, security number 227101, ISIN CH0002271010

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