ARUNDEL AG

ANNUAL REPORT AND ACCOUNTS

FOR THE PERIOD ENDED
31 DECEMBER 2017

ARUNDEL®

Contents **Page**

CHAIRMAN'S STATEMENT

The Company is pleased to report its results for the nine month period ended 31 December 2017 ("PE Dec17"), which marks the end of its most recent fiscal reporting period. Beginning 1 January 2018, the Company's fiscal year is the calendar year.

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 late March of this year the Company announced the proposed acquisition of two German groups which, when completed, will result in a significant increase in business from financial services and advisory activities. In that connection, on 5 April 2018 the Company announced its intention to sell its interest in the investment properties in Leipzig with the net proceeds to be used to repay debt.

During the period under review:

- Consolidated net assets increased by $0.9m at 31 December 2017 after provision of $7.3 million for a repayment of capital to shareholders (On 10 January 2018 72.9% of shareholders reinvested their capital repayment with a resultant increase in net assets of $5.6 million, adjusting for treasury shares);
- Approximately $48.9 million of debt was restructured by extending the maturity until December 2028 and reducing the interest rate payable from 5% per annum to 3% per annum; and
- An existing shareholder converted $3.5 million of loans to the group into equity at the prevailing market price.

Overall, your Company is reporting a consolidated net loss of $2.2 million for PE Dec17 (net loss of $6.9 million – Year ended 31 March 2017 ("FY Mar17")). During PE Dec17, 71% of the Company's income from continuing operations was derived from lease income (90% for FY Mar17) and 29% was derived from investment advisory activities (10% for FY Mar17).

Total equity increased from $28.6 million at 31 March 2017 to $29.5 million at 31 December 2017. As stated above, total equity increased by a further $5.6m in January 2018 following reinvestment of proceeds from the capital repayment by a significant majority of shareholders.

Your Company continues to make progress, albeit slowly, with its acquisition of the land parcel outside of Chennai, India which will further increase equity once the Company is able to reflect the value of its investment under IFRS. Net assets will increase further once the Company places for cash a further 2.7 million shares that were conditionally issued to a shareholder in exchange for a second parcel of land in India. As previously advised, the Company decided not to proceed with acquiring that second parcel of land and the shareholder agreed that the Company could place those shares for cash to relieve it of its obligations.

The Company's financial results are provided in detail in the management report below.

Proposed acquisition of German businesses

On 29 March 2018 the Company announced that it had concluded a Heads of Agreement pursuant to which the Company expects to acquire all of the issued and outstanding shares of two German companies: IMMAC Holding AG ("IMMAC") and HKA Hanseatische Kapitalverwaltung AG ("HKA").

IMMAC and HKA are property investment and fund management groups based in Hamburg, Germany which develop and market real estate investment funds for German investors in the fields of healthcare (inpatient care facilities, hospitals and senior residency), other commercial property (primarily hotels) and energy. Since their formation in 1997, these groups have sponsored more than 90 investment funds which have invested over €1.6 billion, primarily in healthcare properties in Europe making them one of Europe's leading investors in and developers of healthcare real estate.

IMMAC and HKA have traditionally been involved with the formation and management of retail and institutional investment funds which invest in healthcare and other properties in Germany, Austria and Ireland. They now wish to expand operations into the United States and are aware of Arundel's extensive contacts in that market. IMMAC and HKA have more than 7,500 German clients and contacts with specialised German distributors focused on US opportunities.

HKA and IMMAC are owned by Profunda Vermögen GmbH, a personal holding vehicle of Marcus H. Schiermann, a German individual who is their founder. Following the merger, Mr Schiermann will be proposed for election to the Board of Directors of the Company and other IMMAC and HKA executives will be considered for executive and administrative roles within Arundel.

Following the merger, the enlarged Arundel group, with more than 80 employees, will comprise corporate finance and financial advisory teams engaged in raising retail and institutional capital for investment in and the development of real estate and energy assets in the United States, the continued investment in and development of healthcare and hotel properties in Europe and the financing of transactions in those markets and in India where Arundel has traditionally operated.

The merger is subject to the conclusion of a definitive agreement which will be conditional, among other things, on (a) receipt of a satisfactory fairness opinion, (b) shareholder approvals, (c) approvals of appropriate regulatory and listing authorities, (d) completion of satisfactory due diligence, and (e) procurement of necessary financing.

At an Extraordinary General Meeting later this year, shareholders will be asked to approve a capital increase of the Company which will empower completion of the merger which is not expected before the fourth quarter.

In order to position the group in line with the proposed business profile of the combined activities of Arundel, IMMAC and HKA, the Company has decided to seek a purchaser for the group's German investment properties in Leipzig, subject to satisfactory terms and conditions. Depending on the structure of the sale, the net proceeds will be used to substantially repay all of the group's working capital loans and provide working capital pending completion of the transaction.

Distributions

In 2015, 2016 and 2017, the Company declared distributions of CHF 0.50 per share. In view of the significance of the merger with IMMAC and HKA and planned sale of the Leipzig Properties, no capital distribution is proposed for the shortened (9 month) reporting period ended 31 December 2017. However, it is the Board's intention that distributions should continue in the future. It is thought that a majority of the Company's shareholders will continue to exercise the option to acquire additional shares in lieu of a cash distribution over the next few years.

Since 2016, your Company has worked continuously to reposition itself as a corporate finance advisory and fund management business. The proposed acquisition of IMMAC and HKA are important milestones in the realisation of that business plan. We look forward to reporting future developments in the months ahead.

Arundel AG

Dr. Volkert Klaucke (Chairman)
Approved by the board: 23 April 2018

Financial results

Total revenue from continuing operations for the nine months (PE Dec17) was $9.9 million compared to $11.5 million for twelve months (FY Mar17). This revenue comprised rental income from the Leipzig Properties of $6.9 million (FY Mar17 - $10.3 million) and investment advisory income of $2.9 million (FY Mar17 – $1.1 million).

Administrative and marketing expenses for PE Dec17 were $7.2 million (FY Mar17 - $7.3 million) with the decrease primarily attributable to a reduction of professional and advisory fees of $1.5 million relating to the consolidation of costs associated with the acquisition of RP&C from 4 October 2016. This reduction was partially offset by an increase in impairment of receivables of $1.42 million for PE Dec17 compared to $0.6 million for FY Mar17. Staff costs for period also increased to $1.7 million for PE Dec17 from $1.3 million, reflecting a full period for the former RP&C International group.

Finance income for PE Dec17 was $2.5 million (FY Mar17 - $0.04 million) consisting entirely of foreign exchange gains. Finance costs for PE Dec17 were $7.1 million (FY Mar17 - $11.6 million which included adverse movement in foreign exchange rates of $2.4 million).

The Company is reporting a net loss of $2.2 million for PE Dec17 compared to a net loss of $6.9 million for FY Mar17. The PE Dec17 results include a fair value loss of $0.4 million on the valuation of the Company's investment properties at 31 December 2017 ($0.9 million fair value loss – FY Mar17).

The balance sheet

Total assets were $212.5 million at 31 December 2017 compared to $193.5 million at 31 March 2017. The Leipzig properties were independently valued at $160.8 million (€134.1 million) at 31 December 2017 compared to $143.7 million (€134.4 million) at 31 March 2017. The increase in value reflects a 12.2% positive movement in the US Dollar/Euro exchange rate between reporting dates. There was also a 7.8% positive movement in the USD Dollar/GBP exchange rates increasing the value of our London property, plant and equipment by $1.9 million to $26.6 million at 31 December 2017 compared to $25.0 million at 31 March 2017. These positive movements were partially offset by corresponding negative foreign exchange movements on the recognition of Euro, sterling and Swiss Franc denominated debt. The net positive movement on the foreign exchange translation reserve at 31 December 2017 was $8.0 million.

Current assets at 31 December 2017 were $14.5 million compared to $20.9 million at 31 March 2017. Restricted cash declined from $7.0 million at 31 March 2017 to $0.4 million as at 31 December 2017 following a $6.3 million reduction in short term borrowings secured against the Leipzig properties. Cash and cash equivalents increased from $0.9m at 31 March 2017 to $12.9 million at 31 December 2017 primarily reflecting proceeds from additional working capital borrowings received in the last quarter of PE Dec17.

Current liabilities at 31 December 2017 were stated at $24.9 million compared to $23.9 million at 31 March 2017. Trade and other payables increased from $3.8 million to $11.7 million, primarily reflecting the provision for the par value capital reduction of $7.3 million. However, only $1.7 million of this provision was settled in cash in January 2018 with $5.6 million settled by the sale of treasury shares to shareholders electing to reinvest their proceeds. Current borrowings decreased from $15.2 million at 31 March 2017 to $9.0 million at 31 December 2017 primarily reflecting the partial repayment from restricted cash referred to above.

Long term liabilities at 31 December 2017 were $158.1 million compared to $141.0 million at 31 March 2017 with the increase primarily reflecting net new debt of $9.6 million and negative foreign exchange rate movements of $8.4 million in respect of Euro, sterling and Swiss Franc denominated debt.

In December 2017 the Company and one of its lenders negotiated the extension of the maturity date on loans totalling $48.9 million from maturity dates between June 2018 and September 2019 to 31 December 2028. The interest rate on these loans was reduced from 5.0% to 3.0% per annum with effect from 1 January 2018. On 21 December 2017 the same lender converted $3.5m of loans to the group into 496,420 shares of the Company.

As result of debt repayments and the progress made with the debt restructuring the Company extended its weighted average loan maturity from 2.3 years at 31 March 2017 to 5.4 years at 31 December 2017, and reduced its weighted average loan interest rate from 5.2% per annum at 31 March 2017 to 4.2% per annum effective 1 January 2018.

Since the balance sheet date, the repayment date on a $4 million loan was extended from 15 June 2018 to 15 June 2019.

Management remains confident that short-term borrowings can be refinanced with existing lenders when they fall due.

Cash flow

During PE Dec17 the group used $4.6 million in operating activities compared to $3.2 million for FY Mar17. Net cash generated from investing activities totalled $7.2 million for PE Dec17 ($9.9 million used in FY Mar17) and net cash generated from financing activities totalled $9.4 million for PE Dec17 ($11.5 million – FY Mar17).

Overall the group increased its net cash and cash equivalents in PE Dec17 by $11.9 million compared to a net decrease of $1.6 million in FYMar17.

Treasury shares

The Company held 834,386 of its shares in treasury at 31 December 2017 with a carrying value of $5.4 million (31 March 2017 – 247,772 shares at $1.8 million). These shares were sold to existing shareholders who elected to reinvest their proceeds from the repayment of capital in January 2018.

Arundel AG

Approved by the board: 23 April 2018

DIRECTORS

Dr. Volkert Klaucke (Chairman)

Mr. Markus Müller

Dr. Doraiswamy Srinivas (Vice Chairman)

Mr. David Quint

COMPANY SECRETARY

Dr. Doraiswamy Srinivas

EXECUTIVE MANAGEMENT

Dr. Volkert Klaucke (Executive Chairman)

Mr. David Quint (Executive director)

Dr. Doraiswamy Srinivas (Executive director)

Mr. Ralph Beney (Chief Financial Officer)

Mr. Richard Borg (Group Legal Officer)

REGISTERED OFFICE

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CH-8002 Zurich
Switzerland

INDEPENDENT PROXY

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CH-8002 Zürich
Switzerland

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PricewaterhouseCoopers AG
Birchstrasse 160
CH-8050 Zurich
Switzerland

LEGAL ADVISORS (as to Swiss Law)

Bär & Karrer AG
Brandschenkestrasse 90
CH-8027 Zurich
Switzerland

REGISTRAR

SAG SIS Aktienregister AG
Baslerstrasse 100
Postfach
CH-4601 Olten
Switzerland

REGISTERED NUMBER

CH-020.3.922.903-6

The Directors present their report and the audited consolidated financial statements to the shareholders for the period ended 31 December 2017.

PRINCIPAL ACTIVITY

Arundel AG (the "Company") is domiciled in Switzerland with its registered office at Bleicherweg 66, CH-8002, Zürich and is the ultimate parent company of the Arundel Group (the "Group"). The Company is an investment holding company. The Group is focused on investment and financing activities in Europe, the USA and India.

The Company is listed on the SIX Swiss Exchange.

DIRECTORS

The Directors of the Company at 31 December 2017, all of whom have been directors for the whole of the period then ended unless otherwise indicated are set out below. In accordance with Swiss law, the term of each director is limited to one year.

	Nationality	Function	Member since
Executive members			
Dr. Volkert Klaucke	German	Chairman	2005
Dr. Doraiswamy Srinivas	USA/GB	Vice Chairman	2005
Mr. David Quint	USA/GB	Member	2005
Non-executive members			
Mr. Markus Müller (appointed 27 September 2016)	Swiss	Member	2016

SECRETARY

The secretary of the Company at 31 December 2017 was Dr. Doraiswamy Srinivas, who has been secretary since his appointment on 30 June 2005.

AUDITORS

The auditors are PricewaterhouseCoopers AG, Zurich, Switzerland.

DIRECTORS' INTERESTS

The Directors' interests in the shares of the Company were as stated below:

	31 December 2017	31 March 2017
Dr. Volkert Klaucke	38,629	38,629
Dr. Doraiswamy Srinivas	1,485,319	1,485,319
Mr. Markus Müller (appointed 27 September 2016)	Nil	Nil
Mr. William Vanderfelt (resigned 27 September 2016)	N/A	187,663
Mr. David Quint	1,519,889	1,519,889

By order of the Board

Dr. Volkert Klaucke
Chairman - Date: 23 April 2018

Report of the statutory auditor

to the General Meeting of Arundel AG

Zurich

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Arundel AG and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2017 and the consolidated income statement, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the period 1 April 2017 to 31 December 2017, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements (pages 12-61) give a true and fair view of the consolidated financial position of the Group as at 31 December 2017 and its consolidated financial performance and its consolidated cash flows for the period 1 April 2017 to 31 December 2017 in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

Basis for opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report.

We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the IESBA Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

Overview

Overall Group materiality: USD 2'000'000

Our audit was performed by a central team and addressed all assets, liabilities and operating income of the Group.

As key audit matters the valuation of investment property has been identified as areas of focus.

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Audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material, if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the consolidated financial statements as a whole.

Overall Group materiality	USD 2'000'000
How we determined it	1 % of total assets
Rationale for the materiality benchmark applied	We chose total assets as it is the relevant benchmark for a Company that mainly holds investments, and is a generally accepted benchmark.

We agreed with the Audit Committee that we would report to them misstatements above USD 200'000 identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of investment properties

Key audit matter	*How our audit addressed the key audit matter*
Refer to page 36 (Note 13: Investment property) The Group owns investment properties in Leipzig, Germany. The properties are held at fair value. The valuation of investment properties is considered as a key audit matter due to the significance of these assets on the balance sheet (USD 160.8 million) as well as the considerable judgement required by Management in determining the fair value of investment properties.	To evaluate the appropriateness of Management's valuation process and methodology we performed the following audit procedures: • We tested the valuation of the investment properties by involving PwC real-estate specialists in Germany. This included an assessment of the competency, capability and objectivity of Management's independent property appraiser and the appropriateness of the valuation methodology applied to appraise the property.

The valuations is performed by a third party appraiser using a discounted cash flow model to calculate the market value assuming a 10-year calculation period and a long-term growth rate (terminal value). The most significant judgements effecting the valuations are the assumptions surrounding the rents relating to the period after the current lease expires, void periods as well as the discount rates and capitalisation rate for terminal values.	• We compared the rents, which were used in the valuation, with the current lease agreements which we found to be consistent. • We assessed the Management's assumptions as described on page 36 (Note 13) of the financial statements. This included the discount rate and applied capitalisation rate by comparing them to independent market values. In addition, we assessed the void periods and assumptions of the renewal rents by comparing them with economic and industry forecasts. Based on the work carried out and described above we consider Management's valuation of the investment properties as an adequate basis to form a conclusion on the fair value of the investment property.

Other information in the annual report

The Board of Directors is responsible for the other information in the annual report. The other information comprises all information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements and the remuneration report of Arundel AG and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information in the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the annual report and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors for the consolidated financial statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISAs and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the website of EXPERTsuisse: http://expertsuisse.ch/en/audit-report-for-public-companies. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Patrick Balkanyi	Philipp Gnädinger
Audit expert Auditor in charge	Audit expert

Zürich, 23 April 2018

ARUNDEL AG
CONSOLIDATED INCOME STATEMENT
FOR THE PERIOD ENDED 31 DECEMBER 2017

	NOTE	Period ended 31 December 2017 $	Year ended 31 March 2017 RESTATED $
Revenue	6	9,851,034	11,475,480
Administrative and marketing expenses	7	(7,173,476)	(7,311,612)
Fair value loss on investment property	13	(356,980)	(888,991)
Other income		898	2,505
Impairment of development rights	14	-	(18,658,017)
Other income related to the cancellation of development rights payables	14	-	18,658,017
Operating profit		2,321,476	3,277,382
Finance income	8	2,487,820	43,232
Finance costs	9	(7,093,438)	(11,636,115)
Gain on bargain purchase	25	-	1,523,137
Loss before income tax expense		(2,284,142)	(6,792,364)
Tax credit	20	56,522	102,888
Loss from continuing operations		(2,227,620)	(6,689,476)
Discontinued Operations			
Loss for the period from discontinued operations	25	-	(248,675)
Loss for the period		(2,227,620)	(6,938,151)
Attributable to:			
Equity owners of the parent		(2,306,990)	(7,081,571)
Non-controlling interests		79,370	143,420
Losses per share from continuing and discontinued operations attributable to owners of the parent during the period		**$ per share**	**$ per share**
Basic losses per share:			
From continuing operations	10	(0.155)	(0.486)
From discontinued operations	10	-	(0.018)
From loss for the year		(0.155)	(0.504)

The notes on pages 17 to 61 form part of these consolidated financial statements.

	Period ended 31 December 2017 $	Year ended 31 March 2017 $
Loss for the period	(2,227,620)	(6,938,151)
Other comprehensive income/(expense)		
Items that may be subsequently reclassified to profit or loss		
Currency translation differences	8,231,434	(1,629,223)
Other comprehensive income/(expense) for the period	8,231,434	(1,629,223)
Total comprehensive income/(expense) for the period	6,003,814	(8,567,374)
Attributable to:		
Equity owners of the parent	5,669,451	(8,572,794)
Non-controlling interests	334,363	5,420

The notes on pages 17 to 61 form part of these consolidated financial statements.

ARUNDEL AG
CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2017

	NOTE	As at 31 December 2017 $	As at 31 March 2017 RESTATED $
ASSETS			
Non-current assets			
Property plant and equipment	12	26,623,711	25,030,249
Investment property	13	160,840,429	143,711,456
Development rights	14	-	-
Other investments		37,194	115,992
Deferred taxation	18	308,401	306,850
Other receivables and prepayments	15	10,237,133	3,423,447
		198,046,868	172,587,994
Current assets			
Other receivables and prepayments	15	1,201,625	12,942,833
Restricted cash	15	379,798	7,026,162
Cash and cash equivalents		12,885,139	924,329
		14,466,562	20,893,324
TOTAL ASSETS		212,513,430	193,481,318
EQUITY			
Capital and reserves			
Share capital	16	147,264,236	155,020,972
Share premium		56,307,636	56,307,636
Equity component of convertible bond		749,267	749,267
Translation reserve		3,747,963	(4,228,478)
Accumulated loss		(175,801,097)	(179,788,676)
		32,268,005	28,060,721
Treasury shares	16	(5,441,626)	(1,784,756)
		26,826,379	26,275,965
Non-controlling interests	19	2,652,081	2,317,718
TOTAL EQUITY		29,478,460	28,593,683
LIABILITIES			
Non-current liabilities			
Borrowings	17	154,804,036	136,626,789
Other payable	25	-	1,260,000
Deferred taxation	18	3,312,175	3,134,146
		158,116,211	141,020,935
Current liabilities			
Accruals	21	4,630,372	4,268,320
Contingent liability	25	-	605,000
Trade and other payables	22	11,335,147	3,783,012
Borrowings	17	8,953,240	15,210,368
		24,918,759	23,866,700
TOTAL LIABILITIES		183,034,970	164,887,635
TOTAL EQUITY AND LIABILITIES		212,513,430	193,481,318

The notes on pages 17 to 61 form part of these consolidated financial statements.

ARUNDEL AG
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE PERIOD ENDED 31 DECEMBER 2017

		Attributable to equity owners of the parent							
		Share capital $	**Share premium** $	**Treasury shares** $	**Equity component of convertible bond** $	**Translation reserve** $	**Accumulated loss** $	**Non-controlling interest** $	**Total equity** $
Balance as of 31 March 2016 and 1 April 2016 as previously reported		**162,528,644**	**109,054,845**	**(13,384,494)**	**749,267**	**(3,133,073)**	**(231,176,762)**	**2,688,116**	**27,326,543**
Restatement	2.1	-	-	-	-	375,818	-	(375,818)	-
Balance as of 31 March 2016 and 1 April 2016 restated		**162,528,644**	**109,054,845**	**(13,384,494)**	**749,267**	**(2,757,255)**	**(231,176,762)**	**2,312,298**	**27,326,543**
Loss for the year		-	-	-	-	-	(7,081,571)	143,420	(6,938,151)
Other comprehensive income									
Foreign currency translation		-	-	-	-	(1,491,223)	-	(138,000)	(1,629,223)
Total other comprehensive income		-	-	-	-	**(1,491,223)**	**(7,081,571)**	**5,420**	**(8,567,374)**
Transfer of reserves		-	(52,747,209)	-	-	-	52,747,209	-	-
Treasury share transactions	16	(7,507,672)	-	11,599,738	-	-	5,722,448	-	9,814,514
Balance as of 31 March 2017 and 1 April 2017		**155,020,972**	**56,307,636**	**(1,784,756)**	**749,267**	**(4,228,478)**	**(179,788,676)**	**2,317,718**	**28,593,683**
Loss for the period		-	-	-	-	-	(2,306,990)	79,370	(2,227,620)
Other comprehensive income									
Foreign currency translation		-	-	-	-	7,976,441	-	254,993	8,231,434
Total other comprehensive income		-	-	-	-	**7,976,441**	**(2,306,990)**	**334,363**	**6,003,814**
Par value capital reduction	16	(7,756,736)	-	428,187	-	-	-	-	(7,328,549)
Treasury share transactions	16	-	-	(4,085,057)	-	-	6,294,569	-	2,209,512
Balance as of 31 December 2017		**147,264,236**	**56,307,636**	**(5,441,626)**	**749,267**	**3,747,963**	**(175,801,097)**	**2,652,081**	**29,478,460**

The notes on pages 17 to 61 form part of these consolidated financial statements

ARUNDEL AG
CONSOLIDATED CASH FLOW STATEMENT
FOR THE PERIOD ENDED 31 DECEMBER 2017

	NOTE	Period ended 31 December 2017 $	Year ended 31 March 2017 RESTATED $
Cash flow from operating activities			
Loss for the period		(2,227,620)	(6,938,151)
Adjustments for:			
-Net foreign exchange (gains) / losses	8	(2,485,803)	2,381,871
- Interest income	8	(2,017)	(43,232)
- Interest expenses and other finance expenses	9	6,121,130	8,096,242
- Amortisation of debt issue costs	9	807,402	1,003,356
- Changes in fair value of investment property	13	356,980	888,991
- Allowance for impairment of receivables	15	1,248,040	646,433
- Impairment of development rights	14	-	18,658,017
- Other income related to cancellation of development rights	14	-	(18,658,017)
- Gain on bargain purchase	25	-	(1,523,137)
- Depreciation	12	337,894	214,551
- Impairment of available for sale assets		-	40,210
- Income tax expense	20	(56,522)	(102,888)
Changes in working capital			
- Trade creditors and other payables		(1,047,002)	158,651
- Other receivables and prepayments		(1,302,070)	(374,796)
- Accruals		661,841	(251,614)
Cash generated by operations		2,412,253	4,196,487
Interest paid		(7,030,364)	(7,401,578)
Income tax paid		-	-
Net cash (used) by operating activities		(4,618,111)	(3,205,091)
Cash flow from investing activities			
Change in restricted cash	15	7,199,974	(6,790,587)
Cash acquired on purchase of subsidiaries	25	-	830,165
New loans made	15	(36,032)	(964,402)
Cash payments for potential acquisition of development rights	15	-	(2,988,778)
Interest received		2,017	453
Net cash generated/(used) by investing activities		7,165,959	(9,913,149)
Cash flow from financing activities			
Proceeds from borrowings	17	16,600,000	18,065,572
Repayment of borrowings	17	(11,277,366)	(6,509,520)
Proceeds from sale of shares	15	4,000,000	1,699,769
Proceeds from sale of investments		65,936	-
Payment of cash element of par value capital reduction	11	-	(1,771,860)
Net cash generated by financing activities		9,388,570	11,483,961
Net increase/(decrease) in cash and cash equivalents		11,936,418	(1,634,279)
Movement in cash and cash equivalents			
Cash and cash equivalents at beginning of period		924,329	2,546,610
Net (decrease)/increase in cash and cash equivalents		11,936,418	(1,634,279)
Foreign currency translation adjustments		24,392	11,998
Cash and cash equivalents at end of period		**12,885,139**	**924,329**

For disclosure of changes in liabilities arising from financing activities see Note 17.

The notes on pages 17 to 61 form part of these consolidated financial statements.

1. GENERAL INFORMATION

Arundel AG (the "Company") is domiciled in Switzerland with its registered office at Bleicherweg 66, CH-8002, Zürich and is the ultimate parent company of the Arundel Group (the "Group"). The Company is an investment holding company. The Group is focused on investment and financing activities in Europe, the USA and India.

The Company is listed on the SIX Swiss Exchange.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with and comply with International Financial Reporting Standards "IFRS", published by the International Accounting Standards Board. The consolidated financial statements are reported in US Dollars unless otherwise stated and are based on the accounts of the individual subsidiaries for the period 1 April 2017 to 31 December 2017, which were drawn up according to uniform Group accounting principles. The Board has decided to revert to a 31 December financial year end as this is a more common practice in the business in which the Group operates, as a result, these consolidated financial statements cover the nine month period ended 31 December 2017. As a result, the periods are not entirely comparable.

Comparative information has been restated to correct an error in relation to the calculation of the non-controlling interest. In the financial statements for the year ended 31 March 2017 (and since initial recognition in the year ended 31 March 2014), the carrying value of the non-controlling interest had not been adjusted to reflect movements in foreign exchange rates. As at 31 March 2017 and 31 March 2016, correction of this amounts to a cumulative restatement of the carrying value of the non-controlling interest of $513,817 and $375,818 respectively, with a corresponding adjustment to the translation reserve. The carrying value of treasury shares has been restated to remove movements in foreign exchange rates, as at 31 March 2017, correction of this amounts to a cumulative restatement of the carrying value of the treasury shares of $183,348, with a corresponding adjustment to the translation reserve. These adjustments have no impact on basic or diluted earnings per share. Additionally, earnings per share has been restated in the prior period such that it is calculated on the full results attributable to equity owners of the parent. This has resulted in an increase in loss per share for the year ended 31 March 2017 from $(0.494) per share to $(0.504) per share.

In order to achieve a more transparent presentation, the Company has decided to present the information related to impairment of development rights and cancellation of the corresponding development rights payables, as described in note 14, gross on the face of the comparative figures included in the consolidated income statement.

Adoption of new standards and interpretations

A number of new or amended standards became applicable for the current reporting period. However, the group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

New standards not yet adopted

The following new standards have been issued but are not effective for the financial period ended 31 December 2017 and have not been early adopted:

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The standard is not expected to have a material impact on the consolidated financial statements because the group mainly generates revenues from rental income in accordance with IAS 17.

2.1 Basis of preparation (Continued)

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 will require impairments to be based on a forward-looking model; will change the approach to hedging financial exposures and related documentation and the recognition of certain fair value changes. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The application of the standard is not expected to have a material impact on the consolidated financial statements because of the amounts of financial assets recorded, the accounting of financial liabilities at amortised costs and the absence of hedge accounting.

IFRS 16, 'Leases' substantially changes the financial statements as the majority of leases will become on-balance sheet liabilities with corresponding right of use assets on the balance sheet. The standard replaces IAS 17 Leases and is effective January 1, 2019. Early application is permitted for companies that also apply IFRS 15 Revenue from Contracts with Customers. The standard is not expected to have a material impact on the consolidated financial statements.

2.2 Principles of consolidation

2.2.1 Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated 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.

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.

Consolidated financial statements are prepared using uniform accounting policies for like transactions. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.2.2 Changes in ownership interests in subsidiaries without change in control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant shares acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals of 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 re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

2.3 Segmental reporting

Segmental reporting has been prepared in accordance with IFRS 8 (Segment Reporting).

The chief operating decision maker has been identified as the board of directors, who review the Group's internal reporting and management information in order to assess performance and allocate resources. As such, the Group has been organised into the following segments:

- Investments in Government Tenanted Property
- Investments in Development Rights
- Investment Advisory (the business of RPC International Inc. – See Note 25)
- Gold Trading (discontinued – See Note 25)

The board of directors assess the performance of the business using a number of measures; however particular emphasis is placed on total assets and total equity.

Total segment assets and liabilities excludes certain assets and liabilities which are managed on a central basis, these form the reconciliation to the balance sheet.

2.4 Foreign currency transactions and translation

Functional and presentation currency
Items included in the financial statements of each of the Group's entities are measured using the currency of primary economic environment in which the entity operates (the "functional currency").

The consolidated financial statements are presented in US Dollars, which is the Group's presentation currency.

Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented net in the income statement within finance costs and finance income respectively. All other foreign exchange gains and losses are presented net in the statement of comprehensive income.

Group companies
The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet are translated at the closing rate at the date of the balance sheet.
(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates in which case income and expenses are translated at the dates of the transactions); and
(iii) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of net investment in foreign entities and designated intercompany borrowings are taken to other comprehensive income. When a foreign entity is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

The translation rates used are disclosed in Note 5.

2.5 Investment property

Property held for long-term rental yields or for capital appreciation or both and not occupied by the Group is classified as investment property. Investment property also includes property that is being constructed or developed for future use as investment property.

Investment property comprises freehold land and buildings. Investment property is initially recognised at cost including related transaction costs and borrowing costs. After initial recognition investment property is held at fair value. Fair value is based on a discounted cash flow model, using observable market data, adjusted for difference in the nature, location or condition of the specific asset. Valuations are performed in accordance with guidance issued by the International Valuation Standard Committee and are reviewed annually by external valuers.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. The fair value also reflects on a similar basis, any cash outflows that could be expected in respect of the property.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. In accordance with IAS 40, these items are capitalised at cost and subsequently measured at fair value on a single property level. All other repairs and maintenance costs are charged to the income statement during the financial period in which they are incurred.

Changes in fair values and gains and losses on disposal are recorded in the income statement. Gains and losses on disposals are determined by comparing proceeds with the carrying amount.

2.6 Leases

Finance lease

When assets are leased out under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income.

Lease income is recognised over the term of the lease using the net investment method, which reflects a constant periodic rate of return.

Operating lease

The Group currently treats all of its investment property leases as operating leases, however this classification is considered by the directors for each property on acquisition. An operating lease is a lease in which substantially all the risks and rewards of the asset (investment property) remain with the lessor and as such these assets remain in the Group's balance sheet. Lease payments from the lessee are recognised as rental income and as such disclosed in the income statement on a straight-line basis over the period of the lease.

Lease classification

The Group determines the classification of leases on each asset having regard to whether substantially all risks and rewards incidental to ownership of the asset is transferred to the lessee.

2.7 Property, Plant and Equipment

All property, plant and equipment (PPE) is stated at historical cost less depreciation. Historic costs includes expenditure that is directly attributable to the acquisition of the items and (where applicable) borrowing costs.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of those parts that are replaced is derecognised. All other repairs and maintenance are charged to the income statement during the financial year in which they occur.

2.7 Property, Plant and Equipment (Continued)

Depreciation is calculated using the straight line method to allocate the cost over the asset's useful economic life as follows:

- Freehold land – nil
- Freehold buildings – 50 years
- Fixtures and fittings – 3 – 10 years
- Vehicles – 4 years

The assets residual values and useful lives are reviewed, and adjusted if appropriate each financial year end.

An assets' carrying amount is written down immediately to its recoverable amount if its carrying value is greater than the estimated recoverable amount.

Gains and losses on disposal are determined by comparing proceeds with carrying amounts and are included in the income statement.

2.8 Development Rights

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition intangible assets are carried at cost less accumulated impairment losses, if any.

2.9 Loans and receivables

Loans are classified as non-current assets unless management has the express intention of holding the loans for less than 12 months from the balance sheet date, in which case they are included in current assets.

Purchases and sales of loans are recognised on the trade date, which is the date that the Group commits to purchase or sell the asset. Loans are initially recognised at fair value plus transaction costs and are subsequently carried at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of loans is established when there is evidence that the Group will not be able to collect all amounts due according to the original terms of loans. In the case of loans, the financial position of the underlying companies and their ability to repay the preference share capital is considered in determining whether the loans are impaired.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement. Loans are derecognised when the rights to receive cash flows from the loans have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. When loans and receivables are sold the resulting gains and losses are included in the income statement as gains and losses from loans.

2.10 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date. Impairment losses on goodwill are not reversed.

2.11 Trade debtors

Trade debtors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade debtors is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original term of the trade debtors. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

2.12 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand; deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. In the balance sheet, bank overdrafts are included in borrowings under current liabilities. The Group's cash held as collateral against borrowings secured on investment property is treated as restricted cash.

2.13 Share capital

Ordinary shares are classified as equity. Any transaction costs of an equity transaction are accounted for as a deduction from share premium to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided. The costs of an equity transaction that is abandoned are recognised as an expense.

2.14 Treasury Shares

Any shares in the Company held in treasury are shown at historic cost, adjusted for any reduction in par value, and presented as a deduction from total equity on the consolidated balance sheet of the Group. When share are disposed these are treated on a "first in first out" basis and any gain or loss is recognised in retained earnings.

2.15 Trade creditors and other payables

Trade creditors and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.16 Distributions to shareholders (Dividends or Par value capital reduction)

Dividends are recorded as a financial liability in the consolidated financial statements in the period in which they are approved by the Company's shareholders. Reductions in the par value of the shares of the Company are recorded as a financial liability upon the date at which the reduction is registered at the Commercial Registry Office. Settlements occurred either in cash or treasury shares.

2.17 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Preference shares, which are mandatorily redeemable on a specific date, are classified as liabilities. The dividends on these preference shares are recognised in the income statement as an interest expense.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.18 Current and deferred income tax expense

The tax expense for the period comprises current and deferred tax expense. Income tax expense recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using the tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2.19 Provisions and contingencies

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

Possible liabilities whose occurrence as of the balance-sheet date cannot be assessed, or liabilities, the level of which cannot be reliability estimated, are disclosed as contingent liabilities.

2.20 Revenue recognition

Revenue includes rental income, investment advisory and gold trading revenue (discontinued). Rental income from investment properties is recognised based on the contractual rental agreement over the life of the lease term. Investment advisory income is recognised in accordance with contractual agreements and invoiced amounts. Investment advisory income consists mainly of management fees and success fees which are recognised over time upon the completion of a transaction. Gold trading revenue represents the fair value of the sale of goods supplied to third parties, after deducting trade discounts and volume rebates, and is exclusive of value-added tax. Gold trading revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. In the year ended 31 March 2017, gold trading was discontinued by the Group.

2.21 Finance income and expense

Interest income and expense are recognised within ‘finance income’ and ‘finance costs’ in profit or loss using the effective interest rate method.

2.22 Compound financial instruments

Compound financial instruments issued by the group comprise convertible notes that can be converted to share capital at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value. The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition except on conversion or expiry.

2.23 Employee benefits

(a) Pensions

The Group operates a defined contribution plan for its staff in the UK. The Group pays contributions to privately administered pension plans on a contractual basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when they are due.

(b) Short term employment benefits

Wages, salaries, paid annual leave and sick leave, bonuses and non-monetary benefits (such as health insurance) are recognised as employee benefits expense and accrued when the associated services are rendered by the employees of the Group.

3. FINANCIAL AND OTHER RISK MANAGEMENT

3.1 Financial risk factors and assessment

Financial risk assessment and management is an integral part of the Group-wide enterprise risk management and is governed by policies reviewed by the Board of Directors. The policies provide guidance on operational risk limits, types of authorized financial instruments and monitoring procedures. Such monitoring procedures contain regular review of accounting policy assessment including changes in accounting policy, significant accounting matters, and items requiring significant management judgment and estimates. The implementation of the accounting policy, the adherence to the regulation and the monitoring on a day-to-day risk basis are carried out by the relevant accounting and treasury functions. Regular reporting on the review of the financial risk management is performed by the relevant accounting and controlling functions.

The Group has established a yearly process driven by management evaluating in detail financial risk assessment in the areas of accounting complexity, control environment, market dynamics, cultural and individual parameters.

The major financial risks identified and therefore the most critical accounting policies consist of revenue recognition, accounting for acquisitions and transactions, intangible assets and impairments, accounting for associates, foreign exchange risk and contingencies.

The major financial risks in the area of control environment consist of information systems complexity, timely review of results, and the robustness of the documentation of processes. The major financial risks identified in the area of market dynamics consist of the local customs and practices, country specific risks and overall market dynamics.

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 minimise potential adverse effects on the Group's financial performance.

Risk management is carried out by the executive management under policies approved by the Board of Directors. The Board identifies, evaluates and manages 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, and credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

(a) Market risk

1. Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Euro, Swiss Franc, Pound Sterling, Singapore Dollar and Indian Rupee. Limited foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. Operating entities have limited exposure to exchange risk outside their functional currencies.

The Group has investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group's foreign operations in Continental Europe are managed primarily through borrowings denominated in the relevant foreign currencies, although the directors monitor and permit currency exposure in this regard as an element of its financing strategy.

3. FINANCIAL AND OTHER RISK MANAGEMENT (CONTINUED)

The table below shows the impact on Group profit and equity of a strengthening or weakening by $0.05 of the US Dollar exchange rate against the key currency exposures of the Group if all other variables were constant.

	Sensitivity range 31 December 2017	Profit Impact of exchange rate movement		Equity Impact of exchange rate movement	
		+ 0.5 $	-0.5 $	+0.5 $	-0.5 $
Euro	0.8834 – 0.7834	(1,299,152)	1,464,980	(2,926,855)	3,300,448
CHF	1.0243 – 0.9243	(1,174,800)	1,301,898	(2,084,189)	2,309,671
GBP	0.7899 – 0.6899	27,042	(30,961)	(1,146,338)	1,312,495

	Sensitivity range 31 March 2017	Profit Impact of exchange rate movement		Equity Impact of exchange rate movement	
		+ 0.5 $	-0.5 $	+0.5 $	-0.5 $
Euro	0.9849 -0.8849	(1,029,871)	1,138,279	(920,679)	1,024,723
CHF	1.0500 – 0.9500	(1,040,501)	1,160,121	(1,938,818)	2,142,904
GBP	0.8473 – 0.7473	3,852	(4,368)	(985,576)	1,117,460

Currency exposures against the Indian Rupee and Singapore Dollar are immaterial.

A key parameter affecting the carrying value of the Group's investment properties is the Euro to US Dollar exchange rate, the following table demonstrates the sensitivity to exchange rate movements of the valuation of €134.05 million (See Note 13) as at 31 December 2017:

	$:€	$ 31 December 2017 Carrying Value	$ Sensitivity
Rate increase to 1.00	1.0000	134,050,000	(26,790,429)
Rate increase to 0.90	0.9000	148,844,444	(11,805,984)
Rate as at balance sheet date	**0.83344**	**160,840,429**	**-**
Rate reduction to 0.80	0.8000	167,562,500	6,722,071
Rate reduction to 0.70	0.7000	191,500,000	30,659,571

The sensitivity to exchange rate detailed above is partially offset by associated borrowings and other liabilities also denominated in Euro.

2. Price risk

The Group is exposed to equity securities price risk because of investments held by the Group and classified on the consolidated balance sheet either as available-for-sale or at fair value through profit or loss.

The Group's investments in equity of other entities that are publicly traded are included on the Bombay Stock Exchange.

3. FINANCIAL AND OTHER RISK MANAGEMENT (CONTINUED)

3. Cash flow and fair value interest rate risk

The Group's interest-rate risk mainly arises from long-term borrowings, derivative financial instruments and to a limited extent, from cash and cash equivalents. Borrowings issued at variable rates expose the Group to cash flow interest-rate risk. Borrowings issued at fixed rates and derivative financial instruments expose the Group to fair value interest-rate risk. Group policy is to maintain a significant percentage of its borrowings in fixed rate instruments. The Board regularly meet to review levels of fixed and variable borrowings and takes appropriate action as required.

As 98.5% of the Group's total borrowings attract fixed rates of interest, exposure to movements in market rates is limited and immaterial. However, the table below shows the sensitivity of profit and other comprehensive income to movements in current interest rates for continued business:

	$ 31 December 2017	$ 31 March 2017
Shift in basis points	50	50
Profit impact of increase	(795,808)	(714,819)
Profit impact of decrease	795,808	714,819
Other comprehensive income impact of increase	-	-
Other comprehensive income impact of decrease	-	-

(b) Credit risk

Credit risk arises from cash, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to rental and gold trading customers, including outstanding receivables. The table below shows the credit rating and balance of the four major bank counterparties at the balance sheet date.

			$	$
	31 December 2017	**31 March 2017**	**31 December 2017**	**31 March 2017**
Counterparty	**Rating**	**Rating**	**Balance**	**Balance**
Sparkasse-Köln	A+	AA-	380,004	7,025,138
Credit Suisse	A	A	11,095,435	235,781
National Westminster Bank Plc	BBB+	BBB+	957,846	265,075
Investec	BB	BB	427,125	141,207

All cash held with Sparkasse Köln is reflected as restricted cash in the balance sheet, being held as a maintenance reserve. As at 31 March 2017, this also included an amount of €6.25 million being held as a lease renewal deposit. This was used by the Group to pay down a portion of the junior loan secured on investment property in September 2017 (See Note 17).

The Group's concentration of credit risk with non-financial institutions is primarily with its rental customers. For these, the Group has assessed that the credit risk is low as the rental contracts are granted to, directly or indirectly, governmental customers with excellent credit history and due to the good record of recovery of receivables. As a result, the Group has not incurred any losses.

The Group has receivable balances due from its investment advisory activities. The Group has assessed that the credit risk is low based on the long term nature of its client relationship and the credit history in respect of all material balances. As a result, the Group expects to receive all amounts due.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Due to the nature of the underlying businesses, the Group maintains flexibility in funding by maintaining availability under committed credit lines.

3. FINANCIAL AND OTHER RISK MANAGEMENT (CONTINUED)

Management monitors rolling forecasts of the Group's liquidity reserve on the basis of expected cash flow. Lenders are approached in advance of maturity dates and, where appropriate, management may negotiate a new facility or seek alternative lenders as required. Management has successfully managed the refinancing risks with multiple lenders over many financial periods both in terms of extending maturities and in reducing the weighted average cost of capital.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Borrowings includes the undiscounted payment of principal and interest.

At 31 December 2017	**Less than 1 year**	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 Years**	**Total**	**Carrying value**
	$	$	$	$	$	$
Borrowings	10,705,664	37,951,728	68,966,248	72,509,084	190,132,724	163,757,276
Trade and other creditors	3,131,597	-	-	-	3,131,597	3,131,597
Other payables	1,260,000	-	-	-	1,260,000	1,260,000
Total	15,097,261	37,951,728	68,966,248	72,509,084	194,524,321	168,148,873
At 31 March 2017	**Less than 1 year**	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 Years**	**Total**	**Carrying value**
	$	$	$	$	$	$
Borrowings	13,527,998	87,480,263	64,060,856	-	165,069,117	151,837,157
Trade and other creditors	3,643,012	-	-	-	3,643,012	3,643,012
Other payables	140,000	1,260,000	-	-	1,400,000	1,400,000
Total	17,311,010	88,740,263	64,060,856	-	170,112,129	156,880,169

d) Capital Risk Management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders (if free cash is available for dividend declaration), return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated balance sheet plus net debt.

3. FINANCIAL AND OTHER RISK MANAGEMENT (CONTINUED)

The gearing ratios at 31 December and 31 March 2017 were as follows:

	December 2017 $	March 2017 $
Total borrowings (Note 17)	163,757,276	151,837,157
Less: cash and cash equivalents	(12,885,139)	(924,329)
Net debt	150,872,137	150,912,828
Total equity	29,478,460	28,593,683
Total capital	180,350,597	179,506,511
Gearing ratio	**83.7%**	**84.1%**

3.2 Fair value estimation

The table below provides disclosure of fair value measurements at 31 December and March 2017 by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

As at 31 December 2017	NOTE	Level 1	Level 2	Level 3
Assets		$	$	$
Investment property	13	-	-	160,840,429
Other investments		37,194	-	-

As at 31 March 2017	NOTE	Level 1	Level 2	Level 3
Assets		$	$	$
Investment property	13	-	-	143,711,456
Other investments		115,992	-	-

The fair value of instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

The fair value of instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

3. FINANCIAL AND OTHER RISK MANAGEMENT (CONTINUED)

3.2 Fair value estimation (continued)

Specific valuation techniques used to value instruments include:

- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting values discounted back to present value.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments as well as for investment properties included in level 3.

For further details of the valuation technique used to value the Investment Properties held by the group see Note 13.

There were no transfers between levels in the period ended 31 December 2017.

3.3 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.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstance. The Group makes estimates and assumptions concerning the future. By definition, the resulting accounting estimates may not equal the related actual results. The estimates and assumptions that may have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are described below.

a) Estimate of fair value of investment properties

The Group owns significant investment properties in Leipzig, held at fair value (Please refer to note 13).

The weighted average lease term for the entirety of the Leipzig Properties is approximately 12 years.

The principal inputs underlying management's estimation of fair value are the current rent payable and in particular the rent per square metre after renewal, void periods, the receipt of contractual rentals and maintenance requirements. Management made these estimations based on experience, past discussions with the local property consultant and preliminary current discussions with the tenant.

In addition, inflation rates and appropriate discount rates, with due regard to yields on Germany government bonds, are also assessed. These valuations are regularly compared to actual market yield data and actual transactions by the Group and those reported by the market.

The expected future market rental income levels are determined based on the specific terms of the existing rental contracts and the use of a capitalisation rate to determine the terminal value based on the estimated rent after the current lease terms. This is considered a significant subjective input in support of the valuation of investment property. Were the capitalisation rate to increase by 0.5% (from 4.66% to 5.16%) the net effect on the carrying amount of the investment properties after deferred taxation would be an estimated decrease of $13.1 million (March 2017 - $11.7 million). Were the capitalisation rate to decrease by 0.5% (from 4.66% to 4.16%) the net effect on the carrying amount of the investment properties after deferred taxation would be an estimated increase of $16.3 million (March 2017 - $14.6 million).

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

b) Allowance on trade debtors and other receivables

The Group establishes allowances for doubtful trade and other receivables once there is an indication that it is likely that recoverability is impaired and a loss will be incurred. These allowances represent the difference between the carrying amount of the receivable in the consolidated balance sheet and the estimated net collectible amount. Significant financial difficulties of a customer, such as probability of bankruptcy, financial reorganization, default or delinquency in payments are considered indicators that recovery of the trade receivable is doubtful.

As at 31 March 2017 full allowance for the impairment of amounts receivable in Indonesia and Singapore totalling $3,166,206 (refer to Note 15), due to the cessation of all business activities in these jurisdictions. In addition allowance for an amount of $551,000 in relation to a third party loan was made. In the period to 31 December 2017, the Group deemed that no recovery of these amounts was likely and, as such, released the full receivable and impairment provision. Additionally, in the period ended 31 December 2017, the group made an impairment provision of $935,582 in relation to a loan made to Ridgemont Holdings Limited (See Note 15).

5. FOREIGN EXCHANGE RATES

	Balance Sheet		Income Statement and Cash Flow Statement	
	31 December 2017 $	31 March 2017 $	average Period ended 31 December 2017 $	average Year ended 31 March 2017 $
GBP	0.73992	0.79731	0.766451	0.7677
SGD	1.33750	1.39655	1.36872	1.3843
INR	63.8508	64.8599	64.4834	67.055
CHF	0.97432	1.0000	0.97789	0.9877
EUR	0.83344	0.9349	0.86950	0.91185

6. REVENUE

	Period ended 31 December 2017 $	Year ended 31 March 2017 $
Investment property rental	6,914,896	10,329,503
Investment advisory	2,936,138	1,145,977
Total continued operations	9,851,034	11,475,480
Gold trading – discontinued operations	-	1,448,523
Total	9,851,034	12,924,003

The weighted average remaining lease term is approximately 12 years. The lease was renewed on 14 November 2016, with rental income of €9,411,676 received until 1 September 2017 at which time the new annual rent of €6,250,000 was received reflecting current market levels.

Investment advisory income is generated by the Arundel Inc. Group (formerly RP&C International Group) which was acquired by the Group on 3 October 2016.

The revenue on the discontinued gold business was recognised using a market index rate plus a transaction margin.

7. ADMINISTRATIVE AND MARKETING EXPENSES

	Period ended 31 December 2017 $	Year ended 31 March 2017 $
Professional fees and other costs	1,989,293	3,063,452
Property rent and maintenance	636,370	470,758
Advisory fees	-	525,000
Third party commissions	(70,833)	221,875
Impairment of receivables (Note 15)	1,416,499	646,433
Write off of receivables (Note 15)	3,819,507	-
Release impairment allowance (Note 15)	(3,819,507)	-
Depreciation (Note 12)	337,894	214,551
Litigation settlement costs (Note 21)	195,000	-
Sundry expenses	928,390	858,234
Staff costs	1,740,863	1,311,309
	7,173,476	7,311,612

8. FINANCE INCOME

	Period ended 31 December 2017 $	Year ended 31 March 2017 $
Interest income – other loans (Note 15)	-	33,294
Bank interest and other finance income	2,017	9,938
Foreign exchange movements	2,485,803	-
	2,487,820	43,232

9. FINANCE COSTS

	Period ended 31 December 2017 $	Year ended 31 March 2017 $
Interest on bonds	1,175,054	1,551,079
Interest on facilities	3,356,015	4,826,585
Interest on other loans	1,590,061	1,718,578
Amortisation of debt issue costs	807,402	1,003,356
Other borrowing expenses	164,906	181,391
Foreign exchange movements	-	2,355,126
	7,093,438	11,636,115

10. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit attributable to equity owners of the parent by the weighted average number of ordinary shares outstanding during the period.

	Period ended 31 December 2017 $	Year ended 31 March 2017 RESTATED $
Net loss attributable to equity owners of the parent:		
from continuing operations	(2,306,990)	(6,832,896)
from discontinued operations	-	(248,675)
	(2,306,990)	(7,081,571)
Weighted average number of ordinary shares outstanding	14,846,060	14,060,172
Basic/diluted losses per share from continuing operations	(0.155)	(0.486)
Basic/diluted losses per share from discontinued operations	-	(0.018)
Basic/diluted losses per share from profit for the period/year	**(0.155)**	**(0.504)**

A subsidiary of the Group issued convertible debt of CHF 42,040,000 with a maturity date of 31 March 2019 as described in Note 17. Management has estimated that the maximum number of additional ordinary shares that could be issued at 31 December 2017 is 1,581,532 (March 2017 – 1,581,532). Since the share price at 31 December 2017 was significantly below the conversion price, the diluted earnings per share have not been shown in the table above.

11. DISTRIBUTIONS TO SHAREHOLDERS (DIVIDENDS AND PAR VALUE REDUCTIONS)

In lieu of the payment of a dividend in relation to the year ended 31 March 2017, the shareholders approved at the Annual General Meeting on 19 September 2017 the payment of a par value capital reduction to shareholders equivalent to CHF 0.50 per share. This is payable in cash, or at the election of the shareholders, in shares of the Company.

The share entitlement is to be calculated by dividing the relevant amount of the repayment entitlement by 95% of the arithmetic mean of the daily volume weighted average prices of the Company's shares on the SIX Swiss Stock Exchange during the 10 consecutive trading days ending on the last day on which the election is made. Shares will be sourced from treasury shares. This transaction completed on 10 January 2018 (See Note 31). However as the record date of this distribution was 12 December 2017, a financial liability in relation to the par value capital reduction of $7,328,549 (CHF 7,140,389) has been recorded (See Note 22).

In view of the significance of the proposed merger with IMMAC and HKA and planned sale of the Leipzig Properties (see Note 31), no capital distribution is proposed for the nine month reporting period ended 31 December 2017. However, it is the Board's intention that distributions should continue in the future.

12. PROPERTY, PLANT AND EQUIPMENT

Period ended 31 December 2017	**Freehold Land $**	**Freehold Buildings $**	**Fixtures and Fittings $**	**Vehicles $**	**Total $**
Opening net book amount	9,013,702	15,887,204	58,009	71,334	25,030,249
Additions	-	-	10,587	-	10,587
Disposals	-	-	-	-	-
Depreciation charge	-	(297,013)	(26,290)	(14,591)	(337,894)
Foreign exchange movement	699,095	1,221,674	-	-	1,920,769
Closing net book amount	9,712,797	16,811,865	42,306	56,743	26,623,711
At 31 December 2017					
Cost	9,712,797	17,290,512	95,027	77,819	27,176,155
Accumulated depreciation	-	(478,647)	(52,721)	(21,076)	(552,444)
Net book amount	9,712,797	16,811,865	42,306	56,743	26,623,711

Year ended 31 March 2017	**Freehold Land $**	**Freehold Buildings $**	**Fixtures and Fittings $**	**Vehicles $**	**Total $**
Opening net book amount	-	-	-	-	-
Acquisition of subsidiary	9,262,575	16,514,625	84,440	32,249	25,893,889
Additions	-	-	-	77,819	77,819
Disposals	-	-	-	(32,249)	(32,249)
Depreciation charge	-	(181,635)	(26,431)	(6,485)	(214,551)
Foreign exchange movement	(248,873)	(445,786)	-	-	(694,659)
Closing net book amount	9,013,702	15,887,204	58,009	71,334	25,030,249
At 31 March 2017					
Cost	9,013,702	16,068,838	84,440	77,819	25,244,800
Accumulated depreciation	-	(181,634)	(26,431)	(6,485)	(214,551)
Net book amount	9,013,702	15,887,204	58,009	71,334	25,030,249

12. PROPERTY, PLANT AND EQUIPMENT (Continued)

On 4 October 2016 the Group acquired the entire issued shares of RP&C, as part of this acquisition the Group acquired a freehold property in London and other fixed assets (office equipment and a motor vehicle).

The Group commissioned an independent valuation of this interest at 4 October 2016 which looked at the market value based on the rental income which could be expected to be earned from the property and indicative transactional and market data for freehold properties in a similar location. The fair value of the freehold property on 4 October 2016 was deemed to be $25,777,200 (£20 million) whilst the fair value of the other fixed assets was deemed to be their net book value at the time of acquisition ($116,689).

At 31 December 2017, the Group does not believe that any impairment of the asset has occurred and holds the asset at the independent appraised value on acquisition less amortisation and depreciation in accordance with the appropriate accounting policies.

Leased assets

A vehicle and fixtures and fittings includes the following amounts where the group is a lessee under a finance leases:

	Period ended 31 December 2017 $	Year ended 31 March 2017 $
Cost	125,956	125,956
Accumulated depreciation	(54,755)	(22,337)
Net book value	71,201	103,619

The liability in respect of these assets as at 31 December 2017 totals $71,986 and is shown within Other Payables (see Note 22).

13. INVESTMENT PROPERTY

	Period ended 31 December 2017 $	Year ended 31 March 2017 $
At beginning of period	143,711,456	153,500,404
Net losses on fair value adjustment	(356,980)	(888,991)
Exchange differences	17,485,953	(8,899,957)
At end of period	160,840,429	143,711,456

Losses recorded in profit or loss for recurring fair value measurements categorised within Level 3 of the fair value hierarchy amount to $356,980 (March 2017 - $888,991) and are included in the consolidated income statement.

The Group owns a 94.9% interest in a partnership which owns 4 investment properties in Leipzig, Germany, which are leased to the Government of Saxony. Members of the Group have contractual obligations to perform certain repairs and maintenance on these investment properties. Some of the borrowings of the Group are secured on investment property as set out in Note 17.

On 14 November 2016, the Company announced that it has executed an agreement with the tenant to extend the lease of the four office buildings in Leipzig. The original lease 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 Leipzig Properties) expiring on 1 July 2047 and a lease of the balance from 1 September 2017 to 30 June 2025 (with two 3 year renewal options). The weighted average lease term for the entirety of the Leipzig Properties is approximately 12 years. In accordance with the terms of the lease extension, rent was received at €9.4 million per annum until 1 September 2017, at which time rental income reduced to €6.25 million per annum reflecting prevailing market rents.

An independent valuation of the investment properties was performed by Botta Management AG, ("Botta") as at 31 December 2017 and 31 March 2017. A discounted cash flow method was used to calculate market value assuming a 10 year calculation period and a terminal value (with the exception of the Records Bureau which has used a 30 year calculation period).

This resulted in a gross capital valuation as set out below.

Country	Segment	Valuation (EUR/USD)	Valuation technique	Rental value (EUR/USD)	Discount rate %	Capitalisation rate for terminal value
Germany	Investments in Government tenanted properties	134,050,000/ 160,840,429 (March 2017 – 134,360,000/ 143,711,456)	Discounted cash flow	6,250,000/ 7,499,375 (March 2017 – 6,250,000/ 6,685,207)	3.40/4.30% (March 2017 – 3.40%/4.10%)	4.40/5.30% (March 2017 – 4.40%/5.10%)

Included in property rent, maintenance and office expenses as detailed in Note 7 are repairs of $281,473 (March 2017 - $86,326) in respect of investment properties generating rental income where the Group is responsible for structural and roof repairs.

14. DEVELOPMENT RIGHTS

	Period ended 31 December 2017 $	Year ended 31 March 2017 $
Cost:		
At beginning of period/year	-	19,719,064
Effect of foreign currency movements	-	-
At end of period/year	-	19,719,064
Accumulated impairment:		
At beginning of period/year	-	(1,061,047)
Impairment charge	-	(18,658,017)
At end of period/year	-	(19,719,064)
Net book value:		
At beginning of period/year	-	18,658,017
At end of period/year	-	-

Development rights

In July 2013, the Group acquired two Indian companies which owned real estate development rights in respect of approximately 106 acres of land in and around Chennai in southern India. The development rights were treated as intangible assets, carried at cost less accumulated impairment losses. The Company also recognised an amount payable to the owners of the land in respect of these development rights in the same amount as the value ascribed to the development rights such that there was a nil net carrying value in the Company's consolidated financial statements.

Due to a failure of the freehold owners of the two sites to release certain encumbrances placed on both parcels of land, the Company has been dealing with the acquisition of a substitute parcel of land of approximately 115 acres for a proposed development in proximity to the East Coast Road, also near Chennai (the "ECR Property"). During the year ended 31 March 2017 the Company made progress in respect of this substitute land parcel and decided to forgo any interest in the original development rights. As a result, the Company fully impaired the carrying value of the original development rights at 31 March 2017 and eliminated the other payable by the same amount. The cash amount invested in respect of the ECR Property is included in non-current third party receivables and prepayments shown in Note 15.

15. OTHER RECEIVABLES AND PREPAYMENTS

	As at 31 December 2017 $	As at 31 March 2017 $
Non-current		
Other receivables and prepayments – related party	3,590,767	3,423,447
Other receivables and prepayments – third party	7,581,949	551,000
Allowance for impairment of receivables	(935,582)	(551,000)
	10,237,133	3,423,447
Current		
Other receivables and prepayments – third party	1,201,625	16,198,582
Allowance for impairment of receivables	-	(3,255,749)
	1,201,625	12,942,833
Total Receivables and prepayments	**11,438,758**	**16,366,280**
Restricted cash	379,798	7,026,162
Total	**11,818,556**	**23,392,442**

Non-current related party receivables and prepayments:

Included in non-current related party receivables is a loan at a nominal amount of €2,000,000 ($2,399,705) (March 2017 - €2,000,000 million ($2,139,195), which was lent by a subsidiary of the Group on 31 March 2008 to Ridgemont Holdings Limited ("Ridgemont") which is indirectly owned by David Quint Jnr (see Note 26 - Related Party Transactions). Also included is interest on this loan of $1,191,062 (March 2017 - $1,284,251). Interest of $Nil (March 2017 -$33,294 (€30,000)) has been accrued in the period on this balance. The principal and interest are due to be paid in March 2020. As at 31 December 2017, an impairment provision of $935,582 has been made against this balance to reflect the deemed recoverable amount due to the revaluation of assets securing the loan.

Non-current third party receivables and prepayments:

Included within third party receivables are payments made to third parties for potential development land of $6,331,949 related to the ECR Property (March 2017 - $6,233,435 included under current third party receivables). The Company will only recognise value for the ECR Property in the consolidated balance sheet once it has freehold ownership of the development land. An independent valuation produced for the group supports the carrying amount. Also included are trade receivables relating to the investment advisory business of $1,250,000.

Current third party receivables and prepayments:

Included in third party receivables as at 31 December 2017 are interest receivable of $284,645, VAT receivable of $276,878 and other sundry receivables and prepayments. Included in third party receivables as at 31 March 2017 was a receivable of $6,233,435 for development land (see above) and $4,000,000 in relation to the sale of 510,753 shares from treasury to a new shareholder on 30 March 2017, which was received on 3 April 2017.

Provision for impairment of receivables:

As at 31 December 2017, provision of $935,582 has been made against the loan from Ridgemont Holdings Limited as detailed above. At 31 March 2017 all amounts relating to a convertible promissory loan note, associated interest and fees totalling $3,255,749 and a third party loan of $551,000 had been fully impaired as recoverability was considered doubtful at 31 March 2017. As at 31 December 2017, the Group considers the likelihood of any recovery in respect of these amounts remote and, as such, has released the total receivable and impairment provision (See Note 7).

Restricted cash:

As part of the lease renegotiation referred to in Note 13, a lease renewal deposit of €6.25 million was deposited by the Group in November 2016. These funds were used to prepay a portion of the junior debt in September 2017 (See Note 17). Restricted cash as at 31 December 2017 relates to cash held as a maintenance reserve in respect of investment property.

16. SHARE CAPITAL

	As at 31 December 2017 $	As at 31 March 2017 $
Authorised, allotted, called up and fully paid: Equity interests:		
15,115,164 Ordinary shares of CHF 9.00 (31 March 2017 CHF 9.50) each	147,264,236	155,020,972

At the Annual General Meeting on 19 September 2017 shareholders approved the payment of a par value capital reduction to shareholders equivalent to CHF 0.50 per share. The reduction was recorded in the commercial register on 12 December 2017.

Authorised share capital

Pursuant to an authorization in Article 3c of the Company's articles of incorporation (the "Articles"), the board of directors may increase the share capital in the amount of up to CHF 68,018,238 until 27 September 2018 through the issuance of up to 7,557,582 additional registered shares with a nominal value of CHF 9.00 each. An increase in partial amounts is permitted.

Conditional share capital

According to Article 3a of the Articles the share capital may be increased by a maximum amount of CHF 13,603,644 through the issuance of up to 1,511,516 fully paid registered shares with a nominal value of CHF 9.00 each through the exercise of option rights granted to members of the board of directors or the management and to advisors of the company or its subsidiaries. Furthermore, pursuant to Article 3b of the Articles the share capital may be increased by a maximum amount of CHF 54,414,594 through the issuance of up to 6,046,066 fully paid registered shares with a nominal value of CHF 9.00 each through the exercise of conversion rights, warrant rights or option rights which have been or will be granted to bondholders or other creditors of the Company or its subsidiaries

As at 31 December 2017, the Group held 834,386 treasury shares (31 March 2017 – 247,772 shares).

Treasury Shares	December 2017 shares	March 2017 shares	December 2017 $	March 2017 RESTATED $
Balance at end of period	834,386	247,772	5,441,626	1,784,756

16. SHARE CAPITAL (Continued)

An analysis of the movement in treasury shares in the year ended 31st March 2017 and period ending 31 December 2017 is as follows:

	No of Treasury Shares	$ RESTATED	Average price per share $
As at 1 April 2016	1,341,458	13,384,494	9.98
Receipt of shares in settlement of obligations from former shareholders	1,492,983	12,266,162	8.22
Shares issued on acquisition of RP&C (Note 25)	(1,978,195)	(18,707,034)	9.46
Treasury shares acquired on acquisition of RP&C (Note 25)	505,236	4,208,350	8.32
Shares transferred in par value capital reduction (Note 11)	(602,957)	(4,851,876)	8.05
Adjustment to par value of treasury shares	-	(378,241)	-
Sale of shares to third party	(510,753)	(4,137,099)	8.10
As at 31 March 2017	247,772	1,784,756	7.20
Receipt of shares in settlement of obligations from former shareholders	1,083,034	7,395,204	6.82
Treasury shares issued on conversion of debt	(496,420)	(3,310,147)	6.66
Adjustment to par value of treasury shares	-	(428,187)	-
As at 31 December 2017	834,386	5,441,626	6.52

During the period ended 31 December 2017 the Company received a total of 1,083,034 shares into treasury from former shareholders in settlement of obligations to the Company.

The Company agreed with NCR Developments Limited ("NCR") that it return 900,000 Arundel shares to the company to be held in treasury. These shares were originally transferred to NCR in consideration for NCR agreeing to procure Indian property for the group. NCR's obligation to procure property for the Company was accordingly proportionately reduced. Additionally NCR returned 66,434 shares to the Company and another former shareholder TLC Developments Limited ""TLC") returned 116,600 shares, in lieu of fees owed to the Group.

On 21 December 2017, an existing lender and shareholder converted loans to the Group totalling $3.5m into 496,420 shares of the Company (See Note 17).

The net increase to retained earnings in respect of the movement in treasury shares during the period ended 31 December 2017 was $6,294,569 (March 2017 – $5,722,448), including $6,104,717 received from the direct placement of shares by NCR.

17. BORROWINGS

	As at 31 December 2017 $	As at 31 March 2017 $
Non-current		
Bonds	24,337,759	23,641,033
Facilities	85,425,809	84,724,193
Other loans	45,040,468	28,261,563
	154,804,036	136,626,789
Current		
Facilities	3,803,240	7,060,368
Other loans	5,150,000	8,150,000
Total current borrowings	8,953,240	15,210,368
Total borrowings	163,757,276	151,837,157

Total borrowings are secured by the assets of the Group. There are some pledges and covenants included in the loan agreements of the Group which are regularly reviewed and tested to ensure compliance – see below for details of these. The carrying amounts approximate fair value.

Bonds

Included within Bonds are CHF 42.04 million ($42.04 million) convertible bonds issued by a subsidiary of the Group which are due March 2019. The bonds have a conversion price of CHF15.50, a principal amount of CHF 1,000 and a cash coupon of 6.25%. The Bonds also include an option for the Group to convert the principal and accrued interest on the Bonds if the share price of the Company is greater than 125% of the conversion price and certain trading volume targets are met. The Bonds are convertible into registered shares of the Company. As at 31 December 2017 CHF 24.5 million ($25.1 million - $24.3m net of unamortised debt issue costs) were in issue, no new bonds have been issued in the period ended 31 December 2017. Included in the terms of the Bonds is a covenant that the Group must maintain the ratio of the net value of all assets held by the Arundel Group to the aggregate principal amount of the bonds of equal to or greater than 2:1. This is reviewed and tested on each interest payment date, as at 31 December 2017 the ratio was 4.90:1 (31 March 2017 – 4.16:1).

Facilities

Leipzig Properties

Facilities secured against the Leipzig properties consists of three elements, a senior loan, under which €50 million has been provided on an interest only basis until March 2020 at a fixed interest rate of 5% p.a.; a junior loan under which €31 million was originally provided on a fully amortising basis for the same period with interest payable at a fixed rate of 3% p.a. and a subordinated loan of €15 million with interest accruing at a compounding fixed rate of 6.25% per annum which is payable at maturity in March 2030, subject to the comments below. In September 2017, the Group utilised the lease renewal deposit of €6.25m (held within restricted cash as at 31 March 2017) to prepay a portion of the junior loan, the principal amount of this loan was €7.0 million as at 31 December 2017. The total outstanding on the senior and junior loans, net of unamortised debt issue costs, as at 31 December 2017 was €55.2 million ($66.2 million).

In June 2016 the Company arranged the purchase of the subordinated loan which together with interest and fees aggregated €19.2 million ($21.6 million). By agreement with the lender, interest on the subordinated loan was reduced from 8% per annum accrued to 6.25% per annum on 31 March 2017, payable quarterly in arrears. On 21 December 2017, the lender agreed to further reduce the interest rate on this loan to 3% per annum (effective 1 January 2018) and extend the maturity date to 31 December 2028 (effective 21 December 2017).

17. BORROWINGS (CONTINUED)

Freehold Property, London

Upon the acquisition of the RP&C in October 2016 (see Note 25), the Group acquired a loan from National Westminster Bank Plc. The bank loan is secured by a first legal mortgage over freehold property acquired and a fixed and floating charge. The loan is repayable by equal quarterly instalments of approximately £52k ending in September 2022. Interest on the loan is payable at 2% over the lender's base rate. As at 31 December 2017, the principal amount outstanding on this loan was $1,391,687 (£1,029,730).

Other Loans

At 31 December 2017 Other Loans included various loans from minority shareholders totalling $37.5 million (March 2017 - $24.0 million) which charged interest at 5.0% per annum during the period ended 31 December 2017. On 21 December 2017 the maturity date of these loans was extended to 31 December 2028 (effective 21 December 2017) and the interest rate on each of the loans was reduced from 5.0% to 3.0% per annum (effective 1 January 2018). $33.9m are loans denominated in US Dollars and $3.6m are loans denominated in Euros.

The maturity date on a further loan of $13.6 million from the same lender, on which the interest rate is 1.25% per annum, was also extended to 31 December 2028. Additionally, on 21 December 2017 the lender converted $3.5m of loans to the Group into 496,420 shares of the Company at CHF 6.95 per share (see Note 16).

Upon the acquisition of RP&C, the Group acquired a number of other loans totalling $11,437,137 (see Note 25). As at 31 December 2017, these loans had a principal amount of $11,511,086. Included within this amount is a loan of $4,000,000 which charged an interest rate of 6.25% per annum and is due for repayment in June 2018, however the Company negotiated an extended maturity date of 15 June 2019 in January 2018 (See Note 31). Additionally included is a loan of $3,000,000 which charges interest at a rate of 3.0% and is due for repayment in 31 December 2028. Also included are other loans totaling approximately $4.5 million on which interest is charged at the rate between 6% per annum and 8% per annum.

The maturity of non-current borrowings is as follows:

	As at 31 December 2017 $	As at 31 March 2017 $
Between 1 and 2 years	31,638,455	78,038,514
Between 2 and 5 years	60,983,863	58,588,275
Over 5 years	62,181,718	-
Non-current borrowings	154,804,036	136,626,789

17. BORROWINGS (CONTINUED)

The carrying amounts and fair value of the non-current borrowings are as follows:

	Carrying amounts		Fair values	
	December 2017 $	March 2017 $	December 2017 $	March 2017 $
Non-current borrowings	154,804,036	136,626,789	154,183,814	134,439,032

The fair values are based on cash flows discounted using a rate based upon a borrowings rate of between 2.50% and 6.00% (March 2017 – 7.00%).

The carrying amounts of the Group's total borrowings are denominated in the following currency:

As at 31 December 2017	CHF	USD	EUR	GBP	Total
	$	$	$	$	$
Bonds	24,337,759	-	-	-	24,337,759
Facilities	-	21,652,336	66,185,026	1,391,687	89,229,049
Other loans	-	43,846,920	4,200,936	2,142,612	50,190,468
	24,337,759	65,499,256	70,385,962	3,534,299	163,757,276

As at 31 March 2017	CHF	USD	EUR	GBP	Total
	$	$	$	$	$
Bonds	23,641,033	-	-	-	23,641,033
Facilities	-	21,652,302	68,649,141	1,483,118	91,784,561
Other loans	2,300,000	28,393,426	3,744,883	1,973,254	36,411,563
	25,941,033	50,045,728	72,394,024	3,456,372	151,837,157

17. BORROWINGS (CONTINUED)

Changes in liabilities arising from financing activities in the period are as follows:

		Cash flows		Non cash changes				
	As at 31 March 2017	Proceeds from borrowings	Repayment of borrowings	Conversion of loan to equity	Extension of loan maturity	Amortisation of debt issue costs	Foreign exchange movement	As at 31 December 2017
	$	$	$	$	$	$	$	$
Non-current borrowings	136,626,789	16,600,000	(7,098,189)	(3,500,000)	3,000,000	807,402	8,368,034	154,804,036
Current borrowings	15,210,368	-	(4,179,177)	-	(3,000,000)	-	922,049	8,953,240
Total	151,837,157	16,600,000	(11,277,366)	(3,500,000)	-	807,402	9,290,083	163,757,276

18. DEFERRED INCOME TAX

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

A deferred tax asset is recognised for unused tax losses to the extent that it is probable that future taxable profits will be available. Against which these tax losses can be utilised. Such deferred tax assets amounted to $ 308,401 (31 March 2017 – $306,850).

As at 31 December 2017, the Group had unused tax losses of $276.8 million (March 2017 - $278.6 million), which expires between 2019 and 2022. These losses were not capitalised as it is unlikely that they will be utilised by the Group.

The fair value of the investment property is below the acquisition price (refer to Note 13), however no deferred tax asset has been recognised as the Group is uncertain as to future recovery. A taxable temporary difference does not exist.

	As at 31 December 2017 $	As at 31 March 2017 $
Deferred taxation liability	3,312,175	3,134,146

The gross movement on the deferred income taxation liability account in the year is as follows:

	As at 31 December 2017 $	As at 31 March 2017 $
Opening period	3,134,146	-
Recognised on acquisition of RPC group (See Note 25)	-	3,419,544
Charged to the income statement (See Note 20)	(61,992)	(190,870)
Net changes due to exchange differences	240,021	(94,528)
Closing period	3,312,175	3,134,146

The deferred taxation liability recognised on the acquisition of RP&C relates to the fair value adjustment made to the freehold property acquired for the purpose of business combination accounting. This has resulted in a taxable temporary difference, as the asset was revalued upon the business combination at fair value in the consolidated financial statements and is now being held at amortised cost, whilst its tax base has remained at cost to the acquiree.

19. NON CONTROLLING INTEREST

	As at 31 December 2017 $	As at 31 March 2017 RESTATED $
Non-controlling interest	2,652,081	2,317,718

The non-controlling interest relates to a 5.1% interest in USI Verwaltungszentrum Leipzig Limited & Co. KG. The principal place of business for USI Verwaltungszentrum Leipzig Limited & Co. KG is in Leipzig, Germany. The holder of the minority interest is Ridgemont Holdings Limited (refer to Note 26).

Set out below are the summarised financial information the subsidiary that has non-controlling interests that are significant to the Group, the presented figures represent 100% of the subsidiary.

Summarised balance sheet	As at 31 December 2017 $	As at 31 March 2017 $
Non-Current		
Assets	160,840,429	143,711,456
Liabilities	(108,817,512)	(105,446,277)
Total non-current net assets	52,022,917	38,265,179
Current		
Assets	416,635	7,190,414
Liabilities	(437,943)	(544,933)
Total current net (liabilities)/assets	(21,308)	6,645,481
Net assets	52,001,609	44,910,660

Summarised income statement	As at 31 December 2017 $	As at 31 March 2017 $
Revenue	6,914,806	10,329,503
Fair value loss on investment property	(356,980)	(888,991)
Administrative expenses	(650,944)	(786,537)
Finance costs	(4,350,701)	(5,841,826)
Gains attributable to:	1,556,181	2,812,149
Equity holder	1,476,811	2,668,729
Non-controlling interest	79,370	143,420
	1,556,181	2,812,149

19. NON CONTROLLING INTEREST (CONTINUED)

Summarised cash flows	Period ended 31 December 2017 $	Year ended 31 March 2017 $
Cash flows from operating activities		
Cash generated from operations	6,329,656	9,487,439
Interest paid	(2,511,710)	(3,408,307)
Net cash generated from operating activities	3,817,946	6,079,132
Net cash used in investing activities	7,199,975	6,942,528
Net cash used in financing activities	(11,085,074)	(13,332,976)
Net increase/(decrease) in cash and cash equivalents	**(67,153)**	**(311,316)**
Cash and cash equivalents at beginning of period	**(25)**	**(26)**
Movement	(67,153)	(311,316)
Foreign exchange movement on cash	67,384	311,317
Cash and cash equivalents at end of period	**206**	**(25)**

20. INCOME TAXES

	Period ended 31 December 2017 $	Year ended 31 March 2017 $
Income tax attributable to continuing operations	56,522	102,888
Income tax attributable to discontinued operations	-	-
	56,522	102,888

The tax on the Group's loss before tax differs from the theoretical amount that would arise using the weighted average tax applicable to profits of the consolidated companies (December 2017 0.59%, March 2017: 3.57%) as follows:

	Period ended 31 December 2017 $	Year ended 31 March 2017 $
Loss before tax per consolidated income statement – continued operations	(2,284,142)	(6,792,364)
Loss before tax per consolidated income statement – discontinued operations	-	(248 ,675)
	(2,284,142)	(7,041,039)
Income tax calculated at domestic rates applicable to profits in respective countries	(13,465)	(251,446)
Income not subject to taxation	(72,724)	(245,264)
Expenses not deductible for tax purposes in the period	21,256	500,122
Previously unrecognised tax losses used to reduce tax expense	(11,280)	(105,785)
Other	12,402	-
Difference in overseas tax rates	7,289	(515)
Tax credit	(56,522)	(102,888)

21. ACCRUALS

	As at 31 December 2017 $	As at 31 March 2017 $
Current		
Payable to related parties (refer to Note 26)	432,072	415,865
Audit fees	322,209	276,764
Professional fees	611,271	496,994
Other accrued expenses	3,211,106	2,428,165
Loan interest and related fees	53,714	650,532
Total accruals	4,630,372	4,268,320

Other accrued expenses include provision for VAT settlement and full provision for settlement of the litigation referred to in Note 25 a) (i).

22. TRADE AND OTHER PAYABLES

	As at 31 December 2017 $	As at 31 March 2017 $
Current		
Liability for par value capital reduction (Note 11)	7,328,549	-
Trade Creditors	2,652,594	3,369,057
Taxation payable	20,018	132,057
Promissory Note	1,260,000	140,000
Finance Lease creditor	71,986	100,330
Other payables	2,000	41,568
Total other payables	11,335,147	3,783,012

Trade creditors primarily include balances due to third parties. There is no fixed timetable for settlement of these liabilities; however, the Group plans to settle the obligations over the next 12 months.

23. FINANCIAL INSTRUMENTS BY CATEGORY

Assets as per balance sheet 31 December 2017	Notes	Available for sale	Loan receivable	Total
		$	$	$
Other Investments		37,194	-	37,194
Other receivables and prepayments	15	-	11,438,758	11,438,758
Cash and cash equivalents		-	12,885,139	12,885,139
Restricted cash	15	-	379,798	379,798
Total		37,194	24,703,695	24,740,889

Cash and cash equivalents is denominated in the following currencies:

	$
Pounds Sterling	541,257
Indian Rupees	49,694
US Dollars	12,292,739
Singapore Dollars	8,065
Euro	54,264
Swiss Francs	(60,880)
Total	12,885,139

Liabilities as per balance sheet 31 December 2017	Notes	Other financial liabilities	Total
		$	$
Borrowings	17	163,757,276	163,757,276
Other payables	22	-	-
Total		163,757,276	163,757,276

23. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

Assets as per balance sheet 31 March 2017	Notes	Available for sale	Loan receivable	Total
		$	$	$
Other Investments		115,992	-	115,992
Other receivables and prepayments	15	-	16,366,280	16,366,280
Cash and cash equivalents		-	924,329	924,329
Restricted cash	15	-	7,026,162	7,026,162
Total		115,992	24,316,771	24,432,763

Cash and cash equivalents is denominated in the following currencies:

	$
Pounds Sterling	192,262
Indian Rupees	52,579
US Dollars	416,232
Singapore Dollars	9,859
Euro	15,655
Swiss Francs	237,742
Total	924,329

Liabilities as per balance sheet 31 March 2017	Notes	Other financial liabilities	Total
		$	$
Borrowings	17	151,837,157	151,837,157
Other payables	22	-	-
Total		151,837,157	151,837,157

24. INVESTMENTS IN SUBSIDIARIES

The subsidiaries of the Group as of 31 December are as follows:	Country of Incorporation	Ownership Percentage	
		Dec 2017	Mar 2017
Arundel (Schweiz) AG (formerly USI AG)	Switzerland	100%	100%
USIGH Limited	BVI	100%	100%
USIGH III Investments Holdings Limited[1]	BVI	100%	100%
USI Germany Limited	BVI	100%	100%
USI Leipzig Limited	BVI	100%	100%
USI Verwaltungszentrum Leipzig Limited & Co KG	Germany	94.9%	94.9%
USIEC Limited[1]	BVI	100%	100%
Goldlink United Limited	BVI	100%	100%
Arundel Real Estate Pte. Ltd. (formerly USI Real Estate Investment Pte Limited)	Singapore	100%	100%
Omkar Property Development Private Limited	India	100%	100%
Arundel Investments Pte Ltd. (formerly USI (Indonesia) Pte Limited) [1]	Singapore	100%	100%
USI Commodities Pte Limited[1]	Singapore	100%	100%
USI Resources Limited[1]	BVI	100%	100%
Acquired on 4 October 2016 – See Note 25			
Arundel Inc (formerly RP&C International Inc.)	USA	100%	100%
Arundel Group Services Limited (formerly Arundel Group Limited) [1]	UK	100%	100%
Arundel Group Limited (formerly RP&C International Limited)	UK	100%	100%
Arundel (Securities) Inc. (formerly RP&C International (Securities) Inc.)	USA	100%	100%
Arundel (Guernsey) Limited (formerly RP&C International (Guernsey) Limited)[1]	Guernsey	100%	100%
Arundel (Mauritius) Limited (formerly St. James Investment Management Limited)[1]	Mauritius	100%	100%
PCG Capital Limited [1]	BVI	100%	100%

1 - Dormant company.

25. BUSINESS COMBINATIONS, COMMON CONTROL TRANSACTIONS AND DISPOSALS

a) Acquisition of RP&C International Group ("RP&C")

On 4 October 2016 the Group announced the completion of the acquisition of the entire issued share capital of RP&C, an investment banking group based in London which undertakes financing activities internationally. The acquisition was completed in exchange for (i) 1,978,195 shares of the company (sourced from shares held in treasury) and (ii) the issuance of a promissory note for $1,400,000.

In accounting for the acquisition, the fair value of the consideration paid was compared to the fair value of the net assets acquired by Group. The fair value of the consideration paid, was the fair value of former USI Group shares (pre-acquisition) as at acquisition date.

Details of the purchase consideration, the net assets acquired and resultant gain on bargain purchase is as follows:

Fair value of consideration (share exchange and promissory note)

	$
Equity instruments (1,978,195 shares – share price at 4 October CHF 8.10)	16,477,322
Promissory note issued to Director of RP&C	1,400,000
Total consideration	**17,877,322**

The promissory note is payable in two parts, $140,000 was paid on 30 September 2017 with the balance payable on the second anniversary of the completion date. No cash payments were made by the Group in relation to the acquisition of RP&C in the year ended 31 March 2017.

Fair value of identifiable assets acquired and liabilities assumed

	$
Freehold property	25,777,200
Other fixed assets	116,689
Loans receivable	7,000,000
Marketable securities	4,208,350
Accounts receivable - trade	3,222,636
Cash and cash equivalents	830,165
Deferred tax asset	306,850
Other receivable	155,011
Loans payable	(13,102,529)
Deferred taxation	(3,419,544)
Accrued liabilities and trade creditors	(5,089,369)
Contingent liabilities	(605,000)
Total identifiable net assets	**19,400,459**
Gain on bargain purchase	**1,523,137**

The gain on bargain purchase is attributable to changes in the Company's share price and in foreign exchange rates between the date that agreement on the number of shares to be allocated to RP&C's shareholders and the completion date for the acquisition.

25. BUSINESS COMBINATIONS, COMMON CONTROL TRANSACTIONS AND DISPOSALS

a) Acquisition of RP&C International Group (continued)

(i) Significant judgement: Contingent liability

RP&C informed the Company prior to its acquisition that it had received notice of litigation proceedings in the United Kingdom for an amount of $12.1million relating to a fund raising undertaken on behalf of a UK based operating group by RP&C in 2010 & 2011. In accordance with IFRS 3, the Board considered the likelihood that this case may not be successfully defended and estimated that the probability of this is not in excess of 5% and consequently a contingent liability of $605,000 was included for the purposes of business combination accounting. As outlined in Note 31, this matter was settled in January 2018.

(ii)Acquired receivables

The fair value of acquired trade receivables is $3,222,636, this represents the gross contractual amount as all amounts are expected to be collected and no provisions are required.

(iii) Revenue and profit contribution of the acquired entity.

RP&C contributed revenues of $1,145,977 and net loss of $(1,221,954) to the Group for the period from acquisition on 4 October 2016 to 31 March 2017 – See Note 30 (Segmental Reporting).

b) Discontinued Operations

As at 31 March 2017, the gold trading segment of the business was treated as a discontinued operation in the consolidated financial statements. This follows the Board of Directors announcement that they intend to cease gold trading activities following increased monitoring of this segment and persistent difficulty in generating positive investment returns. No gold trading activity has taken place since April 2016.

The financial performance and cash flow information in relation to gold trading activity included in the consolidated financial statements is as follows:

	Period Ended 31 December 2017 $	Year Ended 31 March 2017 $
Revenue	-	1,448,523
Cost of goods sold	-	(1,539,112)
Administrative expenses	-	(91,130)
Finance costs	-	(26,746)
Impairment of available for sale investment	-	(40,210)
Taxation	-	-
Loss for the period from discontinued operations	-	(248,675)

	Period Ended 31 December 2017 $	Year Ended 31 March 2017 $
Net cashflow from operating activities	-	(57,658)
Net cashflow from investing activities	-	-
Net cashflow from financing activities	-	-
Net movement in cash	-	(57,658)

26. RELATED PARTY TRANSACTIONS

(a) Parent entity

The group has no controlling party, details of significant shareholders are set out in Note 3.2 of the Arundel AG Company Financial Statements.

(b) Subsidiaries

Interests in subsidiaries are set out in Note 24.

(c) Key Management Compensation

The following director's fees were recognised in December 2017 and March 2017:

	Period Ended 31 December 2017 $	Year Ended 31 March 2017 $
Dr. Volkert Klaucke	22,500	30,000
Mr. William Vanderfelt	N/A	15,187
Mr. David Quint[1]	-	15,187
Dr. Doraiswamy Srinivas[1]	-	15,187
Mr. Markus Müller	7,670	15,187

[1] Payable to RP&C

The following fees for management were recognised in December 2017 and March 2017.

	Period Ended 31 December 2017 $	Year Ended 31 March 2017 $
Dr. Volkert Klaucke	90,000	122,999
Mr. David Quint	347,277	261,442
Dr. Doraiswamy Srinivas	172,148	111,788
Mr. R M Beney	292,298	200,249
Mr. R J Borg	289,843	193,810

Dr. Klaucke was a member of Executive Management from 30 July 2015 (acting as Executive Chairman, and as Chief Executive Officer from 26 January 2016). Mr. Quint, Dr. Srinivas, Mr. Beney and Mr. Borg all became members of Executive Management on 4 October 2016.

As at 31 December 2017, accrued fees of $197,557 remained payable to Dr. Volkert Klaucke and $119,251 to Mr. Beney. In addition, $115,264 remained payable at the discretion of the Company to Dr Srinivas.

As at 31 December 2017, an amount of $1,260,000 was payable to Mr Richard Borg in relation to a promissory note issued upon the acquisition of RP&C. $140,000 in relation to this promissory note was paid to Mr. Borg in September 2017.

26. RELATED PARTY TRANSACTIONS (Continued)

(d) Transactions with other related parties

	Period Ended 31 December 2017 $	Year Ended 31 March 2017 $
Advisory fees paid	-	525,000
Transaction fees paid	-	451,480

The above fees were paid to Arundel (Mauritius) Limited (formerly St James Investment Management Limited ("SJIM")), which was ultimately owned by RP&C up to 4 October 2016.

(e) Loans to related parties

Loan to Ridgemont Holdings Limited	Period Ended 31 December 2017 $	Year Ended 31 March 2017 $
At beginning of period	3,423,446	3,571,081
Interest charged	-	33,921
Interest paid	-	-
Foreign exchange movement	167,321	(181,556)
At end of period	3,590,767	3,423,446

100% of the issued share capital of Ridgemont is owned by David Quint Jnr who is an employee of the Group and the son of David Quint Snr who is a Director of the Company. The loan, referred to in Note 15, is secured by Ridgemont's 5.1% interest in the Partnership referred to in Note 19. No interest is charged on this loan as collection is not ensured.

(f) Loans from related parties

Loan from Mrs Kathleen Quint of £750,000	Period Ended 31 December 2017 $	Year Ended 31 March 2017 $
At beginning of period	940,669	-
Acquired on acquisition of RP&C	-	972,765
Interest charged	54,533	34,723
Interest paid	(54,533)	(34,723)
Foreign exchange movement	72,961	(32,096)
At end of period	1,013,630	940,669

The above loan is payable to Mrs Kathleen Quint, wife of David Quint Snr. This loan was made to Arundel Group Limited (previously RP&C International Ltd) prior to the acquisition of RPC by the Group on 4 October 2016. Interest is payable on the above loan at 5% over the Coutts lending rate.

27. EMPLOYEES

As at 31 December 2017, the Group employed 12 staff members, of which 11 members of staff are based in the UK. Costs in relation to these are included within administrative costs (see Note 7). Included within these staff are Mr. Quint and Dr. Srinivas who are directors of the Company as well as Mr. Borg and Mr. Beney who are members of executive management. Group senior and executive management are disclosed in Note 29.

28. CONTINGENT LIABILITY

As part of the facilities financing referred to in Note 17, the Group issued a 'Cost Overrun Guarantee' governed by German law for the benefit of certain lenders under the loan agreements entered into by the Partnership as borrower, to secure the coverage (by payment of the necessary funds to the borrower) of a possible excess of certain costs in connection with the Leipzig Properties over a specified maximum yearly sum, subject to a maximum amount of liability of EUR 5 million (2015 – EUR 5 million).

On 16 February 2018 Arundel Group Limited ("AGL") received notice of litigation proceedings in the United Kingdom for an amount of £15.25 million plus expenses, costs and interest relating to a fund raising operation undertaken by AGL on behalf of a UK based operating group in 2011. The Company believes that the claim is without merit and will conduct a vigorous defence. All appropriate measures will be taken to protect the Group from any adverse impact of the litigation.

The Group had no other contingent liabilities at 31 December 2017.

29. DISCLOSURE OF PARTICIPATIONS OF BOARD OF DIRECTORS AND GROUP MANAGEMENT

As at 31 December, the following participations were held by the Board of Directors and the Group Management (including persons closely related to these members):

	Shares December 2017	Shares March 2017
Board of Directors		
Dr. Volkert Klaucke	38,629	38,629
Mr. David Quint	1,519,889	1,519,889
Dr. Doraiswamy Srinivas	1,485,319	1,485,319
Mr. Markus Müller	Nil	Nil
Mr William Vanderfelt	N/A	187,663
Total	**3,043,837**	**3,231,500**
Group Management		
Mr. Ralph Beney	502,980	502,980
Mr. Richard Borg	299,920	299,920
Total	**802,900**	**802,900**
Group Advisor (up to 4 October 2016)		
Arundel (Mauritius) Limited (formerly St James Investment Management Limited and the RP&C Group)	Nil	Nil
Total	**Nil**	**Nil**

	Continuing Operations						
30. SEGMENT INFORMATION **Period ended 31 December 2017**	**Investments in Development Rights (India)** **$**	**Investments in Government Tenanted Property (Germany)** **$**	**Investment Advisory (UK/US)** **$**	**Head Office and Reconciling Central Costs** **$**	**Total Continued Operations** **$**	**Gold Trading - Discontinued (Singapore)** **$**	**Total** **$**
Revenue (Note 6)	-	6,914,896	2,936,138	-	9,851,034	-	9,851,034
Net loss on fair value movement on investment property (Note 13)	-	(356,980)	-	-	(356,980)	-	(356,980)
Gain on bargain purchase (Note 25)	-	-	-	-			
(Loss)/profit after tax	**(391,965)**	**2,131,422**	**2,654**	**(3,969,731)**	**(2,227,620)**	**-**	**(2,227,620)**
Assets							
Investment property (Note 13)	-	160,840,429	-	-	160,840,429	-	160,840,429
Property, plant and equipment (Note 12)	-	-	-	26,623,711	26,623,711	-	26,623,711
Other receivables (Advance development rights payments) (Note 15)	6,331,949	-	-	-	6,331,949	-	6,331,949
Deferred taxation (Note 18)	-	-	308,401	-	308,401	-	308,401
Trade receivables (Note 15)	-	-	1,250,000	-	1,250,000	-	1,250,000
Restricted cash (Note 15)	-	379,798	-	-	379,798	-	379,798
Cash and cash equivalents	84,494	206	1,595,383	11,205,056	12,885,139	-	12,885,139
Segment assets for reportable segments	**6,416,443**	**161,220,433**	**3,153,784**	**37,828,767**	**208,619,427**	**-**	**208,619,427**
Of which are non-current assets:	-	160,840,429	-	26,623,711	187,464,140	-	187,464,140
Liabilities							
Total borrowings (Note 17)	9,000,000	87,837,355	-	66,919,941	163,757,276	-	163,757,276
Deferred taxation (Note 18)	-	-	-	3,312,175	3,312,175	-	3,312,175
Trade and other payables (Note 22)	-	-	2,746,597	-	2,746,597	-	2,746,597
Accrual re: litigation (Note 21)	-	-	2,000,000	-	2,000,000	-	2,000,000
Provision for par value capital reduction (Note 22)	-	-	-	7,328,550	7,328,550	-	7,328,550
Other payables – promissory note (Note 22)	-	-	-	1,260,000	1,260,000	-	1,260,000
Segment liabilities for reportable segments	**9,000,000**	**87,837,335**	**4,746,597**	**78,820,666**	**180,404,598**	**-**	**180,404,598**

All revenue derived from Investments in Government Tenanted Property is derived from one external customer in Germany. Investment advisory income is derived from a number of external customers worldwide. Revenue from gold trading is derived from a number of external customers none of whom represent more than 10% of total revenue. The column Head Office and Reconciling Central Costs represents expenses, assets and liabilities that relate to the London property and also those which cannot be separately allocated between segments.

	Continuing Operations						
30. SEGMENT INFORMATION **Year ended 31 March 2017**	**Investments in Development Rights (India)** **$**	**Investments in Government Tenanted Property (Germany)** **$**	**Investment Advisory (UK/US)** **$**	**Head Office and Reconciling Central Costs** **$**	**Total Continued Operations** **$**	**Gold Trading - Discontinued (Singapore)** **$**	**Total** **$**
Revenue (Note 6)	-	10,329,503	1,145,977	-	11,475,480	1,448,523	12,924,003
Net loss on fair value movement on investment property (Note 13)	-	(888,991)	-	-	(888,991)	-	(888,991)
Gain on bargain purchase (Note 25)	-	-	-	1,523,137	1,523,137	-	1,523,137
(Loss)/profit after tax	**(602,277)**	**3,303,405**	**(319,465)**	**(9,071,139)**	**(6,689,476)**	**(248,675)**	**(6,938,151)**
Assets							
Investment property (Note 13)	-	143,711,456	-	-	143,711,456	-	143,711,456
Property, plant and equipment (Note 12)	-	-	-	25,030,249	25,030,249	-	25,030,249
Other receivables (Advance development rights payments) (Note 15)	6,233,435	-	-	-	6,233,435	-	6,233,435
Deferred taxation (Note 18)	-	-	306,850	-	306,850	-	306,850
Trade debtors (Note 15)	-	-	-	-	-	-	-
Restricted cash (Note 15)	-	7,026,162	-	-	7,026,162	-	7,026,162
Cash and cash equivalents	114,421	(24)	-	809,923	924,320	-	924,320
Segment assets for reportable segments	**6,347,856**	**150,737,594**	**306,850**	**25,840,172**	**183,232,472**	**-**	**183,232,472**
Of which are non-current assets:	-	143,711,456	-	-	168,741,705	-	168,741,705
Liabilities							
Total borrowings (Note 17)	9,000,000	90,301,443	-	52,535,714	151,837,157	-	151,837,157
Deferred taxation (Note 18)	-	-	-	3,134,146	3,134,146	-	3,134,146
Contingent liability	-	-	605,000	-	605,000	-	605,000
Accruals	-	-	1,200,000	-	1,200,000	-	1,200,000
Other payables – promissory note	-	-	-	1,400,000	1,400,000	-	1,400,000
Segment liabilities for reportable segments	**9,000,000**	**90,301,443**	**1,805,000**	**57,069,860**	**158,176,303**	**-**	**158,176,303**

All revenue derived from Investments in Government Tenanted Property is derived from one external customer in Germany. Investment advisory income is derived from a number of external customers worldwide. Revenue from gold trading is derived from a number of external customers none of whom represent more than 10% of total revenue. The column Head Office and Reconciling Central Costs represents expenses, assets and liabilities that relate to the London property and also those which cannot be separately allocated between segments.

30. SEGMENT INFORMATION (CONTINUED)

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

Year ended 31 March	**As at 31 December 2017 $**	**As at 31 March 2017 $**
Total reportable segment assets	208,619,427	183,232,472
Other investments	37,194	115,992
Receivables and prepayments (Note 15)	3,856,809	10,132,854
Total assets per balance sheet	212,513,430	193,481,318

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

Year ended 31 March	**As at 31 December 2017 $**	**As at 31 March 2017 $**
Total reportable segment liabilities	180,404,598	158,176,303
Accruals and other payables (Note 21 and Note 22)	2,630,372	6,397,707
Other payables	-	313,625
Total liabilities per balance sheet	183,034,970	164,887,635

As at 31 December and 31 March 2017, there were no non-current fixed assets held in Switzerland.

31. SUBSEQUENT EVENTS

Completion of Par Value Capital Reduction

On 10 January 2018 the Company completed the par value capital reduction referred to in Note 16. 72.9% of shareholders elected to be paid in the form of additional shares of the Company at a price of CHF 6.43 and a conversion ratio of 1 share for every 12.86 existing shares. The Company used 857,307 treasury shares and a CHF 1,597,908 cash payment to meet this obligation.

Litigation

On 12 January 2018, the Company announced the settlement of litigation proceedings initiated against it in August 2016. The full amount for the settlement and related costs has been accrued in the consolidated financial statements to 31 December 2017.

On 16 February the Group received notice of litigation proceedings in the United Kingdom for an amount of £15.25 million as described in more detail in note 28.

31. SUBSEQUENT EVENTS (Continued)

Extension of Loan Maturity

On 9 January 2018, the repayment date of a $4 million loan due for repayment on 15 June 2018 was extended to 15 June 2019.

Proposed Acquisition of German businesses

On 29 March 2018 the Company" announced that it had concluded a Heads of Agreement with Profunda Vermögen GmbH ("Profunda") pursuant to which the Company expects to acquire all of the issued and outstanding shares of two German corporations: IMMAC Holding AG ("IMMAC") and HKA Hanseatische Kapitalverwaltung AG ("HKA"). Profunda and Arundel are negotiating the terms of a definitive agreement with respect to the merger of the businesses which will be conditional, among other things, on (a) receipt of a satisfactory fairness opinion, (b) shareholder approvals, (c) approvals of appropriate regulatory and listing authorities, (d) completion of satisfactory due diligence, and (e) procurement of necessary financing. At an Extraordinary General Meeting later in 2018, shareholders will be asked to approve a capital increase of the Company which will empower completion of the transaction, which is not expected before the fourth quarter of 2018. The Group is currently assessing the accounting impact of such a transaction.

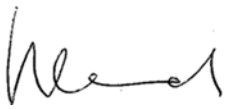
Investments in government tenanted property

In order to position the Arundel group in line with the proposed business profile of the combined activities of Arundel, IMMAC and HKA, the Company has decided to seek a purchaser for the group's German investment properties in Leipzig (the "Leipzig Properties"), subject to satisfactory terms and conditions. Depending on the structure of the sale, the net proceeds will be used to substantially repay all of the group's working capital loans and provide working capital pending completion of the transaction.

The Leipzig Properties are described in detail in Note 13. A sale of the Leipzig Properties will represent the sale of the group's entire segment of Investments in Government Tenanted Property (Germany) as detailed in the segment information included on Note 30 which states that this segment generated a profit after tax of $2.1 million for the period ended 31 December 2017 with segment assets totalling $161.2 million and segment liabilities of $87.8 million as at 31 December 2017.

32. BOARD APPROVAL

The consolidated financial statements on pages 12 to 61 are subject to approval by the annual general meeting and have been authorised by the board of directors on 23 April 2018 and were signed on its behalf by:



Dr. Volkert Klaucke
Chairman

Date: 23 April 2018

Dr. Doraiswamy Srinivas
Vice Chairman

Date: 23 April 2018

Report of the statutory auditor

to the General Meeting of Arundel AG

Zurich

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Arundel AG, which comprise the balance sheet as at 31 December 2017, income statement and notes for the period 1 April 2017 to 31 December 2017, including a summary of significant accounting principles.

In our opinion, the accompanying financial statements (pages 66-78) as at 31 December 2017 comply with Swiss law and the company's articles of incorporation.

Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report.

We are independent of the entity in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

Overview

Overall materiality: CHF 900'000

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the entity, the accounting processes and controls, and the industry in which the entity operates.

As key audit matter valuation of investments in subsidiaries has been identified as area of focus.

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we considered where subjective judgements were made; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

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Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material, if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the financial statements as a whole.

Overall materiality	CHF 900'000
How we determined it	1 % of total assets
Rationale for the materiality benchmark applied	We chose total assets as it is the relevant benchmark for a company that mainly holds investments, and is a generally accepted benchmark.

Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of investments in subsidiaries

Key audit matter	*How our audit addressed the key audit matter*
Refer to page 70 (Note 2.1: Investment in subsidiaries). At 31 December 2017, the carrying value of the company's investments in subsidiaries amounts to CHF 87.3 million. We focused our audit on this because of the significance of the asset on the balance sheet and the judgment involved in determining the valuation of the investments. With the exception of the investment in Goldlink United Limited ("Goldlink"), the company annually assesses the valuations based on the investments net asset value. Goldlink transferred shares of the company to a third party in exchange for the delivery of land to be developed in India. If such assets would not be received or would not meet the agreed value, the company has the right to take back the transferred shares for no consideration. Therefore management assesses the valuation of the investment in Goldlink based on the net asset value plus the fair	We have assessed management's impairment assessment of the valuation of investments by performing the following procedures: - We compared the book values of the investments in the year under audit with their pro-rata share of the respective company's equity. - For the investment in USIGH Limited we recalculated the net assets of the subsidiary. Since the main asset of the subsidiary is an investment property, we assessed the valuation performed by an independent property appraiser. - For the investment in Goldlink we obtained supporting documentation in order to validate the valuation of the shares transferred and reviewed legal documentation relating to the right to take them back. - We recalculated the recognized impairment with the assessments made.

value of the transferred shares at the share price as of 31 December 2017. As a result of management's assessments for impairment of all investments in subsidiaries an impairment of CHF 11.1 million (net) was recorded.	Our audit results support the assumptions used and calculations made regarding the valuation of investments.

Responsibilities of the Board of Directors for the financial statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the website of EXPERTsuisse: http://expertsuisse.ch/en/audit-report-for-public-companies. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of reserves complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

Further, we draw attention to the fact that half of the share capital and the legal reserves is no longer covered (article 725 para. 1 CO).

PricewaterhouseCoopers AG

Patrick Balkanyi

Audit expert
Auditor in charge

Philipp Gnädinger

Audit expert

Zürich, 23 April 2018

ARUNDEL AG
AS AT 31 DECEMBER 2017

Balance Sheet – Assets

CHF	Note	As at 31 December 2017	As at 31 March 2017
Assets			
Cash and cash equivalents		35,120	46,735
Other current receivables			
third parties		385,919	4,473,300
companies in which the entity holds an investment		7,156,968	-
Current assets		**7,578,007**	**4,520,035**
Investments	2.1	87,283,732	98,427,981
Non-current assets		**87,283,732**	**98,427,981**
Total Assets		**94,861,739**	**102,948,016**

Balance Sheet – Liabilities and Equity

CHF	Note	As at 31 December 2017	As at 31 March 2017
Liabilities and Shareholders' equity			
Due to shareholders		1,227,650	1,400,000
Due to companies in which the entity holds an investment		3,532,348	1,275,218
Allowance for par value capital reduction		7,140,389	-
Bank overdraft		56,283	-
Accrued expenses and deferred income	2.2	1,173,928	1,854,231
Short-term liabilities		**13,130,598**	**4,529,449**
Share capital	2.3	136,036,476	143,594,058
Legal capital reserves			
Reserves from capital contributions	2.4	40,000,000	122,787,853
Voluntary retained earnings			
Accumulated losses	2.5	(76,941,729)	(106,494,246)
Loss for the year		(11,729,693)	(59,462,145)
Treasury shares			
from reserves from capital contributions	2.6	(5,633,913)	(2,006,953)
Shareholders' equity		**81,731,141**	**98,418,567**
Total Liabilities and Shareholders' equity		**94,861,739**	**102,948,016**

Income statement

CHF	Note	Period Ended 31 December 2017	Year Ended 31 March 2017
Personnel expenses		(15,000)	(20,000)
Other operating expenses	2.7	(799,586)	(1,246,257)
Operating result		**(814,586)**	**(1,266,257)**
Financial income	2.8	258,253	-
Financial expenses	2.9	(29,111)	(66,508)
Extraordinary, non-recurring or prior year period expenses	2.10	(11,144,249)	(58,129,380)
Loss for the year before taxes		**(11,729,693)**	**(59,462,145)**
Direct taxes		-	-
Loss for the year		**(11,729,693)**	**(59,462,145)**

Notes

1. Principles

1.1 General Aspects

These financial statements were prepared according to the provisions of the Swiss Law on Accounting and Financial Reporting (32nd title of the Swiss Code of Obligations). Where not prescribed by law, the significant accounting and valuation principles applied are described below.

1.2 Company information

Arundel AG (the "Company") is domiciled in Switzerland with its registered office at Bleicherweg 66, CH-8002, Zürich and is the ultimate parent company of the Arundel Group (the "Group"). The Company is an investment holding company. The Group is focused on investment and financing activities in Europe, the USA and India. The Company is listed on the SIX Swiss Exchange.

The financial statements of the Company have been prepared in accordance with and comply with Swiss law. The financial statements are reported in Swiss Francs and are based on the accounts for the nine months ended 31 December, which have been drawn up according to uniform Company accounting principles.

1.3 Treasury Shares

Treasury shares are recognised at acquisition cost and deducted from shareholders' equity at the time of acquisition, adjusted for any changed in par value. In the event of a sale the gain or loss is recognised through reserves.

1.4 Foregoing a cashflow statement and additional disclosures in the notes.

As Arundel AG has prepared its consolidated financial statements in accordance with a recognised accounting standard (IFRS) it has decided to forego presenting a cashflow statement as well as additional information on interest bearing liabilities and audit fees in accordance with the law.

2. Information on balance sheet and income statement items

2.1 Investments

As at 31 December 2017

Company and Domicile	Number of Shares Owned	Type of Shares and Nominal Value	Share Capital in issue	Direct/ Indirect Ownership % December 2017 (Capital and voting rights)	Direct/ Indirect Ownership % March 2017 (Capital and voting rights)
DIRECT SHAREHOLDINGS					
USIGH Limited Nerine Chambers, Road Town, Tortola, BVI, Registered number 1039705	10,000	Ordinary US$ 0.01	US$100	100	100
Arundel (Schweiz) AG (previously named USI AG) Bleicherweg 66, CH-8002 Zurich, Switzerland, Registered number: CH-020.3.927.468-9	150,000	Ordinary CHF 100	CHF 15,000,000	100	100
Goldlink United Limited Vanterpool Plaza, 2nd Floor, Wickhams Cay 1, Road Town, Tortola, BVI, Registered number: 1774044	40,000	Ordinary US$ 1.00	US$40,000	100	100
USIEC Limited Nerine Chambers, Road Town, Tortola, BVI, Registered number 1660465	2	Ordinary No par value	-	100	100
USIGH III Investments Holdings Limited Nerine Chambers, Road Town, Tortola, BVI, Registered number 1531975	2	Ordinary US$ 1.00	US$2.00	100	100
Arundel Inc 45 Rockefeller Plaza, Suite 2000,New York, NY 10111, USA Registered number 819194	1,115	Ordinary no par value	US$ 11,150	100	100
INDIRECT SHAREHOLDINGS					
USI Germany Limited Nerine Chambers, Road Town, Tortola, BVI, Registered number 1440436	1	Ordinary US$ 1.00	US$1.00	100	100
USI Leipzig Limited Nerine Chambers, Road Town, Tortola, BVI, Registered number 1417877	1,000	Ordinary No par value	-	100	100

USI Commodities Pte Ltd 67 McNair Road, Townerville, Singapore, Registered number: 201511518H	50,000	Ordinary S$1.00	S$50,000	100	100
USI Real Estate Investment Pte Limited 67 McNair Road, Townerville, Singapore, Registered number: 201503006R	1,000	Ordinary US $1.00	US$1,000	100	100
USI (Indonesia) Pte Ltd 67 McNair Road, Townerville, Singapore, Registered number: 201503405D	1,000	Ordinary US $1.00	US$1,000	100	100
USI Resources Limited Nerine Chambers, Road Town, Tortola, BVI, Registered number 1683484	1	Ordinary US $1.00	US$1.00	100	100
Omkar Property Development Private Limited 37 Krishnaswamy Avenue, Mylapore, Chennai 600004, Tamil Nadu, India, Registered number U70100TN2015PTC099260	600,000	Indian rupees (“INR) 10	INR 6 million	100	100
Arundel Group Services Limited 31A St James’s Square London SW1Y 4JR Registered number 10190006	100	Ordinary GBP 1.00	GBP 100	100	100
Arundel Group Limited 31A St James’s Square London SW1Y 4JR Registered number 02722984	20,000	Ordinary GBP 1.00	GBP 20,000	100	100
Arundel (Securities) Inc 45 Rockefeller Plaza, Suite 2000,New York, NY 10111, USA Registered number 01446223	1	Ordinary US $1.00	US$1.00	100	100
Arundel (Guernsey) Limited PO Box 179, Upland Business Centre, Upland Road, St Peter Port, Guernsey GY1 4HH Registered number: 31345	2	Ordinary GBP 1.00	GBP 2.00	100	100
Arundel (Mauritius) Limited 33 Edith Cavell Street, Port Louis Mauritius Registered number C20170 C1/GBL	10,000	Ordinary US $1.00	US$10,000	100	100
PCG Capital (BVI) Limited Nerine Chambers, Road Town, Tortola, BVI, Registered number 1506015	1,000	Ordinary US $1.00	US$1,000	100	100

The Arundel Group also owns a 94.9% interest in a German partnership named USI Verwaltungszentrum Leipzig Limited & Co KG.

Impairments of Investments

	Gross Value	Cumulative Impairments	Impairments to 31 December 2017	Net Value
Investments	**CHF**	**CHF**	**CHF**	**CHF**
- Goldlink United Limited	224,829,260	(161,615,362)	(16,980,748)	46,233,149
- USIGHL	99,062,720	(82,030,947)	5,836,499	22,868,272
- USIAG	4,326,980	(3,529,480)	-	797,500
-Arundel Inc	17,384,810	-	-	17,384,810
Total Investments	**345,603,770**	**(247,175,789)**	**(11,144,249)**	**87,283,732**

2.2 Accrued Expenses and Deferred Income

	At 31 December 2017 CHF	At 31 March 2017 CHF
Provision for VAT liability	1,017,000	972,000
Professional fees	156,928	176,329
Management and other fees	-	578,402
Directors' fees	-	127,500
Total	**1,173,928**	**1,854,231**

2.3 Share Capital

The Board of Directors approved at the Annual General Meeting on 19 September 2017 the payment of a par value capital reduction to shareholders equivalent to CHF 0.50 per share. This is payable in cash, or at the election of the shareholders, in shares of the Company.

This transaction completed on 10 January 2018. As the record date of this transaction was 12 December 2017, full provision in relation to the par value capital reduction has been made in these accounts, this totals CHF 7,557,582. Of this amount CHF 7,140,389 is shown as a provision and CHF 417,193 has reduced the par value of the 834,386 treasury shares held by the Company as at 31 December 2017.

Authorised share capital

Pursuant to an authorization in Article 3c of the Company's articles of incorporation (the "Articles"), the board of directors may increase the share capital in the amount of up to CHF 68,018,238 until 27 September 2018 through the issuance of up to 7,557,582 additional registered shares with a nominal value of CHF 9.00 each. An increase in partial amounts is permitted.

Conditional share capital

According to Article 3a of the Articles the share capital may be increased by a maximum amount of CHF 13,603,644 through the issuance of up to 1,511,516 fully paid registered shares with a nominal value of CHF 9.00 each through the exercise of option rights granted to members of the board of directors or the management and to advisors of the company or its subsidiaries. Furthermore, pursuant to Article 3b of the Articles the share capital may be increased by a maximum amount of CHF 54,414,594 through the issuance of up to 6,046,066 fully paid registered shares with a nominal value of CHF 9.00 each through the exercise of conversion rights, warrant rights or option rights which have been or will be granted to bondholders or other creditors of the Company or its subsidiaries

2.4 Reserves from capital contributions

The reserves from capital contributions include the premium from capital increases in the years 2008 and 2009, minus the dividends distributed to date. From a fiscal point of view, any distributions made from reserves from capital contributions are treated the same as a repayment of share capital. The Swiss Federal Tax Administration (SFTA) has confirmed that it will recognize disclosed reserves from capital contributions as a capital contribution as per art. 5 para. 1bis Withholding Tax Act.

The legal reserves from capital contribution were last approved by the Swiss tax authority on 6 February 2015 for the year ended 31 March 2014.

At the Company's annual general meeting of 19 September 2017, the board approved a total transfer from reserves for capital contributions of CHF 82,787,853 to retained earnings.

2.5 Equity table

	Share capital	Reserves from capital contribution	Reserves for treasury shares from capital contribution	Other legal reserves	Accumulated losses	Loss of the year	Treasury shares	Total
As at 1 April 2017	**143,594,058**	**122,787,853**	**-**	**-**	**(106,494,246)**	**(59,462,145)**	**(2,006,953)**	**98,418,567**
Reallocation of prior year loss[1]	-	-	-	-	(59,462,145)	59,462,145	-	-
Par value reduction (CHF 0.5 / shares)[1]	-	-	-	-	-	-	-	-
Transfer of reserve[1]	-	(82,787,853)	-	-	82,787,853	-	-	-
resolution of reserves for treasury shares	-	-	-	-	-	-	-	-
Dividends received, shares sales and share receipts	-	-	-	-	6,226,809	-	-	6,226,809
Provision for par value capital reduction	(7,557,582)	-	-	-	-	-	417,193	(7,140,389)
Adaption to Note 2.6	-	-	-	-	-	-	(4,044,153)	(4,044,153)
Loss of the period	-	-	-	-	-	(11,729,693)	-	(11,729,693)
As at 31 December 2017	**136,036,476**	**40,000,000**	**-**	**-**	**(76,941,729)**	**(11,729,693)**	**(5,633,913)**	**81,731,141**

[1] According to 2017 AGM resolution.

2.6 Treasury Shares

As at 31 December 2017 the Group held 834,386 shares of the Company (31 March 2017- 247,772 shares). Thereof, the number of shares held directly by the Company developed as follows:

	December 2017	March 2017	December 2017	March 2017
Treasury shares	**Shares**	**Shares**	**CHF**	**CHF**
Opening balance	247,772	248,483	2,006,953	2,236,347
Receipt of shares via dividend from subsidiaries	-	1,985,958	-	16,086,260
Shares issued on acquisition of RP&C	-	(1,978,195)	-	(16,247,014)
Receipt of shares via dividend from subsidiaries	-	222,359	-	1,801,108
Shares transferred from subsidiary	183,034	282,877	1,272,544	2,291,304
Shares issued on par value capital reduction	-	(602,957)	-	(4,883,951)
Receipt of shares from NCR	900,000	600,000	6,039,000	4,860,000
Sale of treasury shares	-	(510,753)	-	(4,137,101)
Shares issued in exchange for repayment of debt	(496,420)	-	(3,267,391)	-
Reduction in par value of treasury shares	-	-	(417,193)	-
Closing balance	834,386	247,772	5,633,913	2,006,953

2.7 Expenses

Other Operating Expenses	Period Ended 31 December 2017 CHF	Year Ended 31 March 2017 CHF
Professional fees	392,385	394,709
Management charges	-	100,000
Maintenance and general administration	407,201	751,548
Total	**799,586**	**1,246,257**

2.8 Financial Income

	Period Ended 31 December 2017 CHF	Year Ended 31 March 2017 CHF
Foreign exchange gains	258,253	-
Other income	-	-
Total	**258,253**	**-**

2.9 Financial Expenses

	Period Ended 31 December 2017 CHF	Year Ended 31 March 2017 CHF
Finance expenses	29,111	59,425
Foreign exchange losses	-	7,083
Total	**29,111**	**66,508**

2.10 Extraordinary, non-recurring or prior year period expenses

	Period Ended 31 December 2017 CHF	Year Ended 31 March 2017 CHF
Impairment provision on investments in subsidiaries	11,144,249	58,129,380
Total	**11,144,249**	**58,129,380**

3. Other information

3.1 Full-time equivalents

The annual average number of full-time equivalents for the reporting year, as well as the previous year, did not exceed 10.

3.2 Significant shareholders

At the year end, the following significant shareholders were listed in the share register with shareholdings in excess of 5% of issued share capital.

	Period Ended 31 December 2017 (Voting Rights)	Year Ended 31 March 2017 (Voting Rights)
NCR Developments Limited	15.98%	19.07%
David and Kathleen Quint	10.06%	10.06%
Doraiswamy Srinivas	9.83%	9.83%
Ewok Capital Management Limited	9.70%	9.70%
Green Street Global Investments Limited	7.56%	4.28%
TLC Developments Limited	1.60%	5.69%
Venus Global Macro Fund Limited	5.59%	5.59%

3.3 Guarantees

The Company has granted guarantees for subsidiary company borrowings in the amount of CHF 72.2 million.

3.4 DISCLOSURE OF PARTICIPATIONS OF BOARD OF DIRECTORS AND GROUP MANAGEMENT (As required by Art. 663b and Art. 663c. Swiss Code of Obligations)

Refer to Note 29 of the consolidated financial statements.

Proposal of the Board of Directors for appropriation of reserves at 31 December 2017 in CHF

Accumulated deficit	
Accumulated deficit at 1 April 2017	(76,941,729)
Loss for the period ended 31 December 2017	(11,729,693)
Transfer from reserves from capital contributions	13,000,000
Accumulated deficit carried forward	(75,671,422)

In view of the significance of the proposed merger with IMMAC and HKA and planned sale of the Leipzig Properties no capital distribution is proposed for the nine month reporting period ended 31 December 2017. However, it is the Board's intention that distributions should continue in the future.

At the Company's Annual General Meeting of 12 June 2018, the board will propose a total transfer from reserves from capital contributions of CHF 13,000,000 to retained earnings.

At the Company's Annual General Meeting of 19 September 2017, it was resolved that the Company would pay a distribution to shareholders by way of a par value capital reduction of CHF 0.50 per share of the Company payable in cash, or at the election of the shareholder, in additional shares of the Company (sourced from treasury shares). The share entitlement is to be calculated by dividing the relevant amount of the repayment entitlement by 95% of the arithmetic mean of the daily volume weighted average prices of the Company's shares on the SIX Swiss Stock Exchange during the 10 consecutive trading days ending on the last day on which the election is made. Shares will be sourced from treasury shares. This transaction completed on 10 January 2018.

Report of the statutory auditor

to the General Meeting of Arundel AG

Zurich

We have audited the remuneration report of Arundel AG for the period 1 April 2017 to 31 December 2017. The audit was limited to the information according to articles 14–16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) contained in the tables labeled 'audited' on pages 81 to 84 of the remuneration report.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation and overall fair presentation of the remuneration report in accordance with Swiss law and the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

Auditor's responsibility

Our responsibility is to express an opinion on the accompanying remuneration report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report complies with Swiss law and articles 14–16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the remuneration report with regard to compensation, loans and credits in accordance with articles 14–16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the remuneration report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the remuneration report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

PricewaterhouseCoopers AG, Birchstrasse 160, Postfach, CH-8050 Zürich, Switzerland
Telefon: +41 58 792 44 00, Telefax: +41 58 792 44 10, www.pwc.ch

Opinion

In our opinion, the remuneration report of Arundel AG for the period ended 31 December 2017 complies with Swiss law and articles 14–16 of the Ordinance.

PricewaterhouseCoopers AG

Patrick Balkanyi	Philipp Gnädinger
Audit expert Auditor in charge	Audit expert

Zürich, 23 April 2018

1. Introduction

In accordance with the Ordinance Against Excessive Pay in Stock Exchange Listed Companies, the Standards related to Information on Corporate Governance issued by the SIX Swiss Exchange and the Principles of the Swiss Code of Best Practice for Corporate Governance, the Board of Directors ("Board") sets out the remuneration report below.

The compensation received by each member of the Board, the Chairman of the Board and each member of Executive Management is disclosed on an individual basis below.

2. Organisation and competencies

The shareholders' meeting annually elects the nomination and compensation committee of the Board (hereinafter the "Committee"), which as at 31 December 2017 consisted of the Executive Chairman (Dr. Volkert Klaucke), another executive member of the Board (Mr. David Quint) and a non-executive member of the Board (Mr. Markus Müller), and was chaired by Dr. Klaucke.

Article 27 of the Company's Articles of Association (as adopted on 16 September 2014) provides that, subject to the powers of the shareholders' meeting, the Committee has the following responsibilities:

- monitoring compliance with the compensation principles pursuant to the law, the Articles, any regulations and with the resolutions of the shareholders' meeting on compensation;
- submitting proposals to the Board on the definition of principles, assessment criteria and qualitative and quantitative targets in connection with compensation within the parameters of the law and the Articles;
- submitting calculations and proposals to the Board on the qualitative and quantitative targets for determining variable compensation;
- submitting proposals to the Board regarding the amounts of fixed compensation to be paid to members of the Board, and fixed and variable compensation to be paid to members of Executive Management;
- preparing and submitting to the Board a draft of the compensation report; and
- all other actions required of it by the law, the Articles or regulations.

A special Committee Charter further specifies that the Committee's primary duties are, *inter alia*, to:

- assist the Board in discharging its responsibilities relating to compensation of the Board and members of Executive Management;
- approve or establish proposals for all compensation plans, policies and programs relating to compensation and benefits for the Board, Executive Management and direct employees (if any);
- propose to the Board the compensation of directors, members of Executive Management and direct employees (if any); and
- prepare any disclosure statement on compensation and corporate governance required by applicable law, regulations or the rules of any stock exchange on which the Company's shares are listed or traded.

The Board has not delegated any decision-making powers to the Committee.

As set out in Article 18 of the Articles of Association, the shareholders' meeting has the inalienable power to approve the compensation of the members of the Board and Executive Management.

3. Compensation components

Compensation components for members of the Board and Executive Management consist mainly of fixed annual fees as set out in each individual's agreement, and (in the case of Executive Management) of annual bonuses and additional fees relating to the achievement of business linked objectives. These components are generally paid in cash and/or, if the Board so determines, in shares of the Company. No external consultants or formal benchmarks were used in deriving compensation for the Board and Executive Management.
Generally, agreements with the members of Executive Management shall continue until terminated by either party by giving 3 months prior written notice. All directors are appointed for a period of

one year (defined as the period from one annual general meeting until the next), with any re-appointments approved at the annual general meeting of the Company's shareholders.

The Board as a whole is responsible for establishing compensation policy guidelines within the Group.

4. Audited compensation for financial year under review

a. Audited compensation of the members of the Board of Directors

[CO 663b bis/ERCO 17]

The following gross directors' fees for acting as members of the Board were recognised from the nine month period ended 31 December 2017 and the year ended 31 March 2017.

	Period Ended 31 December 2017		Year Ended 31 March 2017	
	Compensation CHF	Social security CHF	Compensation CHF	Social security CHF
Dr. Volkert Klaucke	21,995	1,100	30,371	1,519
Mr. David Quint +	0	0	15,000	750
Dr. Doraiswamy Srinivas +	0	0	15,000	750
Mr. Markus Müller	7,500	1,125	5,000	750
Mr. William Vanderfelt (resigned 27 September 2016)	N/A	N/A	15,000	0

+ Directors' fees were payable to the Arundel Inc. group (formerly the RP&C International Group) up to 30 September 2016. At 31 December 2017 CHF30,000 (31 March 2017 – CHF180,000) remained unpaid.

The above gross directors' fees are for the nine month period ended 31 December 2017 and the year ended 31 March 2017. All amounts are fixed payments. Social security costs reflect the employer's contribution on amounts payable by the Company. Directors' fees are payable in Swiss Francs.

Dr. Klaucke was Non-Executive Chairman from 1 October 2014 to 30 July 2015, when he assumed the role of Executive Chairman, and was Chief Executive Officer from 26 January 2016.

David Quint was a non-executive member of the Board, during the year ended 31 March 2016 and until 4 October 2016 when he became an Executive Director.

Dr. Doraiswamy Srinivas was non-executive Vice Chairman of the Board during the year ended 31 March 2016 and until 4 October 2016 when he became Deputy Chairman and Executive Director.

Markus Müller was appointed as a non-executive member of the board on 27 September 2016.

William Vanderfelt was a non-executive member of the Board, during the year ended 31 March 2016 and until 27 September 2016 when he resigned. Mr. Vanderfelt received his fee from USIGH Limited, a British Virgin Islands subsidiary of the Company.

Details of other compensation paid to executive members of the Board in respect of their roles in Executive Management are disclosed in the table in 4.b., below.

On 31 December 2017, 31 March 2017 and as of the date of this report, there were and are no loans or credit provided by the Group to individual members of the Board or to persons connected to the Board.

During the period ended 31 December 2017 and the year ended 31 March 2017 no compensation was paid to former directors.

b. Audited gross compensation of the members of Executive Management
[CO 663b bis/ERCO 17]

Dr Klaucke was a member of Executive Management between from 30 July 2015 (acting as Executive Chairman, and as Chief Executive Officer from 26 January 2016). David Quint, Dr Doraiswamy Srinivas, Ralph Beney and Richard Borg all became members of Executive Management on 5 October 2016. Gross compensation to members of Executive Management was fixed with no variable element and is reported as:

	Period Ended 31 December 2017		Year Ended 31 March 2017	
	Compensation CHF	Social security CHF	Compensation CHF	Social security CHF
Dr. Volkert Klaucke	87,978	0	121,486	0
Mr. David Quint	339,572	0	258,226	0
Dr. Doraiswamy Srinivas	168,324	0	110.413	0
Mr. Ralph Beney	285,806	0	197,786	0
Mr. Richard Borg	283,406	0	191,426	0

The gross compensation to members Executive Management above exclude gross directors' fees as set out in 4a above.

On 31 December 2017, 31 March 2017 and the date of this report, there were and are no loans or credit provided by the Group to individual members of Executive Management or to persons connected to Executive Management.

Compensation for the nine month period ended 31 December 2017 was made up as follows:

	Period Ended 31 December 2017			
	Fees CHF	Payroll taxes CHF	Other benefits CHF	Total CHF
Dr. Volkert Klaucke	87,978	0	0	87,978
Mr. David Quint	252,886	31,275	55,410	339,572
Dr. Doraiswamy Srinivas	143,586	11,354	13,384	168,324
Mr. Ralph Beney	239,116	34,842	11,849	285,806
Mr. Richard Borg	242,947	33,574	6,885	283,406

Compensation for the year ended 31 March 2017 was made up as follows:

	Year Ended 31 March 2017			
	Fees CHF	Payroll taxes CHF	Other benefits CHF	Total CHF
Dr. Volkert Klaucke	121,486	0	0	121,486
Mr. David Quint	205,076	23,937	29,214	258,226
Dr. Doraiswamy Srinivas	93,292	7,267	9,854	110,413
Mr. Ralph Beney	165,873	23,265	8,648	197,786
Mr. Richard Borg	163,872	23,316	5,238	191,426

All fees are fixed payments. Other benefits include pension contributions, health and disability insurance, and other cash expenses.

As at 31 December 2017, accrued fees of CHF192,485 remained payable to Dr. Volkert Klaucke and CHF116,189 to Mr. Beney. In addition, CHF112,305 remained payable at the discretion of the Company to Dr Srinivas.

5. Pay for Performance appraisal for the financial year under review

There were no additional bonuses or fees awarded in respect of the period ended 31 December 2017.

Payment of fixed and discretionary fees and bonuses to members of the Board and of Executive Management is subject to the approval of the shareholders of Arundel AG, as required by Swiss law and regulation.

6. Share ownership information

The following participations were held by members of the Board and of Executive Management (including persons closely related to these members):

	Shares 31 December 2017	Shares 31 March 2017
Board of Directors		
Dr. Volkert Klaucke	38,629	38,629
Mr. William Vanderfelt (resigned 27 September 2016)	N/A	187,663
Mr. David Quint +	1,519,889	1,519,889
Dr. Doraiswamy Srinivas	1,485,319	1,485,319
Mr. Markus Müller (appointed 27 September 2016)	Nil	Nil
Total	**3,043,837**	**3,231,500**
Executive Management		
Mr. Ralph Beney	502,980	502,980
Mr. Richard Borg	299,920	299,920
Total	**802,900**	**802,900**

+ includes 908,566 shares held by David Quint and 611,323 shares held by his wife Kathleen Quint.

On 4 October 2016 Arundel AG acquired the entire issued share capital of Arundel Inc. and the Arundel Inc. Group (formerly RP&C International Inc., and the RP&C Group). Up until the date of this acquisition David Quint and Dr. Doraiswamy Srinivas were both directors and shareholders of Arundel Inc. holding an interest of 24.93% and 23.14% respectively. Ralph Beney and Richard Borg were also shareholders of Arundel Inc. each holding an interest of 7.36%.

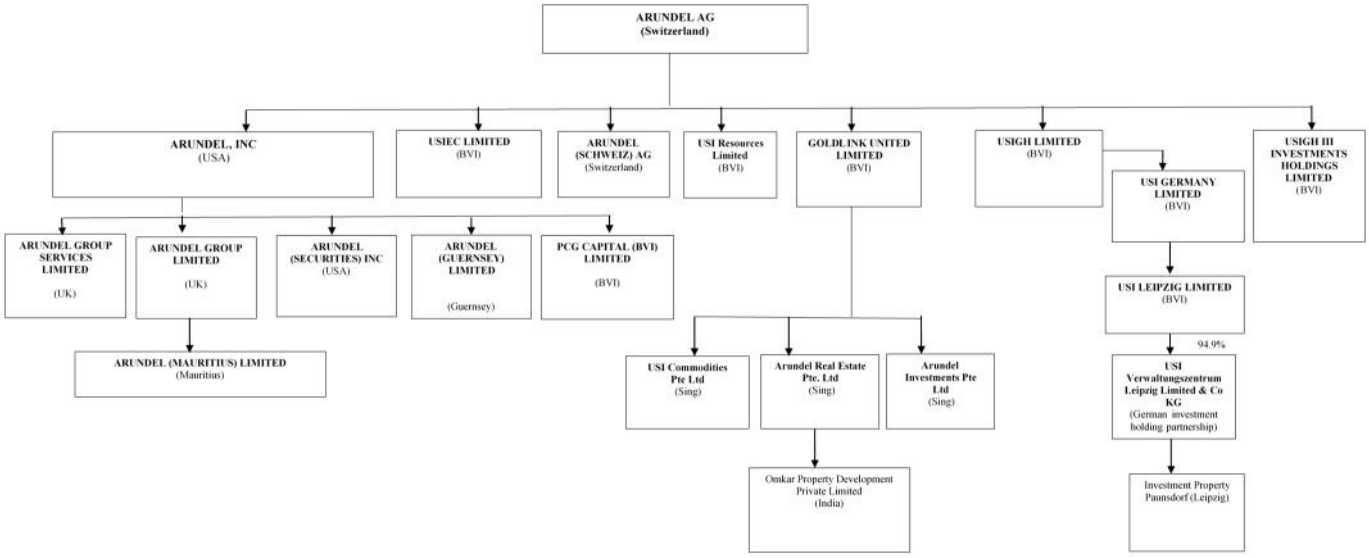
I Corporate Governance

This report describes certain key information relating to corporate governance at Arundel AG (the "**Company**"). The report's content is structured along the disclosure items of the Directive on Information Relating to Corporate Governance of the SIX Swiss Exchange currently in force.

1 Group Structure and Shareholders

1.1 Group Structure

At 31 December 2017, the corporate structure of the group of companies controlled by the Company (the "**Arundel Group**") was as follows (for the internal organizational structure, refer to sections 3.4 and 4 and for segment reporting, to Note 30 to the Consolidated Financial Statements):



All holdings are 100% unless otherwise stated.

The Company has its address at Bleicherweg 66, CH-8002 Zurich, Switzerland and its registered shares are listed on the SIX Swiss Exchange under the International Reporting Standard. For its ISIN, Security Number and SIX Swiss Exchange Symbol see section 9. The Company's market capitalization as at 31 December 2017 was CHF 100,818,144.

At 31 December 2017, the shareholdings of the Arundel Group were in the following non-listed companies:

Company and Domicile	Number of Shares Owned	Type of Shares and Nominal Value	Share Capital in issue	Direct/ Indirect Ownership %	Voting Rights %
USIGH Limited Nerine Chambers, Road Town, Tortola, BVI, Registered number 1039705	10,000	Ordinary US$ 0.01	US$100	100	100
Arundel (Schweiz) AG Bleicherweg 66, CH-8002 Zurich, Switzerland, Registered number: CH-020.3.927.468-9	150,000	Ordinary CHF 100	CHF 15,000,000	100	100
USI Germany Limited Nerine Chambers, Road Town, Tortola, BVI, Registered number 1440436	1	Ordinary US$ 1.00	US$1.00	100	100
USI Leipzig Limited Nerine Chambers, Road Town, Tortola, BVI, Registered number 1417877	1,000	Ordinary No nominal value	-	100	100
USIGH III Investments Holdings Limited Nerine Chambers, Road Town, Tortola, BVI, Registered number 1531975	2	Ordinary US$ 1.00	US$2.00	100	100
USIEC Limited Nerine Chambers, Road Town, Tortola, BVI, Registered number 1660465	2	Ordinary No nominal value	-	100	100
Goldlink United Limited Vanterpool Plaza, 2nd Floor, Wickhams Cay 1, Road Town, Tortola, BVI, Registered number: 1774044	40,000	Ordinary US$ 1.00	US$40,000	100	100
USI Commodities Pte Ltd 67 McNair Road, Townerville, Singapore, Registered number: 201511518H	50,000	Ordinary S$1.00	S$50,000	100	100
Arundel Real Estate Pte Ltd 67 McNair Road, Townerville, Singapore, Registered number: 201503006R	1,000	Ordinary US $1.00	US$1,000	100	100
Arundel Investments Pte Ltd 67 McNair Road, Townerville, Singapore, Registered number: 201503405D	1,000	Ordinary US $1.00	US$1,000	100	100
USI Resources Limited Nerine Chambers, Road Town, Tortola, BVI, Registered number 1683484	1	Ordinary US $1.00	US$1.00	100	100
Omkar Property Development Private Limited 37 Krishnaswamy Avenue, Mylapore, Chennai 600004, Tamil Nadu, India, Registered number U70100TN2015PTC099260	600,000	Indian rupees ("INR") 10	INR 6 million	100	100
Arundel Inc 45 Rockefeller Plaza, Suite 2000, New York, NY 10111, USA Registered number 819194	1,115	Ordinary No nominal value	-	100	100
Arundel Group Services Limited 31A St James's Square London SW1Y 4JR Registered number 10190006	100	Ordinary GBP 1.00	GBP 100	100	100

Arundel Group Limited 31A St James's Square London SW1Y 4JR Registered number 02722984	20,000	Ordinary GBP 1.00	GBP 20,000	100	100
Arundel (Securities) Inc 45 Rockefeller Plaza, Suite 2000, New York, NY 10111, USA Registered number 01446223	1	Ordinary US $1.00	US$1.00	100	100
Arundel (Guernsey) Limited PO Box 179, Upland Business Centre, Upland Road, St Peter Port, Guernsey GY1 4HH Registered number: 31345	2	Ordinary GBP 1.00	GBP 2.00	100	100
PCG Capital (BVI) Limited Nerine Chambers, Road Town, Tortola, BVI, Registered number 1506015	1,000	Ordinary US $1.00	US$1,000	100	100
Arundel (Mauritius) Limited 33 Edith Cavell Street, Port Louis Mauritius, Registered number C20170 C1/GBL	10,000	Ordinary US $1.00	US$10,000	100	100

The Arundel Group also owns a 94.9% interest in a German partnership named USI Verwaltungszentrum Leipzig Limited & Co KG, Leipzig, Germany.

1.2 Significant shareholders

The Company had the following major shareholders (3% or more of voting rights) as at 31 December 2017 (information based on latest disclosure notices made to the Company and the SIX Swiss Exchange's Disclosure Office pursuant to art. 120 of the Swiss Federal Act on Financial Market Infrastructures and Market Conduct in Securities and Derivatives Trading ("**FMIA**") and, in certain cases, on more recent information available to the Company from other sources (such as entries in the Company's share register, transactions in which the Company was involved, etc.)):

Name of Holder (Beneficial Owner)	No of Shares	Percentage ownership of total equity capital and voting rights
Nallan Chakravarthy Rangesh [1] 03-20, 3 Colman Street Peninsula Shopping Centre, 179804, Singapore	2,415,345	15.98%
David and Kathy Quint Avallon, East Road, St. Georges Hill, Weybridge, Surrey, KT13 0LF, United Kingdom	1,519,889	10.06%
Doraiswamy Srinivas and Usha Kumar 63 Ashley Gardens, Ambrosden Avenue, London SW1P 1QG, United Kingdom	1,485,319	9.83%
Fides Trust Limited as trustee of the Linga Trust, PO Box 179, Upland Business Centre, Upland Road, St. Peter Port, GY1 4HH, Guernsey [2]	1,465,778	9.70%
Mr Thirupathur Lakshmanan Chandran [3] 11 Tg Rhu Rd 14-02 436896, Singapore	1,385,625	9.17%

Venus Global Macro Fund Limited c/o Catamaran Corp Ltd, A-1C Sector 16, Noida, U.P. 201301, India	845,615	5.59%
Arundel AG Bleicherweg 66, CH-8002 Zürich, Switzerland	834,386	5.52%
Mrs Beatrix Lanfranconi 6045 Meggen, Switzerland	564,658	3.74%
YRC Worldwide, Inc. Master Pension Plans Trust 10990 Roe Avenue, Overland Park, Kansas 66211, USA	510,753	3.38%
Ralph Beney August Pitts Farmhouse, Churn Lane, Horsmonden Kent TN12 8HW, United Kingdom	502,980	3.33%
Other shareholders	3,584,816	23.70%
Total	15,115,164	100%

1 2,415,345 shares are held by NCR Developments Limited ("**NCR**") (a BVI corporation with registered address at Nerine Chambers, Road Town, Tortola, BVI). NCR is owned 100% by Mr Rangesh, a UK citizen living in the United States of America and Singapore.

2 1,465,778 shares are held by Ewok Capital Management Limited ("**Ewok**"), a BVI corporation with a registered address at Nerine Chambers, Road Town, Tortola, BVI. Ewok is owned as to 100% by Fides Trust Limited as trustee for the Linga Trust.

3 242,804 shares are held by TLC Developments Limited ("**TLC**") and 1,142,821 shares are held by Green Street Global Investments Limited ("**GS**") (two BVI corporations with registered addresses at Nerine Chambers, Road Town, Tortola, BVI). TLC and GS are beneficially owned as to 100% by Mr Chandran, a non-resident Indian domiciled in Singapore.

Disclosure notices of significant shareholdings made to the Company and the SIX Swiss Exchange Ltd Disclosure Office during the 9 months under review pursuant to art. 120 FMIA may be viewed on the exchange's electronic publication platform at the following address:

http://www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html

1.3 Cross-shareholdings

There are no cross-shareholdings between the Company and any other entity that would exceed 5% of capital or voting rights on both sides.

2 Capital structure

2.1 Capital

As at 31 December 2017:

2.1.1 The Company's issued share capital amounted to CHF 136,036,476, divided into 15,115,164 registered shares with a par value of CHF 9.00 each, fully paid in.

2.1.2 The Company's conditional capital for board members, management and advisers amounted to CHF 13,603,644 and the conditional capital for bondholders and other creditors amounted to CHF 54,414,594.

2.1.3 The Company's authorized capital amounted to CHF 68,018,238 and expires on 27 September 2018.

2.2 Authorized and conditional capital

2.2.1 Authorized capital

Pursuant to an authorization in Article 3c of the Company's articles of incorporation (the "**Articles**") the Company's board of directors (the "**Board**") may increase the share capital in the amount of up to CHF 68,018,238 until 27 September 2018 through the issuance of up to 7,557,582 fully paid in additional registered shares with a nominal value of CHF 9.00 each (corresponding to 50.00% of the current issued share capital). An increase in partial amounts is permitted. The date of issuance, the issue price, the payments with regard to the issue price, the dividend entitlement as well as the allocation of not-exercised subscription rights shall be determined by the Board. The Board may restrict or withdraw subscription rights in connection with mergers, acquisitions of interests, financing and/or re-financing of mergers or acquisitions of interests, or other investment projects, national or international placements of shares, conversion of loans or other equity securities into shares and for the broadening of the shareholder basis. The new registered shares are subject to the restrictions specified in Article 4 of the Articles (see section 2.6.1).

2.2.2 Conditional capital

According to Article 3a of the Articles the share capital may be increased by a maximum amount of CHF 13,603,644 through the issuance of up to 1,511,516 fully paid registered shares with a nominal value of CHF 9.00 each (corresponding to 10.00% of the current issued share capital) through the exercise of option rights granted to the members of the Board or of the management and to advisers of the Company or its subsidiaries. The subscription rights of the shareholders are excluded. The conditions of the option rights, the issue price, the dividend entitlement as well as the type of contribution shall be determined by the Board. The acquisition of registered shares through the exercise of option rights as well as every subsequent transfer of shares are subject to the restrictions set forth in Article 4 of the Articles (see section 2.6.1).

Furthermore, according to Article 3b of the Articles the share capital may be increased by a maximum amount of CHF 54,414,594 through the issuance of up to 6,046,066 fully paid registered shares with a nominal value of CHF 9.00 each (corresponding to 40.00% of the current issued share capital) through the exercise of conversion rights, warrant rights or option rights which have been or will be granted to bondholders or other creditors of the Company or its subsidiaries. The subscription rights of the shareholders are excluded. The conditions of the option rights and of the conversion rights, the issue price, the dividend entitlement as well as the type of contribution shall be determined by the Board. The Board may restrict or withdraw the right for advance subscription (*Vorwegzeichnungsrecht*) of the shareholders in connection with (i) the financing (refinancing inclusively) of acquisitions of enterprises or parts thereof, participations or other investment projects of the Company and/or its subsidiaries or (ii) the issuance of bonds with option or conversion rights on national or international capital markets. If the right of advance subscription (*Vorwegzeichnungsrecht*) is excluded, (i) the bonds or bonds with warrants (*Anleihen oder Optionsanleihen*) have to be offered at market conditions, with (ii) the period of time for exercising the conversion and the options rights being not more than 10 years from the issue date (or from the time of any reset of their terms), and (iii) the exercise price of the new registered shares corresponding to the market conditions at the time of issue (or reset of terms). The acquisition of registered shares through the exercise of conversion and/or option rights as well as every subsequent transfer of these shares shall be subject to the restrictions set forth in Article 4 of the Articles (see section 2.6.1). Part of this conditional capital (namely, a maximum number of 2,712,258 shares) has been reserved for issues of shares pursuant to the securities referred to in section 2.7.

2.3 Changes in capital in the past three years

At the Annual General Meeting of the Company on 27 September 2016, the shareholders resolved to reduce the issued share capital by 7'557'582.00 (from CHF 151'151'640.00 to 143'594'058.00), by reducing the nominal value of each of the Company's registered shares from CHF 10 to CHF 9.50 and repaying CHF 0.50 per share to the shareholders. The capital reduction was registered in the Commercial Register on 2 December 2016 and the repayment effected on 12 January 2017.

At the Annual General Meeting of the Company on 19 September 2017, the shareholders resolved to reduce the issued share capital by CHF 7'557'582.00 (from CHF 143,594,058.00 to 136,036,476.00), by reducing the nominal value of each of the Company's registered shares from CHF 9.50 to CHF 9.00 and repaying CHF 0.50 per share to the shareholders. The capital reduction was registered in the Commercial Register on 29 November 2017 and the repayment effected on 10 January 2018.

Other than as identified above, there were no changes to the Company's issued share capital in the past three years.

2.4 Shares and participation certificates

As at 31 December 2017, the Company had 15,115,164 registered shares with a par value of CHF 9.00 fully paid in. The shares rank equally among each other in all respects (including in respect of entitlements to dividends and liquidation proceeds). Each share confers one vote in the shareholders' meeting (subject to limitations on approval as a shareholder with the right to vote, see below section 2.6.1).

The Company has not issued any participation certificates.

2.5 Profit sharing certificates

The Company has not issued any profit sharing certificates.

2.6 Limitation on transferability and nominee registrations

2.6.1 Limitations on transferability for each share category; indication of statutory group clauses and rules for granting exceptions

Article 4 of the Articles provides that:

2.6.1.1 Acquirers of registered shares shall be registered in the share register as shareholders with the right to vote upon request if they expressly declare to have acquired the registered shares in their own name and for their own account. If an acquirer of shares is not prepared to provide this declaration, the Board may refuse to register him as a shareholder with the right to vote.

2.6.1.2 If registered shares are acquired by inheritance, division of an estate, or marital property law, the acquirer may not be refused as a shareholder.

2.6.1.3 After hearing the shareholder concerned, the Board may cancel, with retroactive effect as of the date of registration, entries in the share register as a shareholder with the right to vote, if these were made because of wrong information by the acquirer. A shareholder shall be immediately informed of such cancellation.

2.6.2 Reasons for granting exceptions in the year under review

Pursuant to Article 4 of the Articles in its version prior to 19 September 2017, the Board could refuse the approval of an acquirer of registered shares as a shareholder with the right to vote, if the holdings of the shareholder together with his shares already registered, exceeded the limit of 2% of all the shares recorded in the commercial register. At the AGM of the Company on 19 September 2017 the shareholders resolved to delete the respective paragraph of Article 4.

During the period under review (prior to the AGM of the Company on 19 September 2017), the Board granted no exceptions to the 2% limitation.

2.6.3 Nominee registration

Pursuant to Article 4 of the Articles, the Board can register nominees as shareholders with the right to vote, based on separate regulations or individual agreements. No separate regulations have been adopted and the Board makes discretionary decisions on whether to register nominees as shareholders with the right to vote on a case by case basis, depending on the underlying beneficial owner and proposed nominee. Depending on the circumstances of each case, the Board may require the beneficial owners and/or nominees to enter into a separate agreement with the Company. There are no such agreements currently in place.

2.6.4 Procedure and conditions for cancelling statutory privileges and limitations on transferability

The Articles do not provide for any privileges. The limitations on the transferability of shares (see section 2.6.1) may be abolished by a vote of the absolute majority of the shares represented at a shareholders' meeting.

2.7 Convertible bonds and warrants/options

The Company has issued the following convertible bonds, warrants or options.

2.7.1 CHF 42,040,000 of 6.25% Convertible Bonds Due 2019 ("2019 Bonds")

In September 2010, USIGH Limited issued CHF 25,000,000 of convertible bonds due 2015 (the "**2010-2015 Bonds**"). The 2010-2015 Bonds had a principal amount of CHF 100 each, a cash coupon of 4%, a yield to maturity of 6.25% and a conversion price of CHF 120. Before the amendment referred to below, at 31 March 2014, 2010-2015 Bonds in the aggregate principal amount of CHF 17,884,200 were held by third parties and the remainder by USIGH Limited.

On 31 March 2014, the terms of the 2010–2015 Bonds were amended by bondholders' consent and the overall aggregate of principal amount of 2010-2015 Bonds was increased to CHF 42,040,000. The coupon was increased to 6.25% per annum and the redemption premium payable on maturity was replaced with a one-time interest payment in the form of additional bonds. The conversion price was reduced to CHF 15.50 and the maturity extended to 31 March 2019 (the 2010-2015 Bonds as so amended and increased the "**2019 Bonds**"). In order to convert the 2019 Bonds, conversion notices must be received by the conversion agent by the fifth business day prior to 31 March 2019. As at 31 December 2017, 2019 Bonds in the aggregate principal amount of CHF 24,513,750 were held by third parties and the remainder by USIGH Limited. Assuming all of the 2019 Bonds were converted, 2,712,258 registered shares with a nominal value of CHF 9.00 each of the Company would have to be issued (corresponding to 17.94% of the current issued share capital).

By 31 December 2017, no shares had been issued under the 2010-2015 Bonds or the 2019 Bonds.

3 Board of Directors

The members of the Board are responsible for the strategic direction and oversight of the Company. As at 31 December 2017, the Board consisted of four individuals.

	Nationality	**Function**	**Member (Executive Member) since**
Executive members			
Dr. Volkert Klaucke	German	Executive Chairman and Group Chief Executive Officer	2005 (July 2015)
Dr. Doraiswamy Srinivas	USA/GB	Executive Deputy Chairman	2005 (Oct. 2016)
David Quint	USA/GB	Executive Member	2005 (Oct. 2016)
Non-executive members			
Markus Müller	Swiss	Member	2016

3.1 Members of the Board

Dr Volkert Klaucke (1944), German citizen, has been the Company's Chairman and Group Chief Executive Officer since 2011 and 2016, respectively. He has over 30 years of experience in investment banking, having worked for nearly 20 years at Deutsche Bank in Luxembourg, Tokyo, New York and Frankfurt where he was primarily responsible for corporate finance and mergers and acquisitions. Dr Klaucke joined Pricewaterhouse, Frankfurt in 1991-1994 as a Partner and Member of the Corporate Finance Executive Committee for Europe. From 1994-1995, he was Managing Director of Mees Pierson, Germany. Dr Klaucke has served on the boards of directors and/or advisory committees of various European and American corporations including Tarkett AG, listed on the Frankfurt Stock Exchange, Caisse Depot et Consignation GmbH in Frankfurt, Deutsche Börse in Düsseldorf, Vespucci Income Shares Inc. (a subsidiary of Munich Re) in New York and Doolan Steel Corporation of New Jersey. Dr Klaucke holds a MBA in Business Management from the University of Hamburg and a doctorate in Philosophy. Dr Klaucke is also a member of the board of the German Foundation against World Hunger.

Dr Doraiswamy Srinivas (1951), U.S./UK citizen, is Chief Operating Officer of Arundel Inc. (previously RP&C International Inc.) (an investment banking firm established in 1992 to provide specialist advisory services and financial solutions to public and private companies) and is a director of Arundel Inc. and related companies. He has advised the Arundel Group since 1989 and has been a director of various Arundel Group subsidiaries for more than 10 years. Dr Srinivas previously served as Managing Director, Corporate Finance at SBCI Swiss Bank Corporation Investment Bank in New York where he was responsible for private placements and structured finance in North America. He subsequently held similar positions at Leu Securities and Guinness Mahon Capital Markets (now Investec) in London. Dr Srinivas attended the University of St. Gallen and the Columbia Business School. He holds a doctorate in finance and economics. Dr Srinivas is also a member of the boards of Venus India Structured Finance (Offshore) Fund Limited, Venus India Structured Finance Master Limited and Venus India Asset-Finance Private Limited, three India-focused investment funds.

Mr David Quint (1950), U.S./UK citizen, is a co-founder and Chief Executive Officer of Arundel Inc. Prior to founding Arundel Inc in 1992, Mr Quint served as Managing Director of Belden & Blake Corporation's UK subsidiary and as an attorney with Arter & Hadden. Mr Quint is a graduate of the University of Notre Dame where he received a degree in Modern Languages and a Juris Doctorate. He is also a non-executive director of Nautilus Marine Services Plc (an AIM-traded company providing offshore Marine services to the oil and gas industry) and Pro Bono Bio Plc (a privately-held British healthcare technology company).

Mr Markus Müller (1958), Swiss citizen, since 2000 has served in the executive management of Scherrer & Partner Investment Management AG (Zurich) and of First Equity Securities AG (Zurich), companies involved in asset management for private clients and the management of investment funds. From 1995-2000, Mr. Müller served in the management of Jefferies (Switzerland) Ltd. and as the general manager of Jefferies Asset Management AG (Zug). Mr. Müller finished his bank apprenticeship at SKA Zürich (now CS Zürich) and attended the HWV (now HWZ) University of Applied Sciences in Business Administration in Zürich.

Markus Müller, the sole non-executive director, has not had any executive responsibilities for the Company or any of its subsidiaries, either during the period under review or in the three financial years preceding it. He does not have any significant business connections with the Company or any of its subsidiaries.

3.2 Permissible outside mandates

Pursuant to Article 31 of the Articles, a member of the Board or of Executive Management may simultaneously hold no more than ten mandates outside the Company's group, in the supreme managing or supervising bodies of other legal entities that are obliged to be entered in the Swiss Commercial Register or a comparable foreign register. Of those, not more than four mandates may be in other listed companies. There are no limits on activities in not-for-profit entities, such as associations, societies and foundations. Several mandates within the same group of companies, and mandates performed at the behest of a company or group (including mandates in pension funds, joint ventures, and legal entities in which a significant interest is held) are counted as one mandate.

3.3 Elections and terms of office

Pursuant to the Articles, the members of the Board hold office for one year. A year is defined as the period from one annual shareholders' meeting to the next.

Members of the Board may stand for re-election to office on an annual basis. A separate vote is taken, at the Company's shareholders' meeting, in respect of each director who stands for election or re-election.

The Articles do not contain any rules that would deviate from statutory law with regard to the appointment of the chairman of the Board (the "**Chairman**") or of the members of the Nomination and Compensation Committee.

3.4 Internal organizational structure

3.4.1 Board

The Board may take decisions on all matters which by law or the Articles are not allocated to the general meeting of shareholders (Article 698 of the Swiss Code of Obligations (hereinafter "**CO**")).

According to the internal organizational regulations of the Company of 27 July 2005, as amended (hereinafter the "**Regulations**"), the Board acts, in principle, as a collective body. Its members may not act alone on behalf of the Company and may not give instructions on their own, except where the Articles, the Regulations or a decision of the Board otherwise permit.

Each year at the annual general meeting of shareholders, the shareholders elect the Chairman. The Board chooses the secretary, who may or may not be a member of the Board.

The Chairman has the following duties:

- chairing meetings of the Board and general meetings of shareholders;
- determining the agenda for meetings of the Board except in cases where proposals are made by other members of the Board;
- representation of the Board to the public, to public authorities and to the shareholders;
- supervision of the execution of measures which have the approval of the Board;
- preparation of amendments to the Articles, conduct of the voting procedures and other matters to be addressed at any general meeting of shareholders;
- in association with the Company's executive management team ("**Executive Management**"), preparation of materials concerning strategic planning, short-term corporate goals, financial planning and budgets to be approved by the Board;
- decisions concerning non-budgeted investments and expenditures up to CHF 2.25 million and up to CHF 100,000 respectively; and
- decisions requiring urgent action or in exceptional circumstances which would otherwise be addressed by the Board, the Nomination and Compensation Committee or the Audit Committee. Such decisions shall be submitted for approval to the responsible bodies as soon as possible.

3.4.2 Committees

There are two committees of the Board, the audit committee (hereinafter the "**Audit Committee**") and the nomination and compensation committee (hereinafter the "**Nomination and Compensation Committee**"). The Audit Committee presently consists of all members of the Board and is chaired by Dr. Volkert Klaucke. The Nomination and Compensation Committee presently consists of Dr. Volkert Klaucke, David Quint and Markus Müller, and is equally chaired by Dr. Volkert Klaucke.

3.4.2.1 Audit Committee

The responsibilities of the Audit Committee are determined in a special Audit Committee Charter. The Committee's primary duties are to:

- review the semi-annual and annual financial statements and consider whether they are complete and reflect appropriate principles;
- monitor the integrity and effectiveness of the Company's financial reporting process and systems of internal controls regarding finance and accounting, operational processes as well as manual and automatic finance and accounting data processing;
- oversee the qualifications of the public accounting firm engaged as the Company's independent auditor to prepare and issue an audit report on the financial statements of the Company;
- monitor the independence and performance of the Company's external and internal auditors (if any);

- provide for appropriate communication among the independent external auditors, advisers, Executive Management and the Board;

- review and monitor the Company's financial strategies and procedures; and

- report to the Board on the Audit Committee's activities and findings.

The Board has not delegated any decision-making powers to the Audit Committee.

The Audit Committee has the authority to conduct or authorize investigations into any matter within the scope of its duties and responsibilities pursuant to the Audit Committee Charter. It is empowered to:

- retain outside counsel, accountants or other experts to advise the Committee or assist it in the conduct of an investigation;

- seek any information it requires from the Company's executives and employees – all of whom are directed to cooperate with the Audit Committee's requests – or external parties;

- meet with the Company's executives, officers, external auditors, outside counsel and other advisers, as deemed necessary or appropriate.

3.4.2.2 Nomination and Compensation Committee

The responsibilities of the Nomination and Compensation Committee are determined in the Articles and in a special Nomination and Compensation Committee Charter.

Article 27 of the Articles provides that, subject to the powers of the shareholders' meeting, the Company's compensation committee has the following responsibilities:

- monitoring compliance with the compensation principles pursuant to law, the Articles, and regulations, and with the resolutions of the shareholders' meeting on compensation;

- submitting proposals to the Board on the definition of principles, assessment criteria and qualitative and quantitative targets in connection with compensation within the parameters of the law and the Articles;

- submitting calculations and proposals to the Board on the qualitative and quantitative targets for determining variable compensation;

- submitting proposals to the Board regarding the amounts of fixed compensation to be paid to members of the Board, and fixed and variable compensation to be paid to members of Executive Management;

- preparing and submitting to the Board a draft of the remuneration report; and

- all other actions required of it by law, the Articles or regulations.

The Charter for the Nomination and Compensation Committee further specifies that its primary duties are to:

- assist the Board in discharging its responsibilities relating to compensation of directors of the Company and of members of Executive Management;

- approve or establish proposals for all compensation plans, policies and programmes relating to compensation and benefits for directors, Executive Management and direct employees (if any);

- propose to the Board compensation of directors, members of Executive Management and direct employees (if any);

- ensure that newly elected directors receive the appropriate introductions and orientation and the elected directors receive the adequate continuing education and training to fully discharge their obligations;

- assist the Board in identifying individuals who are qualified to become Board or Executive Management members, when vacancies arise;

- recommend to the Board the director nominees for the next annual shareholders' meeting;

- recommend to the Board a set of corporate governance principles to be published in a directive on corporate governance;

- prepare any disclosure statement on compensation and corporate governance required by applicable law, regulations or the rules of a stock exchange on which the Company's shares are listed or traded;

- lead the Board in its annual review of the Board's performance; and

- recommend to the Board director nominees for each committee.

The Board has not delegated any decision-making powers to the Nomination and Compensation Committee.

The Committee has the authority to conduct or authorize investigations into any matter within the scope of its duties and responsibilities pursuant to the Nomination and Compensation Committee Charter. It is empowered to:

- retain outside counsel, accountants or other experts to advise the Committee or assist it in the conduct of an investigation;

- seek any information it requires from the Company's executives and employees – all of whom are directed to cooperate with the Committee's requests – or external parties;

- meet with the Company's executives, officers, external auditors, outside counsel and other advisers, as deemed necessary or appropriate.

3.4.3 Work methods of the Board and its committees

3.4.3.1 Board

The Chairman, or the secretary, convenes the meetings of the Board as often as business affairs of the Company require, usually not less than four times each year. Meetings are also held by telephone conference and actions may be taken pursuant to circular resolutions, if no member of the Board requests in writing that the item to be resolved or discussed be considered at a physical meeting. The usual length of the meetings is 1-2 hours. In the nine-month period under review, three meetings were held. At all meetings, at least one member of Executive Management (in addition to the executive members of the Board) was present. External legal consultants may attend meetings at the invitation of the Chairman, however none attended the meetings during the period under review.

The Nomination and Compensation Committee reports its actions at meetings of the Board were relevant. The Audit Committee reports to the Board as required at each Board meeting about its activities, decisions, findings and recommendations. It reports at least semi-annually on the interim and final accounts at the board meeting which approves such accounts. The two Committees' primary duties and responsibilities are set out above (see section 3.4.2).

3.4.3.2 Audit Committee

In the period under review no separate meeting of the Audit Committee was held as all Audit Committee duties were assumed by the Board as a whole.

3.4.3.3 Nomination and Compensation Committee

In the period under review no separate meeting of the Nomination and Compensation Committee was held as all Nomination and Compensation Committee duties were assumed by the Board as a whole.

3.5 Definition of areas of responsibility

The Board has the responsibilities and duties set forth in the CO, in particular in Article 716a CO.

Furthermore, the Regulations state that the following matters shall be reserved to the Board:

- passage of resolutions regarding any authorised capital increases as well as any resulting amendments to the Articles;
- determination of the beginning and the end of each fiscal year of the Company pursuant to the Articles;
- the adoption of any stock option plan and the issuance of shares to option holders on exercise of such options;
- the formation, acquisition, merger, sale and/or liquidation of subsidiaries with a value in excess of CHF 2.25 million;
- the acquisition, sale and hypothecation of assets with a value in excess of CHF 2.25 million;
- the initiation and/or settlement of judicial and administrative proceedings or disputes of any nature with a value in excess of CHF 100,000;
- business decisions of a long-term nature or which involve unusual or extraordinary risks;
- the approval of expenditures or obligations in excess of CHF 100,000 for individual transactions or CHF 1,000,000 in the aggregate in any one fiscal year, unless such expenditures do not exceed the budget or other Board approved guidelines;
- the entry into any transaction which is not in the ordinary course of business of the Company, including any sale or lease of the Company's assets in excess of CHF 2.25 million;
- the entry into new projects with expenditures or obligations in excess of CHF 2.25 million, unless such projects have been approved in the Company's budget or other Board approved documents;
- the conclusion of any merger arrangements between the Company and any other entity or the decision to wind up or liquidate the Company, including any proposals to be made to shareholders at a general meeting of shareholders regarding the merger, liquidation or winding-up of the Company;
- the formation or acquisition of interests in other companies, irrespective of their legal form, or the purchase of other businesses in whole or in part if the value of any such purchase exceeds CHF 2.25 million;
- regarding subsidiaries of the Company:

  the execution, alteration or termination of articles of association;

  the voluntary liquidation, merger or continuation of a subsidiary after the occurrence of any matter requiring its liquidation;

  the approval of the annual accounts and the distribution of dividends or other distributions to shareholders, or the exercise of any other shareholders' rights;

  the appointment and/or termination of managers and Board members as well as the execution, alteration or termination of employment or pension arrangements with managers or Board members;

  the resolution of matters which, pursuant to law or the articles of association, require the approval of the shareholders;

- any participation in revenues or profits of the Company in any form except commissions which can be viewed as usual in the trade, or the provision of benefits or remuneration to individual employees in excess of CHF 50,000 p.a.;

- the grant of pension entitlements to any employees;

- any decisions concerning the appointment of permanent advisers or administrators to the Company;

- borrowing in excess of CHF 500,000;

- the grant of a loan or the creation of a contingent liability to, or in respect of, third parties in excess of CHF 500,000;

- the approval of any transaction between the Company and members of the Board;

- the adoption and/or alteration of the Regulations.

In accordance with Article 716b CO, and subject to inalienable and reserved matters as described above, the Board has delegated all executive management functions of the Company to its Executive Management, whose responsibilities are set out below (see section 4.1).

3.6 Information and control instruments vis-à-vis senior management

The Executive Management provides the Board with a copy of management accounts on a quarterly basis. In addition, each member of the Board is provided, within 60 days after the end of each interim reporting period, with a provisional half-yearly report and, within 90 days after the end of each fiscal year, with a provisional annual report.

Furthermore, members of Executive Management who are present inform the Board at each Board meeting (i.e. usually not less than four times a year) of all current matters, important events and deviations from the budget. Extraordinary transactions and issues must be reported by Executive Management to the Board immediately. Each member of the Board is entitled to request and receive information on all matters of the Company and has access to the Company's and the Company's subsidiaries' property, records and personnel. Board members may make use of this right by requesting documents, in particular in the area of financial planning and reporting.

The Audit Committee's primary duties and its authority are set out above (see section 3.4.2.1). The Company has not appointed an internal audit function. Its risk management is described in the notes to the financial statements (see Note 3 to the Consolidated Financial Statements). The Board does not use any IT-based Management Information System (MIS) for its information.

4 Executive Management

For the period under review Dr. Volkert Klaucke continued to perform executive functions as Executive Chairman and Group Chief Executive Officer of the Company, Dr. Srinivas performed the functions of Executive Deputy Chairman of the Board (acting as Chief Operating Officer of Arundel Inc) and David Quint performed the function of Executive Director (acting as Chief Executive Officer of Arundel Inc). Ralph Beney and Richard Borg performed functions of the Company's Executive Management, acting as Chief Financial Officer and General Counsel, respectively, of the Arundel Group.

As concerns permissible outside mandates of members of Executive Management, see section 3.2.

4.1 Responsibilities

Executive Management is responsible for the day-to-day management of the Company's business, under the direction of the Group Chief Executive Officer and the overall supervision of the Board. The Board has delegated all executive management functions of the Company that are not reserved to the Board or to the Chairman (please refer to sections 3.4.1 and 3.5 above) to Executive Management.

4.2 Composition

As at 31 December 2017, Executive Management consisted of the following:

	Nationality	Function	In office since
Volkert Klaucke	German	Executive Chairman and Group Chief Executive Officer	2015
Doraiswamy Srinivas	U.S./UK	Executive Deputy Chairman (Chief Operating Officer of Arundel Inc)	Oct 2016
David Quint	U.S./UK	Executive Director (Chief Executive Officer of Arundel Inc)	Oct 2016
Ralph Beney	UK	Chief Financial Officer	Oct 2016
Richard Borg	UK	General Counsel	Oct 2016

For biographical information on Dr. Volkert Klaucke, Dr. Doraiswamy Srinivas and David Quint, please refer to section 3.1 above.

Mr Ralph Beney (1961), UK citizen, the Chief Financial Officer of the Arundel Group, is a Chartered Accountant and has served as CFO of the RP&C International group since 1998. He previously worked in the capital markets division at Guinness Mahon in London, after spending seven years as CFO of various Bank Leu subsidiaries. He is a director of a number of Arundel Group companies and client companies of the Arundel Group.

Mr Richard Borg (1966), UK citizen, is the General Counsel of the Arundel Group and has been General Counsel of the RP&C International group since 1998. He was previously a solicitor in Norton Rose's corporate finance team specialising in investment funds. He read law at Oxford University. He is a director of a number of Arundel Group companies.

5 Compensation, shareholdings and loans

Details on compensation and participation of members of the Board and of Executive Management are disclosed in Notes 26 and 29 to the Consolidated Financial Statements and within the Remuneration Report**.**

5.1 Method of determining compensation and share ownership programmes

The Nomination and Compensation Committee is competent to present proposals, for decision by the Board, regarding the Company's general compensation policy for directors, Executive Management and direct employees (if any). The Board determines the amount of any remuneration payable to its members and to members of Executive Management. Persons whose remuneration is decided upon do not have a right to participate in the relevant meeting, or otherwise to participate in the process. The Company does not employ external advisers or use external benchmarks for fixing compensation.

5.2 Rules on compensation in the Company's Articles

In Articles 33-37 of the Articles, the Company has adopted rules on compensation of members of the Board and of Executive Management, and related matters, in accordance with the Swiss Federal Council's Ordinance against Excessive Compensation in Listed Stock Companies of 20 November 2013.

5.2.1 Principles applicable to performance-related pay; allocation of equity securities, convertible rights and options; and additional amounts for new members of Executive Management

Board of Directors

Article 33 of the Articles provides that members of the Board receive a fixed compensation for their work.

The Board may decide that part of the compensation is paid, instead of a cash payment, in Shares (which may or may not be restricted), or in reversionary subscription rights or options for Shares. The Board shall, in that case, specify the time of the grant, the term of the restriction (if any) or vesting period, and any discounts applying in consideration of the term of the restriction (if any) or vesting period. The Board may provide that upon the occurrence of certain events designated in advance, such as the termination of a mandate or a change of control, restrictions or vesting periods shall remain in effect or be shortened or cancelled. The value attributed to compensation paid in the form of Shares or of reversionary subscription rights or options shall be their fair value at the time of the grant, determined in accordance with such valuation methods as the Board considers most appropriate to establish that value.

Executive Management

Article 35 of the Articles provides that members of Executive Management receive a fixed compensation and a variable compensation for their work.

Pursuant to Article 36 of the Articles:

- variable compensation for members of Executive Management shall be subject to the achievement of qualitative and quantitative targets. The Board shall annually set common and individual targets, which shall be determined so as to promote the long-term interests of the Company and its shareholders, and shall judge the degree to which they have been achieved. In deciding on the award of variable compensation, the Board may also take account of extraordinary achievements unrelated to pre-determined targets;

- the amount of variable compensation may not be higher than 200% of the fixed compensation of the member concerned for the same period;

- At the option of the Board, variable compensation may be paid in cash, in Shares (which may or may not be restricted), or in reversionary subscription rights or options for Shares. The Board shall specify the time of the grant, the term of the restriction (if any) or vesting period, and any discounts applying in consideration of the term of the restriction (if any) or vesting period. The Board may provide that upon the occurrence of certain events designated in advance, such as the termination of an employment or mandate or a change of control, restrictions or vesting periods shall remain in effect or be shortened or cancelled, that compensation shall be paid on the assumption that targets have been met, or that compensation is no longer due. The value attributed to compensation paid in the form of Shares or of reversionary subscription rights or options shall be their fair value at the time of the grant, determined in accordance with such valuation methods as the Board considers most appropriate to establish that value;

- the Board shall issue regulations governing the details.

Pursuant to Article 37 of the Articles, if new members of Executive Management are appointed after approval has been given by the shareholders' meeting of the aggregate maximum amount of the fixed compensation for the members of Executive Management, the additional amount of fixed compensation available for each new member is 120% *pro rata temporis* of the highest fixed compensation paid to a member of Executive Management in the financial year preceding the last ordinary shareholders' meeting. The shareholders' meeting is not required to approve this additional compensation.

5.2.2 Loans, credit facilities and post-employment benefits for members of the Board and of Executive Management

Article 30 of the Articles provides that loans and credit facilities extended to members of the Board or of Executive Management may not exceed a principal amount of CHF 1.5 million (or equivalent amount in another currency) in the case of any member.

The Articles do not provide for the grant of post-employment benefits to members of the Board or Executive Management.

5.2.3 Vote on pay at the shareholders' meeting

Board

Article 34 of the Articles provides that at each ordinary shareholders' meeting, the meeting shall resolve with binding effect on the approval of the aggregate maximum amount of the fixed compensation for the members of the Board for the one-year term ending at the next ordinary shareholders' meeting.

Executive Management

Article 37 of the Articles provides that:

- at each ordinary shareholders' meeting, the meeting shall resolve with binding effect on the approval of the aggregate maximum amount of the fixed compensation for the members of Executive Management for the then current financial year;
- at each ordinary shareholders' meeting, the meeting shall resolve with binding effect on the approval of the aggregate amount of the variable compensation for the members of Executive Management for the immediately preceding financial year.

5.3 Compensation in the year under review

During the period under review, Dr. Volkert Klaucke acted as Chairman of the Board and had the right to receive an annual fixed fee of USD 30,000 per annum for his service in this capacity, before statutory deductions. Markus Müller was entitled to a fee of CHF 10,000 per annum for his services as non-executive member of the Board. Each of Dr. Doraiswamy Srinivas and David Quint did not receive any separate fee for their services as members of the Board.

Details of compensation paid to members of Executive Management (including executive members of the Board) in that capacity are set out in Note 26 to the Consolidated Financial Statements. It consisted of fixed compensation only.

The annual compensation provided by the Group to Dr. Klaucke and the other directors for their position as members of the Board, to Dr. Klaucke as Group CEO and other members of executive management, was decided by the Board in a discretionary decision in which all members of the Board participated, and applies (to the extent relevant) until modified by the Board (i.e., there is no pre-defined review period).

In the case of the new members joining the Company's Executive Management, compensation of all members will be determined by the Board in accordance with the procedures outlined above (sections 5.1 and 5.2.1).

The compensation noted above is expressed in terms of annual fees and may differ from the actual charge in the financial statements for the period ended 31 December 2017 (disclosed in Note 26 to the Consolidated Financial Statements and the Remuneration Report) due to the effects of foreign exchange and timing differences.

5.4 Share Ownership Programmes

The Company currently does not have any share ownership programmes for members of the Board or of Executive Management.

6 Shareholders' participation

6.1 Restrictions of voting rights and representation

Apart from the limitations on the transferability of Shares (see section 2.6.1), there are no restrictions on the exercise of voting rights.

A shareholder may be represented at the shareholders’ meeting by his legal representative, by the independent proxy, or by another duly authorized representative who does not need to be a shareholder.

Article 15 of the Articles provides that each ordinary shareholders' meeting shall elect an independent proxy for a term of office of one year, running until the end of the next ordinary shareholders' meeting. Re-election is permitted. A shareholders' meeting may remove the independent proxy with effect from the end of the meeting. If the independent proxy is unable to perform his duties, the Board must appoint an independent proxy for the term up to the end of the next shareholders' meeting. Voting proxies and instructions that have already been issued remain valid, provided that the shareholder does not expressly give other instructions. The Board shall make arrangements to permit shareholders to issue proxies and instructions to the independent

proxy also by electronic means, and determine the respective details. The independent proxy can be represented by another person at the shareholders' meeting. He remains fully responsible for the performance of his duties. The independent proxy is obliged to exercise the voting rights represented by him in line with the instructions given. If he receives no instructions, he shall abstain from voting.

6.2 Statutory quora

Resolutions of the general meeting of shareholders are passed by the majorities set forth in the applicable legal provisions. The Articles do not change the applicable majorities.

6.3 Convocation of the general meeting of shareholders

The general meeting of shareholders must be called, at the latest, twenty days prior to the day of the meeting.

6.4 Agenda

One or more shareholders representing together at least ten percent of the share capital or shareholders representing shares with an aggregate par value of one million Swiss Francs may request items to be included in the agenda for a general meeting of shareholders. Items for inclusion in the agenda shall be requested at least 60 days prior to the meeting in written form listing the items and the proposed motions of such shareholder(s).

6.5 Record date for entry into the share register

The record date for the inscription of registered shareholders into the share register in view of their participation in the general meeting of shareholders, as set by the Board, is a date falling in between 10 and 20 days prior to the meeting. There are no rules on the granting of exceptions.

7 Changes of control and defence measures

7.1 Duty to make an offer

According to Article 7 of the Articles, persons acquiring shares of the Company directly, indirectly or acting in concert with third parties shall be exempt from the obligation to make a public purchase offer pursuant to Article 135 FMIA, irrespective of the number of voting rights conferred by the shares acquired ("**opting out**").

7.2 Change of control clauses

There are no change of control clauses in place which would trigger any obligations to members of the Board or of Executive Management, or to other officers of the Company, in the event of a change of control.

8 Auditors

PricewaterhouseCoopers AG, Zurich ("**PwC**"), are the Company's auditors.

8.1 Duration of the mandate and term of office of the lead auditor

PricewaterhouseCoopers AG, Zurich, and its predecessor companies have held the auditing mandate for Arundel AG since 1992. PricewaterhouseCoopers AG was re-elected as auditors for the financial period ending 31 December 2017 by the Annual General Meeting held on 19 September 2017.

The lead engagement partner, Patrick Balkanyi, responsible for the existing auditing mandate took up office in respect of the financial period ending 31 December 2017.

The Board proposes to the annual general meeting due to be held on 12 June 2018 to re-elect PricewaterhouseCoopers AG as auditors for the 2018 financial year. The rotation interval applicable to the lead engagement partner is seven years (art. 730a para. 2 CO).

8.2 Auditor remuneration

The total auditor remuneration for the 2017 financial period in respect of all group companies is specified in the table below. In addition, PwC also performs certain tax work for the group companies. This tax work is not performed by the audit team. The estimated fees for this tax work is also set out in the table below:

Auditor's remuneration	For the 9-month period ended 31 December 2017
in USD	
Audit and audit related services	275,347
Tax compliance consulting and related services	43,430
	318,777
Total tax related fees / audit and audit related services	13.6%

8.3 Informational instruments pertaining to the external audit

The external auditor is accountable to the Audit Committee, the Board and ultimately to the shareholders. The Board reviews the external auditor's professional credentials, assisted in its oversight by the Audit Committee.

Cooperation and flow of information between the auditor and the Board/Audit Committee

Most communication between the auditors and the Company are facilitated by Executive Management and the CFO of the Company. There is an ongoing dialogue and periodic meetings are arranged between the auditors and the CFO and the auditors are provided with copies of agreements, bank statements and other materials relating to the Arundel Group for the relevant financial period to assist them in their audit work.

The CFO and other officers of Arundel Inc/Arundel (Mauritius) Limited keep the Board and Executive Management updated on a regular basis about the content of such dialogue and meetings and the progress on the external audit. The CFO attends each Board meeting of the Company to answer any relevant questions the Board and Executive Management may have.

The Board and the Audit Committee also liaise directly with the auditors regarding the annual audit work to be carried out and discuss the results of such audits. On request, representatives of the auditors attend meetings of the Board and of the Audit Committee in which such matters are discussed. At the relevant Board or Audit Committee meetings, the auditors present a detailed planning report and a detailed report on the conduct of the audit of the financial statements. This details findings on material financial accounting and reporting issues in addition to findings on the Group's internal control system (ICS).

The Audit Committee (or the full Board) reviews and approves in advance all planned audit services and any non-audit services provided by the external auditor. It discusses the results of annual audits with the external auditor, including reports on the financial statements, necessary changes to the audit plans and critical accounting issues.

The external auditor shares with the Audit Committee (or full Board) its findings on the adequacy of the financial reporting process and the efficacy of the internal controls.

The auditor informs the Audit Committee (or full Board) about any differences of opinion between the external auditor and management encountered during the audits or in connection with the preparation of the financial statements.

Representatives of the auditors are present at all meetings of the Board in which matters concerning the Audit Committee's responsibilities are discussed. However, during the period there were no such meetings.

For additional information, please see also section 3.4.

Evaluation of the external auditor and independence, performance and fees

The Board annually reviews the selection of the auditors in order to propose their appointment to the shareholders' meeting. The Board or its Audit Committee assesses the effectiveness and the quality of the auditors as well as their independence based on the reports received and discussions held. Their quality, their

knowhow, their cost consciousness and timely reporting are major factors in the assessments of the auditor's work. PricewaterhouseCoopers AG monitors its independence throughout the year and confirms this to the Audit Committee annually.

This assessment measures the external auditor's performance against a number of criteria, including: understanding of Company's business; technical knowledge and expertise; comprehensiveness of the audit plans; quality of the working relationship with management; and clarity of communication. It is compiled based on the input of key people involved in the financial reporting process and the observations of the Audit Committee members.

The Audit Committee (or the full Board) reviews annually the audit fees as well as any fees paid to the external auditor for non-audit services. Please see section 3.4 for further information.

9 Information policy

The Company's financial reporting consists of semi-annual and annual reports. Financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB) and in compliance with Swiss law. Notifications to shareholders (including invitations to general meetings of shareholders) are published in the Swiss Official Gazette of Commerce (SOGC).

The Company shall publish information according to the following schedule:

Reporting

- April 2018 – Publication of audited annual report and accounts for the nine months ended 31 December 2017

- Sept 2018 – Publication of unaudited accounts for the six months ending 30 June 2018

Meetings of Shareholders

12 June 2018 – Annual General Meeting of shareholders

The news releases of the Company (including releases issued pursuant to ad-hoc publicity rules) are available under www.arundel-ag.com/News/, where stakeholders may also subscribe to the Company's e-mail alert service to receive its news releases.

Additional information and all publications (including this annual report) are available under www.arundel-ag.com

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