



# ARUNDEL

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## PRESS RELEASE

*(Ad Hoc Announcement Pursuant to Article 53 of the SIX Exchange Regulation Listing Rules)*

10 September 2021

### CHAIRMAN'S STATEMENT

The Company is pleased to report its results for the six months ended 30 June 2021 ("Jun21").

The activities of the Arundel Group (the "Group") have historically comprised:

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

### Financial review

Overall, your Company is reporting a consolidated net loss (including a number of non-cash charges) of \$5.5 million for Jun21 compared to a net profit of \$2.6 million for the six months ended 30 June 2020 ("Jun20"). As a result, total equity decreased to \$32.9 million at 30 June 2021 from \$38.3 million at 31 December 2020.

During the first half of 2021, 75% of the Company's revenue was derived from rent income and 25% was derived from investment advisory activities which is comparable to the split of income for 2020.

At 30 June 2021, the independent valuation of the Group's investment properties in Germany which are leased to the Government of Saxony (the "Leipzig Properties") decreased by 1.1% to €146.9 million from €148.5 million compared to the independent valuation at 31 December 2020. This decrease primarily resulted from an increase in capitalisation and discount rates used in preparing the independent valuation (which reflect a portion of the increase in the yields on 10-year and 30-year German Government bonds at 30 June 2021 compared to the comparable yields at 31 December 2020). As a result, fair value losses of \$2.0 million are being reflected at 30 June 2021. However, it is worth noting that approximately 25% of the increase in the respective yields have reversed in the period since 30 June 2021 which would have the impact of reducing the fair value losses if recalculated today.

In addition, the Euro weakened by 3.2% against the US dollar since 31 December 2020 resulting in a decrease in the net exposure to Euros (approximately €77 million at the balance sheet date), primarily represented by the equity invested in the Leipzig Properties.

Management will continue to seek opportunities to refinance the Group's more expensive debt and to reduce other expenses over the short to medium term to combat uncertainties in the current environment.

## **Update on litigation**

On 21 July 2021, the Company updated shareholders on the litigation involving the Company's UK subsidiary initially reported in 2018 and referred to in the contingent liability note in the Company's Annual Reports since that time. The litigation had been brought in 2018 against Arundel Group Limited ("AGL"), the Company's wholly owned UK subsidiary, Dr. D. Srinivas (a Director of AGL and the Vice Chairman of the Company's Board of Directors) and the former Chief Executive of a client for which AGL raised capital in 2011. The claim was for an amount of £15.25 million plus costs, expenses and interest and was brought by an investor which lost its entire investment. The opinion of legal counsel up to trial was that there were good prospects of AGL's and Dr. Srinivas's defence prevailing.

In early July, a trial in the matter was concluded in London. A final determination by the court could occur at any time. While it is hoped that the proceedings will be resolved favourably, the outcome of any litigation cannot be predicted with certainty.

A favourable judgement in the proceedings could result in AGL being awarded a portion of the costs of its legal defence which have totalled in excess of \$1.3 million to date and have been expensed through the income statement since 2018. On the other hand, an unfavourable judgement could have a material adverse impact. It is not possible at this time to predict with certainty if the judgement will be favourable or adverse or, if adverse, whether the judgement would be for the full amount and/or if AGL's liability would be joint and several with the other defendants. It also is not possible to predict whether an adverse judgement could be appealed and/or whether a settlement could be negotiated.

Further details of the litigation, timing and outcome will be made available as soon as possible.

## **Operational matters**

Other developments during 2021 have included the following:

- The Directors have continued to conduct an operational review and restructuring in order to streamline activities and reduce the number of subsidiary companies in the Group. To assist with our programme to reduce operational costs, the Group intends to relinquish in a phased manner its authorisation as a regulated entity in the UK and will only offer strategic advice in the UK going forward.
- Personnel costs have been reduced across the Group. Most senior executives agreed to reduce their salaries by 20% with effect from 1 January 2021 resulting in savings of more than \$0.2 million per annum. Further reductions in personnel costs have occurred since then and more are planned in the months ahead.
- The Directors concluded that more flexible working arrangements for employees should be offered in the post pandemic period. The impact of this policy change has allowed the Group to free up space in the London office building for which the UK subsidiary has been seeking tenants. A first tenant has leased one floor of the building on an initial one-year term which will generate rent of approximately \$120,000 p.a. from the second half of July. Further progress is likely to take time as many companies are reviewing how they wish to proceed with their office space requirements going forward.
- The Company has held discussions with parties which may lead to a strategic partnership being concluded in due course to expand and enhance the Group's activities. Progress has been impeded until the outcome of the litigation is known and the UK regulatory restructuring is completed.

## **Covid-19**

The Directors have considered and will continue to monitor the threat and implications of the COVID-19 pandemic. While there was no adverse impact on the Group's existing sources of income during the first half of the year the prospect of earning new transaction income from the Group's advisory business remains significantly reduced for the immediate future. The Directors believe that the Leipzig Properties, the freehold office building located in the prime location of St James's Square in

London and its development land in India outside of Chennai represent an excellent source of long-term value for the Group. Based on the Group's current activities and prospects, its current working capital position and its ability to further reduce costs in the short term, the Directors are confident that this risk can be managed for the year ahead.

### **New opportunities**

The Group is pursuing opportunities to enhance the Group's operational capability and earnings. Such opportunities may result in the Company reassessing its decision to hold certain assets for the longer term and to liquidate and redeploy capital invested on more attractive terms and / or to reduce the Group's debt. There are no firm plans at the present time and the Company will keep shareholders apprised of material developments.

Whilst business conditions remain challenging, the directors believe that the Group's historic relationships and operations in the United States, Europe and Asia provide it with a unique set of diversified opportunities once the business environment stabilises.

### **Management shareholders**

At 30 June 2021 management owned 4,008,743 of the Company's issued share capital which represents 26.5% of the total number of shares in issue. These holdings remain unchanged from shares held at 31 December 2020.

We look forward to reporting on future developments.

### **Arundel AG**

Approved by the board: 10 September 2021

Full details of the unaudited consolidated financial statements for the six months ended 30 June 2021 are available at:

[http://www.arundel-ag.com/get.php/2021/Arundel\\_Group\\_Consolidated\\_Interim\\_Accounts\\_June\\_2021.pdf](http://www.arundel-ag.com/get.php/2021/Arundel_Group_Consolidated_Interim_Accounts_June_2021.pdf)

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