ARUNDEL AG

(Formerly USI GROUP HOLDINGS AG)

ANNUAL REPORT AND ACCOUNTS

FOR THE YEAR ENDED
31 MARCH 2017

ARUNDEL®

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ARUNDEL®

CHAIRMAN'S STATEMENT

The Company is pleased to report its audited consolidated financial results for the year ended 31 March 2017 ("FY17"), a period of significant transition and development. Our most noteworthy accomplishments included:

- the acquisition of the RP&C International ("RP&C") group in October 2016;
- the completion in November 2016 of a lease extension in respect of the group's German investment properties (the "Leipzig Properties");
- the commencement of a share placement for cash between November 2016 and March 2017;
- entering into an agreement in March 2017 with Vega Energy Partners Ltd ("Vega") regarding joint development of various energy infrastructure opportunities;
- the restructuring of $21.6 million of subordinated debt linked to the Leipzig Properties and $24.0 million of other working capital loans in March 2017; and
- the payment of CHF 0.50 per share to shareholders through a par value capital reduction in January 2017.

The acquisition of RP&C

On 4 October 2016, the Company completed the acquisition of RP&C in exchange for approximately 2.0 million shares of the Company and a promissory note for $1.4 million. Gross and net assets totalling $41.6 million and $19.4 million, respectively, were acquired as detailed in note 26 to the Consolidated Financial Statements. Contemporaneously with this acquisition the Company changed its name to Arundel AG ("Arundel") which signalled the Company's transition from an investment holding company to a more broadly based investment and financing group that intends to expand its investment and advisory capabilities in all markets where RP&C historically has operated.

The acquisition of RP&C marked an important milestone for the Company as it involved the addition of a valuable freehold property in a prime area of London as well as a financial services capability built on a 24 year period of operations. The acquisition also internalised expertise, which is expected to increase income generation over the medium term. David Quint and Dr Srinivas already served as directors of the Company; however, following completion of the acquisition, Ralph Beney became the Group's Chief Financial Officer and Richard Borg became the Group's General Counsel and Compliance Officer. Following completion of the acquisition, management owns approximately 25.4% of the Company's issued share capital.

The Arundel group's activities now comprise:

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

Lease Extension of the Leipzig Properties

On 14 November the Company entered into an agreement ("Lease Extension") to extend the lease of the Leipzig Properties with the Government of Saxony (Covenant Strength = AAA) which was due to expire on 31 March 2020. Pursuant to the Lease Extension, the tenant has committed to a 30 year lease of the Records Bureau (constituting approximately 15% of the total area) and a lease of the balance of the space until 30 June 2025 (with two 3 year renewal options). The weighted average lease term for the Leipzig Properties is now approximately 12 years. The present rent of €9.4 million p.a. will continue until 1 September, 2017 at which time a new annual rent of €6.25 million p.a. will be payable, reflecting current market levels.

The Leipzig Properties continue to produce strong operational cash flow which has been used to reduce associated debt by approximately $6 million per year. In June 2016, the Company completed a $21.6 million re-financing of subordinated debt secured against the Leipzig Properties on more favourable terms thereby reducing future financing costs.

Placement of shares

In December 2016 the Company announced an agreement with one of its shareholders whereby shares conditionally placed with that shareholder in January 2016 can be sold for cash to new investors in substitution for a second land parcel in India that was to be delivered by the shareholder. Between late 2016 and March 2017 the Company placed approximately 713,000 of those shares in exchange for approximately $5.7 million of cash. The Company is seeking to place a total of approximately 3.8 million shares with new investors in the months ahead. The proceeds of those placements will be used for new investment opportunities in the energy infrastructure sector in the US and to augment general working capital.

Agreement with Vega

On 31 March 2017 the Company announced that it had entered into an agreement with Vega pursuant to which the Company will have the right to invest in certain energy infrastructure assets and natural gas trading activities in the USA and internationally. Vega is a privately held company based in Houston, Texas which through its principals and predecessor companies has been engaged in the management, optimisation and development of natural gas assets for more than 25 years.

The agreement with Vega is expected to be a significant driver of income for the group over the medium term both through principal investments and from fees generated as the Company sources third party capital for Vega.
Members of management have a high level of experience in the energy sector in the USA and believe that this asset class is attractive and very scalable over the medium to longer term.

Debt restructuring

On 31 March 2017 the Company restructured approximately $46 million of working capital facilities which were due to be repaid between 31 March 2017 and 31 December 2017. The interest rate on the various facilities was reduced by a fifth to 5% per annum and the maturities were extended to periods between 31 December 2018 and 30 June 2019.

Management believes that the Company has a stable lender base which will ensure that it can manage its working capital requirements as it enters into new investment opportunities.

Other activities

During the year, your Company made further progress with its acquisition of the land parcel outside of Chennai, India which should provide development opportunities and capital appreciation in the years ahead.

Financial Results

The Company is reporting a net loss of $6.9 million for FY17 compared to a net loss of $10.5 million for FY16. It is important to note, however, that there are a number of non-cash and one off charges included in our results. If these items were excluded, the net loss for FY17 would be approximately $2.5 million (FY16 - $2.9 million).

Our financial results are explained in more detail in the management report presented after this statement.

Business development

Management intends to grow the Company both organically and through acquisitions over the medium term. Its main focus will be to increase the size and scale of the Company's activities across its core areas which involve real estate and energy. Management is currently reviewing an opportunity to acquire a third party, primarily for shares, which has a complimentary business to the Company's activities. If the acquisition is completed, the combined company would significantly increase operational cash flow and management and provide an attractive platform for further growth. Management will also consider acquiring additional assets, primarily in exchange for shares, to further increase the operational income of the group.

Overall, your Company is pleased with its progress during the current financial year and further progress is expected during FY2018. As a consequence, management is proposing a further par value capital reduction ("PVCR") of CHF 0.50 per share at the Company's Annual General Meeting ("AGM") which is scheduled for 19 September in Zurich. The Company will also offer an opportunity for shareholders to reinvest the proceeds of the PVCR to purchase treasury shares from the Company.

We look forward to seeing you at the AGM.

Arundel AG

Dr. Volkert Klaucke (Chairman)
Approved by the board: 24 July 2017

Financial results

The Company is reporting a net loss of $6.9 million for FY17 compared to a net loss of $10.5 million for the year ended 31 March 2016 ("FY16"). Our results are stated after a number of non-cash items, which include adverse movements in foreign exchange rates ($2.4 million), adverse fair value adjustments to investment properties ($0.9 million), amortisation and depreciation charges ($1.2 million) and one off charges ($0.8 million). If these amounts were excluded your Company's reported loss would be $2.5 million (FY16 - $2.9 million).

Total revenue from continuing operations for FY17 was $11.5 million compared to $10.4 million for FY16. This revenue comprised rental income from the Leipzig Properties of $10.3 million (FY16 - $10.4 million) and investment advisory income of $1.1 million which arose from RP&C's activities in the second half of FY17 (FY16 – nil).

The net loss for FY17 is stated after a non-cash reduction in the fair value of the Leipzig Properties of $0.9 million (FY16 – $4.6 million). Administrative expenses for FY17 were $7.3 million (FY16 - $6.6 million) with the increase attributable to the consolidation of costs associated with RP&C for the second half of FY17 (nil in FY16) and additional professional fees linked to the acquisition of RP&C. Finance costs for FY17 were $11.6 million (FY16 - $10.5 million), including a negative movement in foreign exchange rates of $2.4 million (FY16 – nil).

The Company recognised a gain of $1.5 million on the fair value of the net assets acquired from RP&C compared to the market value of the shares and promissory note issued to RP&C's shareholders on the date the acquisition completed.

The balance sheet

Total assets equalled $193.5 million at 31 March 2017 compared to $189.1 million at 31 March 2016. The Leipzig Properties were independently valued at €134.4 million ($143.7 million) at 31 March 2017 compared to €135.2 million ($153.5 million) at 31 March 2016. The decrease in value reflected adverse movements in the US Dollar/Euro exchange rate between reporting dates. While there was a corresponding positive foreign exchange movement on the recognition of Euro denominated debt of $4.6 million, the net negative movement on the foreign exchange translation reserve during FY17 was $1.8 million. It should be noted that the Euro strengthened against the US Dollar since the end of FY17 and the majority of these adverse movements relating to changes in foreign exchange rates would be reversed if the Euro assets and liabilities were revalued today. At 31 March 2017 non-current assets were reduced by $18.7 million compared to the balance at 31 March 2016 in respect of the removal of a provision for development rights offset by a corresponding reduction in long term liabilities in the same amount.

Current assets at 31 March 2017 were $21.2 million compared to $13.3 million at 31 March 2016 with the increase largely attributable to increases in restricted cash of $6.7 million and payments to third parties in relation to the acquisition of development rights of $3.0 million. The restricted cash will be used to reduce the junior debt facility secured by the Leipzig properties in September 2017.

Current liabilities at 31 March 2017 were stated at $23.9 million compared to $41.5 million at 31 March 2016 with the decrease primarily reflecting the restructuring of working capital facilities during the year and recognition of trade payable acquired from RP&C.

Long term liabilities at 31 March 2017 were $141.0 million compared to $120.3 million at 31 March 2016 with the increase reflecting the restructuring of working facilities offset by the removal of the provision for costs associated with development rights as noted above.

In June 2016 the Company extended by one year the maturity of $7.0 million of short term borrowings. Management remains confident that the remaining short-term borrowings can be refinanced with existing lenders when they fall due.

Cash flow

During FY17 the group used $3.2 million from operating activities (FY2016 – generated $1.7 million). The group generated net cash of $11.5 million from financing activities (FY16 - $0.7 million) whilst using net cash of $9.9 million in investing activities (FY16 - $2.2 million), including borrowing $6.25 million which will be used to repay the junior debt secured against the Leipzig properties in September 2017.

Treasury shares

The Company held 247,772 of its shares in treasury at 31 March 2017 at a carrying value of $1.6 million (31 March 2016 - 1,341,458 shares at $13.4 million). These shares are available for issuance in exchange for cash.

Following delays with regulatory approvals in connection with development land in India and the emergence of other attractive opportunities subsequent to the acquisition of RP&C, a shareholder has agreed that shares, which had been conditionally issued to it in exchange for a second parcel of development land in India, can be sold for cash with proceeds substituted on a pro rata basis for the land it was committed to deliver to the Company. The Company is pursuing placement of these shares in order to providing additional working capital for the group.

Return of capital

At the annual general meeting of shareholders held on 27th September 2016, shareholders approved the Board's recommendation of a capital distribution, in cash, by way of a par value capital reduction ("PVCR") of CHF 0.50 per Share which occurred on 11 January 2017. Approximately 75% of shareholders elected to reinvest the proceeds into shares of the Company.

As a result of the matters referred to above, total equity increased from $27.3 million at 31 March 2016 to $28.6 million at 31 March 2017. The increase primarily reflects the acquisition of RP&C less the reported loss of $6.9 million, the negative net movement in foreign exchange rates of approximately $1.8 million and $7.5 million attributable to the PVCR. Total equity will increase once the Company is able to reflect the value of its investment in Indian land under IFRS and the placement of the Company's shares for cash as discussed above.

Arundel AG

Approved by the Board 24 July 2017

COMPANY INFORMATION

DIRECTORS

Dr. Volkert Klaucke (Chairman)
Dr. Doraiswamy Srinivas (Vice Chairman)
Mr. David Quint
Mr. Markus Müller (appointed 27 September 2016)
Mr. William Vanderfelt (resigned 27 September 2016)

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)*

* Effective from 4 October 2016

REGISTERED OFFICE

Bleicherweg 66
CH-8002 Zurich
Switzerland

INDEPENDENT PROXY

Dr. Roger Groner
Tödistrasse 52,
CH-8002 Zürich
Switzerland

AUDITORS

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 year ended 31 March 2017.

PRINCIPAL ACTIVITY

On 4 October 2016 the Company completed the acquisition of the RP&C International Inc. Group ("RP&C") an investment advisory group based in London which undertakes financing activities internationally. Contemporaneously with this acquisition the Company changed its name to Arundel AG ("Arundel"). The new name marks the Company's transition from an investment holding company focused on India to a more broadly based investment and financing group that intends to expand its investment and advisory capabilities not only in India but also in Europe and the USA where RP&C historically has operated.

DIRECTORS

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

AUDITORS

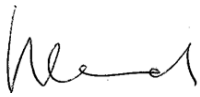
The auditors are PricewaterhouseCoopers AG, Zurich, Switzerland.

DIRECTORS' INTERESTS

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

	31 March 2017	31 March 2016
Dr. Volkert Klaucke	38,629	38,629
Dr. Doraiswamy Srinivas	1,485,319	Nil
Mr. Markus Müller (appointed 27 September 2016)	Nil	N/A
Mr. William Vanderfelt (resigned 27 September 2016)	187,663	177,238
Mr. David Quint	1,519,889	Nil

By order of the Board



Dr. Volkert Klaucke
Chairman - Date: 24 July 2017

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 statement of financial position as at 31 March 2017 and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements (pages 13 to 59) give a true and fair view of the consolidated financial position of the Group as at 31 March 2017 and its consolidated financial performance and its consolidated cash flows for the year then ended 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 million (rounded), which represents 1% of total assets.

Our audit scope covered 91% of the Group's f total assets.

As key audit matters the following areas of focus have been identified:

- Valuation of investment property
- Purchase price allocation of RP&C

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

The Group is primarily structured in four operating segments: Investments in Government Tenanted Property, Investments in Development Rights, Investment Advisory and Gold Trading (discontinued). In establishing the overall approach to the Group audit, we determined the type of work that needed to be performed by us on the different entities of the group, with support of PwC audit experts in Germany.

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 million (rounded)
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 0.2 million 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 property

Key audit matter	*How our audit addressed the key audit matter*
Refer to page 37 (Note 13: Investment property) The Group owns four investment properties in Leipzig, Germany. The properties are held at fair value. The valuation of the investment properties was performed as at 31 March 2017 by an independent property consultant. A discounted cash flow	We evaluated and challenged Group management's assumptions as described on page 37 (Note 13) of the financial statements, and discussed these with the Audit Committee and selected members of the Board of Directors. In particular, we performed the following: • We reviewed the valuation of the investment properties as done by an independent property

method was used to calculate the market value assuming a 10-year calculation period and a long-term growth rate (terminal value).

The principal inputs underlying management's estimate of fair value are the assumptions of the rents relating to the period after the current lease expires, as well as discount rates and void periods.

The valuation of investment property is considered as a key audit matter due to the significance of these assets on the balance sheet (USD 143.7 million) as well as the considerable judgement required by Group management in making their assessment.

consultant. To do so, we involved PwC real-estate experts in Germany.

- We compared the rents, which were included in the valuation, with the lease agreements. We found them to be consistent.
- We challenged Group management's discount rate by comparing them to similar projects. We also challenged Group management's assumptions of terminal value, void periods and assumptions of the renewal rents by comparing them with economic and industry forecasts. We found these assumptions to be within a reasonable range of our expectations.

Based on the work carried out and described above we consider Group management's valuation of the investment properties and the underlying valuation parameters used, to be reasonable.

Purchase price allocation of RP&C

Key audit matter	*How our audit addressed the key audit matter*
Please refer to page 51 (Note 26) In October 2016, the Group acquired RP&C International Inc., an investment banking group based in London, for a consideration of USD 17.9 million. The Group has performed a purchase price allocation and identified net assets for a total amount of USD 19.4 million. The Group has recognised a bargain purchase of USD 1.5 million. The main asset acquired by the Group is a freehold property in London, valued at USD 25.8 million by an independent property consultant using comparable sales method. A contingent liability related to a legal claim against RP&C has also been acquired and fair valued at USD 0.6 million. We considered this a key audit matter because of the judgements used by Group management in assessing the fair value of the acquired assets and liabilities.	Our audit approach included an assessment of the assets and liabilities purchased in the acquisition. • We recalculated the value of the consideration and the bargain purchase and found them to be consistent. • We reviewed the valuation of the freehold property in London as done by an independent property consultant. We also compared the value per square meter with offers and sales transactions in the same area. • In connection with the contingent liability, we compared management's analysis with the lawyer's assessment as well as our understanding of the case with its treatment. • We assessed the adequacy of the disclosures and the presentation of the transaction in the consolidated financial statements. The work we carried out and described above supports the purchase price allocation of RP&C performed by Group management and the relating disclosures.

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

Roger Kunz
Audit expert
Auditor in charge

Efrem Dell'Era
Audit expert

Zurich, 24 July 2017

ARUNDEL AG
CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 MARCH 2017

	NOTE	Year ended 31 March 2017	Year ended 31 March 2016
		$	RESTATED $
Revenue	6	11,475,480	10,393,784
Administrative and marketing expenses	7	(7,311,612)	(6,630,149)
Fair value loss on investment property	13	(888,991)	(4,627,227)
Other income		2,505	271,838
Operating profit/(loss)		3,277,382	(591,754)
Finance income	8	43,232	1,449,714
Finance costs	9	(11,636,115)	(10,524,055)
Gain on bargain purchase	26	1,523,137	-
Loss before income tax expense		(6,792,364)	(9,666,095)
Income tax expense	21	102,888	-
Loss from continuing operations		(6,689,476)	(9,666,095)
Discontinued Operations			
Loss for the year from discontinued operations	26	(248,675)	(844,858)
Loss for the year		(6,938,151)	(10,510,953)
Attributable to:			
Equity owners of the parent		(7,081,571)	(10,299,880)
Non-controlling interests		143,420	(211,073)
Earnings per share from continuing and discontinued operations attributable to owners of the parent during the year		**$ per share**	**$ per share**
Basic earnings per share:			
From continuing operations	10	(0.476)	(0.703)
From discontinued operations	10	(0.018)	(0.062)
From loss for the year		(0.494)	(0.765)

The notes on pages 18 to 59 form part of these consolidated financial statements.

	Year ended 31 March 2017 $	Year ended 31 March 2016 $
Loss for the year	(6,938,151)	(10,510,953)
Other comprehensive income/(expense)		
Items that may be subsequently reclassified to profit or loss		
Currency translation differences	(1,629,223)	800,806
Other comprehensive (expense)/income for the year	(1,629,223)	800,806
Total comprehensive expense for the year	(8,567,374)	(9,710,147)
Attributable to:		
Equity owners of the parent	(8,710,794)	(9,499,074)
Non-controlling interests	143,420	(211,073)

The notes on pages 18 to 59 form part of these consolidated financial statements.

ARUNDEL AG
CONSOLIDATED BALANCE SHEET
AS AT YEAR ENDED 31 MARCH 2017

	NOTE	As at 31 March 2017 $	As at 31 March 2016 $
ASSETS			
Non-current assets			
Property plant and equipment	12	25,030,249	-
Investment property	13	143,711,456	153,500,404
Development rights	14	-	18,658,017
Other Investments		115,992	77,335
Other receivables and prepayments	15	3,423,447	3,571,082
		172,281,144	175,806,838
Current assets			
Other receivables and prepayments	15	12,942,833	10,473,081
Restricted cash	15	7,026,162	270,750
Deferred taxation		306,850	
Cash and cash equivalents		924,329	2,546,610
		21,200,174	13,290,441
TOTAL ASSETS		193,481,318	189,097,279
EQUITY			
Capital and reserves			
Share capital	16	155,020,972	162,528,644
Share premium		56,307,636	109,054,845
Equity component of convertible bond	18	749,267	749,267
Translation reserve		(4,925,644)	(3,113,073)
Accumulated Loss		(179,788,676)	(231,176,762)
		27,363,555	38,042,921
Treasury shares	16	(1,601,408)	(13,384,494)
		25,762,147	24,658,427
Non-controlling interests	20	2,831,536	2,688,116
TOTAL EQUITY		28,593,683	27,346,543
LIABILITIES			
Non-current liabilities			
Borrowings	17	136,626,789	101,637,085
Other payable – related party	14	-	18,658,017
Other payable – promissory note	26	1,260,000	-
Deferred taxation	19	3,134,146	-
		141,020,935	120,295,102
Current liabilities			
Accruals	22	4,268,320	8,766,122
Contingent liability	26	605,000	-
Trade and other payables	23	3,783,012	-
Borrowings	17	15,210,368	32,689,512
		23,866,700	41,455,634
TOTAL LIABILITIES		164,887,635	161,750,736
TOTAL EQUITY AND LIABILITIES		193,481,318	189,097,279

The notes on pages 18 to 59 form part of these consolidated financial statements.

ARUNDEL AG
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED 31 MARCH 2017

		Attributable to equity owners of the parent							
		Share capital $	**Share premium** $	**Treasury shares** $	**Equity component of convertible bond** $	**Translation reserve** $	**Retained earnings** $	**Non-controlling interest** $	**Total equity** $
Balance as of 31 March 2015 and 1 April 2014		**162,528,644**	**109,054,845**	**(19,384,291)**	**710,792**	**(3,913,879)**	**(213,658,815)**	**2,899,189**	**38,236,485**
Loss for the year		-	-	-	-	-	(10,299,880)	-	**(10,299,880)**
Other comprehensive income									
Foreign currency translation		-	-	-	-	800,806	-	-	800,806
Total other comprehensive expense		-	-	-		**800,806**	-	-	**800,806**
Equity component of convertible bond	18	-	-		38,475	-		-	38,475
Non-controlling interest	20	-	-	-	-	-	-	(211,073)	(211,073)
Treasury share transaction - dividend	16			5,999,797			(7,218,067)		(1,218,270)
Balance as of 31 March 2016		**162,528,644**	**109,054,845**	**(13,384,494)**	**749,267**	**(3,113,073)**	**(231,176,762)**	**2,688,116**	**27,346,543**
Loss for the year		-	-	-	-	-	(7,081,571)	-	(7,081,571)
Other comprehensive income									
Foreign currency translation		-	-	183,348	-	(1,812,571)	-	-	(1,629,223)
Total other comprehensive income			-	**183,348**	-	**(1,812,571)**	-	-	**(8,710,794)**
Transfer of reserves[1]		-	(52,747,209)	-	-	-	52,747,209	-	-
Non-controlling interest	20	-	-	-	-	-	-	143,420	143,420
Treasury share transactions	16	(7,507,672)	-	11,599,738	-	-	5,722,448	-	9,814,514
Balance as of 31 March 2017		**155,020,972**	**56,307,636**	**(1,601,408)**	**749,267**	**(4,925,644)**	**(179,788,676)**	**2,831,536**	**28,593,683**

1 – Approved at the Company's Annual General Meeting of 27 September 2016.

The net increase to retained earnings in respect of the movement in treasury shares during the year ended 31 March 2017 was $5,722,448 (2016 – reduction of $7,218,067), including $1,699,770 received from the direct placement of shares by NCR.

The notes on pages 18 to 59 form part of these consolidated financial statements.

ARUNDEL AG
CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2017

	NOTE	Year ended 31 March 2017	Year ended 31 March 2016
		$	$
Cash flow from operating activities			
Loss for the year		(6,938,151)	(10,510,953)
Adjustments for:			
-Net foreign exchange losses/(gains)	9	2,381,871	(1,157,045)
- Interest income	8	(43,232)	(292,669)
- Interest expenses and other finance expenses	9	8,096,242	8,115,188
- Amortisation of debt issue costs	9	1,003,356	988,242
- Changes in fair value of investment property	13	888,991	4,627,227
- Provision for impairment of receivables	15	646,433	3,168,873
- Gain on bargain purchase	26	(1,523,137)	-
- Depreciation	12	214,551	-
- Impairment of available for sale assets		40,210	97,293
- Income tax expense	21	(102,888)	61,840
Changes in working capital			
- Trade creditors and other payables		158,651	-
- Receivables and prepayments		(374,796)	794,647
- Accruals		(251,614)	1,015,771
Cash generated by operations		4,196,487	6,908,414
Interest paid		(7,401,578)	(5,161,302)
Income tax paid		-	-
Net cash (used)/generated operating activities		(3,205,091)	1,747,112
Cash flow from investing activities			
Change in restricted cash	15	(6,790,587)	21,065
Cash acquired on purchase of subsidiaries	26	830,165	-
New loans made	15	(964,402)	-
Cash payments for potential acquisition of development rights	15	(2,988,778)	(2,362,269)
Interest received		453	118,216
Net cash used by investing activities		(9,913,149)	(2,222,988)
Cash flow from financing activities			
Proceeds from borrowings – net of costs		18,065,572	8,171,588
Repayment of borrowings		(6,509,520)	(6,232,419)
Payment of dividend		-	(1,218,270)
Proceeds from sale of shares		1,699,769	-
Payment of cash element of par value capital reduction	11	(1,771,860)	-
Net cash generated by financing activities		11,483,961	720,899
Net (decrease)/increase in cash and cash equivalents		(1,634,279)	245,023
Movement in cash and cash equivalents			
Cash and cash equivalents at beginning of year		2,546,610	2,332,669
Net (decrease)/increase in cash and cash equivalents		(1,634,279)	245,023
Foreign currency translation adjustments		11,998	(31,082)
Cash and cash equivalents at end of year		**924,329**	**2,546,610**

The notes on pages 18 to 59 form part of these consolidated financial statements.

1. GENERAL INFORMATION

Arundel AG (formerly USI Group Holdings AG (the "Company")), domiciled in Switzerland with its registered office at Bleicherweg 66, CH-8002, Zürich, Switzerland, is the ultimate parent company of the Arundel Group. Until 4 October 2016 the business of the Company and its subsidiaries (together the "Group") consisted of the ownership and development of real estate and infrastructure assets in India and Europe. On 4 October 2016 the Company completed the acquisition of the RP&C International Inc. an investment banking group based in London which undertakes financing activities internationally. Contemporaneously with this acquisition the Company changed its name to Arundel AG ("Arundel"). The new name marks the Company's transition from an investment holding company focused on India to a more broadly based investment and financing group that intends to expand its investment and advisory capabilities not only in India but also in Europe and the USA where RP&C historically has operated.

The Company 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 annual accounts of the individual subsidiaries for the period 1 April 2016 to 31 March 2017, which were drawn up according to uniform Group accounting principles. Comparative information in respect of the year ended 31 March 2016 has been restated to reflect the presentation of the gold trading segment as discontinued as detailed in Note 26.

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 year ended 31 March 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.

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 standard is not expected to have a material impact on the consolidated financial statements.

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.

All Group subsidiaries have 31 March year ends. 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 26)
- Gold Trading (discontinued – See Note 26)

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, except where deferred in equity as qualifying cash flow hedges and qualifying investment hedges.

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, unless they are capitalised. 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 of borrowings and other currency instruments designated as hedges of such investments, 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 active market prices, adjusted if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. These valuations are performed in accordance with guidance issued by the International Valuation Standard Committee and are reviewed annually by external valuers.

Land held under operating leases is classified and accounted for by the Group as investment property when the definition of investment property would otherwise be met. The operating lease is accounted for as if it were a finance lease.

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 as the fair value of the expenditure is not reasonably determinable. 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 are recorded in the income statement. Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the income statement, when necessary.

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.

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
- Plant in fabric of buildings – 20 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. As the Group's development rights are irrevocable and do not expire, the development rights were determined to be an indefinite lived intangible asset.

2.9 Other investments

Equity investments, other than investments in Associates, are recorded at fair value unless such fair value is not reliably determinable in which case they are carried at cost. Changes in fair value are recorded in the consolidated statement of income unless they are classified as available for sale, in which case fair value movements are recognised in other comprehensive income and are subsequently recognised in the consolidated statement of income when realised by sale or redemption, or when a reduction in fair value is judged to be a significant or prolonged decline.

2.10 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. The directors determine the classification of the loans at initial recognition and re-evaluate the designation at every reporting date.

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 or a group of financial assets 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 investments are sold the resulting gains and losses are included in the income statement as gains and losses from loans.

2.11 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.

2.12 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.

2.13 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.

2.14 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.

2.15 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 Dividends

Dividends are recorded in the consolidated financial statements in the period in which they are approved by the Company's shareholders.

2.17 Par value capital reduction

Reductions in the par value of the shares of the Company are recorded upon the date at which the reduction is registered at the Commercial Registry Office.

2.18 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.

2.19 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.

2.20 Provisions

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.

2.21 Revenue recognition

Revenue includes gold trading revenue, investment advisory and rental income. 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. 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.

2.22 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, except for borrowing costs relating to qualifying assets, which are capitalised as part of the cost of that asset. The Group has chosen to capitalise borrowing costs on all qualifying assets irrespective of whether they are measured at fair value or not.

2.23 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.

2.24 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 reserves.

2.25 Employee benefits

(a) Pensions

The Group operates a defined contribution plan for its staff. 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 strategic alliances, 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, outsourcing of critical processes, 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. The Group uses derivative financial instruments to hedge certain risk exposures. However, at 31 March 2017 and 31 March 2016 no hedging instruments for the Group were outstanding.

Risk management is carried out by the executive management under policies approved by the Board of Directors. The Board identifies, evaluates and hedges financial risks. The Board provides principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, 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 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.

Historically the Group has not entered into currency hedging transactions in respect of the net assets of subsidiaries denominated in currencies other than US Dollars. The Group will review this policy from time to time.

At 31 March 2017, if the US Dollar had increased/decreased by 10% against the Pound Sterling with all other variables held constant, profit for the year would have increased by $2,119 (2016:$909) or decreased by $1,733 (2016: $744), mainly as a result of foreign exchange losses on translation of Pound Sterling denominated cash balances. The equity impact of a 10% movement would be $325,676 (2016: $nil).

3. FINANCIAL AND OTHER RISK MANAGEMENT (CONTINUED)

At 31 March 2017, if the US Dollar had increased/decreased by 10.0% against the Euro with all other variables held constant, profit for the year would have increased by $1,298,564 (2016: $2,012,238) or decreased by $1,062,462 (2015; $1,646,376) due to foreign exchange losses on translation of Euro denominated cash and inter-company balances. The equity impact of a 10% movement would be $3,201,003 (2016: $2,851,167).

At 31 March 2017, if the US Dollar had increased/decreased by 10.0% against the Swiss Franc with all other variables held constant, profit for the year would have increased by $nil (2016: $nil) or decreased by $nil (2016: $nil) due to foreign exchange losses on translation of Swiss Franc denominated cash balances. The equity impact of a 10% movement would be $5,854,999 (2016: $6,451,721.)

At 31 March 2017, if the US Dollar had increased/decreased by 10.0% against the Rupee with all other variables held constant, profit for the year would have increased by $nil (2016; $nil) or decreased by $nil (2016: $nil) due to foreign exchange losses on translation of Rupee denominated cash balances. The equity impact of a 10% movement would be $1,910 (2016: $5,292).

At 31 March 2017, if the US Dollar had increased/decreased by 10.0% against the Singapore Dollar with all other variables held constant, profit for the year would have increased by $x (2016; $901) or decreased by $x (2016: $738) due to foreign exchange losses on translation of Rupee denominated cash balances. The equity impact of a 10% movement would be $2,089 (2016: $115,867).

Exchange rate volatility is calculated on the basis of historic price movements.

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. 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.

3. FINANCIAL AND OTHER RISK MANAGEMENT (CONTINUED)

The table below shows the sensitivity of profit and other comprehensive income to movements in market interest rates for continued business:

	$ 31 March 2017	$ 31 March 2016
Shift in basis points	50	50
Profit impact of increase	(714,819)	(637,868)
Profit impact of decrease	714,819	637,868
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.

Counterparty	31 March 2017 Rating	31 March 2016 Rating	31 March 2017 Balance	31 March 2016 Balance
Sparkasse-Köln	AA-	AA-	7,025,138	270,723
Credit Suisse	A	A	235,781	566,502
National Westminster Bank Plc	BBB+	n/a	265,075	n/a
Citibank	A+	n/a	141,207	n/a

All cash held with Sparkasse Köln is reflected as restricted cash in the balance sheet, being held as a maintenance reserve and security against borrowings secured on investment property. The balances held at National Westminster Bank Plc and Citibank were acquired as part of the acquisition of RP&C and, as such, comparative information is not provided.

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.

Management monitors rolling forecasts of the Group's liquidity reserve on the basis of expected cash flow.

3. FINANCIAL AND OTHER RISK MANAGEMENT (CONTINUED)

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.

At 31 March 2017	**Less than 1 year**	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 Years**
	$	$	$	$
Borrowings	13,527,998	149,806,109	1,735,010	-
Trade and other creditors	3,643,012	-	-	-
Other payables – promissory note	140,000	1,260,000	-	-
Total	17,311,010	151,066,109	1,735,010	-

At 31 March 2016	**Less than 1 year**	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 Years**
	$	$	$	$
Borrowings	42,406,617	16,833,589	102,719,643	-
Trade and other creditors	-	-	-	-
Other payables	-	-	18,658,017	-
Total	42,406,617	16,833,589	121,377,660	-

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.

The gearing ratios at 31 March 2017 and 2016 were as follows:

	2017	**2016**
	$	**$**
Total borrowings (Note 17)	151,837,157	134,326,597
Less: cash and cash equivalents	(924,329)	(2,546,610)
Net debt	150,912,828	131,779,987
Total equity	28,593,683	27,346,543
Total capital	179,506,511	159,126,530
Gearing ratio	**84.1%**	**82.8%**

3. FINANCIAL AND OTHER RISK MANAGEMENT (CONTINUED)

3.2 Fair value estimation

The table below provides disclosure of fair value measurements at 31 March 2017 and 2016 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 March 2017	NOTE	Level 1	Level 2	Level 3
Assets		$	$	$
Freehold property	12	-	-	25,030,249
Investment property	13	-	-	143,711,456
Other investments		115,992	-	-

As at 31 March 2016	NOTE	Level 1	Level 2	Level 3
Assets		$	$	$
Freehold property	12	-	-	-
Investment property	13	-	-	153,500,404
Other investments		77,335	-	-

The fair value of financial 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 financial 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.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- 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.

3. FINANCIAL AND OTHER RISK MANAGEMENT (CONTINUED)

3.2 Fair value estimation (continued)

For further details of the valuation technique used to value the Freehold Land and Buildings held by the group see Note 12.

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 year ended 31 March 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).

1 July 2047 is the end of the current lease term for the Records Bureau within the property with the balance expiring on 30 June 2025.There is no directly comparable market data available due to the specifics of the property (size, government tenant, specifications made to the building).

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 differ by 5% the net effect on the carrying amount of the investment properties after deferred taxation would be an estimated $6.4 million higher or $5.8 million lower (2016 - $6.8 million higher or $6.2 million lower).

b) Allowance on trade debtors and other receivables

The Group establishes provisions 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 provisions 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.

c) Impairment test of development rights and contingent consideration

In determining the fair value of the contingent liability for the acquisition of development rights and the impairment test of the same intangible, the Group uses discounted cash flow valuation techniques. The principal inputs underlying management estimations are those related to market sales prices for comparable projects, costs of construction and price inflation (refer to Note 16)

d) Estimate of fair value of freehold land and property

On 4 October 2016 the Group acquired a 100% interest in freehold land and property in London. The Group commissioned an independent valuation of this interest 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. At 31 March 2017, the Group does not believe that any impairment of the asset has occurred and continues to hold the asset at the independent appraised value on acquisition less amortisation and depreciation in accordance with the appropriate accounting policies.

5. FOREIGN EXCHANGE RATES

	Balance Sheet		Income Statement and Cash Flow Statement	
	31 March 2017 $	31 March 2016 $	average Year ended 31 March 2017 $	average Year ended 31 March 2016 $
GBP	0.79731	0.6960	0.7677	0.6638
SGD	1.39655	1.3482	1.3843	1.38626
INR	64.8599	66.1774	67.055	65.4142
CHF	1.0000	0.9627	0.9877	0.9724
EUR	0.9349	0.8806	0.91185	0.9058

6. REVENUE

	Year ended 31 March 2017 $	Year ended 31 March 2016 $
Investment property rental	10,329,503	10,393,784
Investment advisory	1,145,977	-
Total continued operations	11,475,480	10,393,784
Gold trading – discontinued operations	1,448,523	37,786,674
Total	12,924,003	48,180,458

Rental income from investment properties is recognised based on the contractual rental agreement over the life of the lease term. The investment property rental income is €9,411,676 (2016: €9,411,676) per annum and the weighted average remaining lease term is approximately 12 years. The lease was renewed on 14 November 2016, the present rental income will continue until 1 September 2017 at which time a new annual rent of €6,250,000 will be receivable reflecting current market levels.

Investment advisory income represents consultancy services and investment management services, these are recognised on an accruals basis in accordance with the terms of the contract entered into by the Group and the counterparty.

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

7. ADMINISTRATIVE AND MARKETING EXPENSES

	Year ended 31 March 2017 $	Year ended 31 March 2016 $ RESTATED
Professional fees and other costs	3,063,452	1,364,292
Property rent and maintenance	470,758	625,844
Advisory fees	525,000	1,019,216
Third party commissions	221,875	-
Provision made for impairment of receivables (Note 15)	646,433	3,166,027
Depreciation (Note 12)	214,551	-
Sundry expenses	858,234	299,770
Staff costs		
-Salaries	546,519	155,000
-Management compensation	578,775	-
-Pension costs	6,669	-
-Other staff costs	179,346	-
	7,311,612	6,630,149

8. FINANCE INCOME

	Year ended 31 March 2017 $	Year ended 31 March 2016 $ RESTATED
Interest income – IndCo loan (Note 15)	-	149,589
Interest income – other loans (Note 15)	33,294	132,017
Bank interest and other finance income	9,938	11,063
Foreign exchange movements	-	1,157,045
	43,232	1,449,714

9. FINANCE COSTS

	Year ended 31 March 2017 $	Year ended 31 March 2016 $ RESTATED
Interest on notes	1,551,079	1,479,210
Interest on mortgages	4,826,585	6,635,978
Interest on other loans	1,718,578	724,272
Amortisation of debt issue costs	1,003,356	988,242
Other borrowing expenses	181,391	696,353
Foreign exchange movements	2,355,126	-
	11,636,115	10,524,055

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.

	Year ended 31 March 2017 $	Year ended 31 March 2016 $
Net profit attributable to equity owners of the parent:		
from continuing operations	(6,689,476)	(9,666,095)
from discontinued operations	(248,675)	(844,858)
	(6,938,151)	(10,510,953)
Weighted average number of ordinary shares outstanding	14,060,172	13,740,353
Basic/diluted earnings per share from continuing operations	(0.476)	(0.703)
Basic/diluted earnings per share from discontinued operations	(0.018)	(0.062)
Basic/diluted earnings per share from profit for the year/period	**(0.494)**	**(0.765)**

In September 2010 a subsidiary of the Group issued debt comprising CHF 42,040,000 of convertible bonds with a maturity date of 31 March 2019. As at 31 March 2017, Bonds in the aggregate principal amount of CHF 24,513,750 were held by third parties and the remainder by the Group. The Bonds have a principal amount of CHF 1,000, a cash coupon of 6.25% and a conversion price of CHF 15.50. 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.

Management has estimated that the maximum number of additional ordinary shares that could be issued at 31 March 2017 is 1,581,532 (2016 – 1,581,532). Since the share price at 31 March 2017 was significantly below the conversion price, the diluted earnings per share have not been shown in the table above.

11. DIVIDENDS

In lieu of the payment of a dividend in relation to the year ended 31 March 2016, the Board of Directors recommended the payment of a par value capital reduction to shareholders equivalent to CHF 0.50 per share at the Company's Annual General Meeting. The repayment was payable in cash or, at the election of the shareholder, in additional shares of the Company (sourced from treasury shares). Eligible Shareholders were offered the opportunity to elect to receive, in respect of all or part of the shares held by them, one additional share per CHF 8.50 of their respective repayment entitlement.

The par value capital reduction completed on 12 January 2017 with approximately 75% of eligible shareholders electing to receive additional shares resulting in a reduction in treasury shares of 602,957. Cash payments made to those shareholders not electing to receive shares totaled CHF 1,785,252 ($1,771,860).

12. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Freehold Buildings	Fixtures and Fittings	Vehicles	Total
	$	$	$	$	$
Year ended 31 March 2017					
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

On 4 October 2016 the Group acquired the entire issued share capital 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 March 2017, the Group does not believe that any impairment of the asset has occurred and continues to hold the asset at the independent appraised value on acquisition less amortisation and depreciation in accordance with the appropriate accounting policies. The freehold property valuation of £20 million has been split between land and buildings has been based on an allocation derived from the financial statements of Arundel Group Limited.

Leased assets

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

	Year ended 31 March 2017 $	Year ended 31 March 2016 $
Cost	125,956	-
Accumulated depreciation	(22,337)	-
Net book value	103,619	-

The liability in respect of these assets as at 31 March 2017 totals $100,330 and is shown within Other Payables (see Note 23).

12. PROPERTY, PLANT AND EQUIPMENT (Continued)

Non-current assets pledged as security

See Note 17 for details of non-current assets pledged as security by the Group.

Revaluation, depreciation methods and useful lives

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
- Plant within fabric of freehold buildings – 20 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.

13. INVESTMENT PROPERTY

	2016/2017 $	2015/2016 $
As at 1 April	153,500,404	151,219,536
Net losses on fair value adjustment	(888,991)	(4,627,227)
Exchange differences	(8,899,957)	6,908,095
As at 31 March	143,711,456	153,500,404

Losses recorded in profit or loss for recurring fair value measurements categorised within Level 3 of the fair value hierarchy amount to $888,991 (2016 - $4,627,227) and are included in the consolidated income statement.

On 21 December 2007, the Group acquired a 94.9% interest in a partnership which owns 4 investment properties in Leipzig, Germany, which are leased to the Government of Saxony. These were acquired for a purchase price of $228.3 million. 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.

The present rent of €9.4 million p.a. will continue until 1 September 2017, at which time a new annual rent of €6.25 million will be payable reflecting current market levels.

An independent valuation of the investment properties was performed by Botta Management AG, ("Botta") as at 31 March 2017. A discounted cash flow method was used to calculate market value assuming a 9 year calculation period and a terminal value (with the exception of the Records Bureau which has used a 31 year calculation period).

The valuation assumed an annual rental of €6,250,000 adjusted for indexation to the end of the current lease term. Thereafter, the valuation made various assumptions on renewal of the lease including rent, vacancy periods and potential capital expenditure. The cash flows were discounted at a rates of 3.4% and 4.1% (2016 – 3.8%) and result in a valuation of $55.36 million (€51.76 million).

Additionally a terminal residual value of the property was calculated at the end of the nine year period using a capitalisation rate of 4.4% and 5.1% (2016 – 5.0%) of $88.35 million (€82.60 million).

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	134,360,000/ 143,711,456 (2016 – 135,170,000/ 153,500,404)	Discounted cash flow	6,250,000/ 6,685,207 (2016 - 9,411,676/ 10,687,993)	3.40/4.10% (2016 – 3.80%)	4.40/5.10% (2016 – 5.00%)

Included in property rent, maintenance and office expenses as detailed in Note 7 are repairs of $86,326 (2016 - $215,284) in respect of investment properties generating rental income. These costs were incurred in respect of investment properties where the Group is responsible for structural and roof repairs. There were no repairs and maintenance costs incurred in respect of investment properties that did not generate rental income.

14. DEVELOPMENT RIGHTS

	2016/2017 $	2015/2016 $
Cost:		
As at 1 April	19,719,064	20,783,927
Effect of foreign currency movements	-	(1,064,863)
As at 31 March	19,719,064	19,719,064
Accumulated impairment:		
As at 1 April	(1,061,047)	(878,112)
Impairment charge	(18,658,017)	(182,935)
As at 31 March	(19,719,064)	(1,061,047)
Net book value:		
As at 1 April	18,658,017	19,905,815
As at 31 March	-	18,658,017

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 cost on initial recognition was the acquisition cost of the development rights plus 3% of the net present value of estimated future earnings as determined by an independent third party valuation. 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 significant 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.

An independent valuation produced for the Group in indicated a development value of approximately $90 million in respect of the ECR Property. At 31 March 2017, $6,233,435 (31 March 2016, $3,244,657) had been lent in respect of this investment and is shown under third party current receivables (See Note 15). The Company will only recognise value for the ECR Property in the consolidated balance sheet once it has freehold ownership of the land and development rights.

15. OTHER RECEIVABLES AND PREPAYMENTS

	As at 31 March 2017 $	As at 31 March 2016 $
Non-current		
Other receivables and prepayments – related party	3,423,447	3,571,082
Other receivables and prepayments – third party	551,000	-
Provision made for impairment of receivables	(551,000)	-
	3,423,447	3,571,082
Current		
Other receivables and prepayments – related party	-	6,748,929
Other receivables and prepayments – third party	16,198,582	6,893,026
Provision made for impairment of receivables	(3,255,749)	(3,168,874)
	12,942,833	10,473,081
Total Receivables and prepayments	**16,366,280**	**14,044,163**
Restricted cash	7,026,162	270,750
Total	**23,392,442**	**14,314,913**

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 ($2,139,195) (2016 - €2,000,000 million ($2,271,198), 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 27 - Related Party Transactions). Also included is interest on this loan of $1,284,251 (2016 - $1,299,883). Interest of $33,294 (€30,000) (2016 -$132,017 (€120,000)) has been accrued in the period on this balance. The principal and interest are due to be paid in March 2020. No allowance was deemed necessary due to the pledge of Ridgemont's non-controlling interest (see Note 20) to the Group as security for the loan and accrued interest receivable.

Non-current third party receivables and prepayments:

Included in non-current third party receivables is a balance of $551,000 in relation to a loan made for working capital purposes. Provision has been made against the loan and accrued interest as recoverability is considered doubtful at 31 March 2017.

Current related party receivables and prepayments:

Included in current related party receivables as at 31 March 2016 was a debtor of $6,382,368. In October 2016, 892,983 of the Company's shares were returned to the Company in full settlement of this receivable (See Note 16).

Current third party receivables:

Included within third party receivables are payments made to third parties in advance of potential development rights acquisitions of $6,233,435 (2016 - $3,244,657) (See Note 14). Also included is a receivable of $4,000,000 in relation to the sale of 510,753 shares from treasury to a new shareholder on 30 March 2017. The funds were received on 3 April 2017. Third party receivables also include an amount of $3,166,206 against which full provision has been made at 31 March 2016 (see details of provision below.

Provision for impairment of receivables:

At 31 March 2017 all amounts relating to a convertible promissory loan note, associated interest and fees due from an Indonesian coal mining company ("IndCo") have been fully impaired as recoverability is considered doubtful at 31 March 2017.

15. OTHER RECEIVABLES AND PREPAYMENTS (Continued)

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 will be used to prepay a portion of the junior debt in September 2017.

16. SHARE CAPITAL

	As at 31 March 2017 $	As at 31 March 2016 $
Authorised, allotted, called up and fully paid:		
Equity interests:		
15,115,164 Ordinary shares of CHF 10.00 each	-	162,528,644
15,115,164 Ordinary shares of CHF 9.50 each	155,020,972	-

The Company completed a par value capital reduction of CHF 0.50 per share on 12 January 2017 (see Note 11).

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 71,797,029 until 27 September 2018 through the issuance of up to 7,557,582 additional registered shares with a nominal value of CHF 9.50 each. An increase in partial amounts is permitted.

The Board of Directors will recommend a capital distribution to shareholders by way of a par value capital reduction of CHF 0.50 per share at the Company's Annual General Meeting which will be held in Zurich on Tuesday, 19 September 2017. If approved, shareholders will be offered the opportunity to reinvest the proceeds in shares of the Company.

Conditional share capital

According to Article 3a of the Articles the share capital may be increased by a maximum amount of CHF 14,359,402 through the issuance of up to 1,511,516 fully paid registered shares with a nominal value of CHF 9.50 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 57,437,627 through the issuance of up to 6,046,066 fully paid registered shares with a nominal value of CHF 9.50 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.

16. SHARE CAPITAL (Continued)

As at 31 March 2017, the Group held 247,772 treasury shares (31 March 2016 – 1,341,458 shares).

Treasury Shares	2017 shares	2016 shares	2017 $	2016 $
Balance at 31 March	247,772	1,341,458	1,979,649	13,384,494

An analysis of the movement in treasury shares in the year ended 31st March 2016 is as follows:

	No of Treasury Shares	$	Average price per share $
As at 31 March 2015	1,509,276	19,384,291	12.84
Shares transferred in lieu of dividend	(416,301)	(5,999,797)	14.41
Receipt of shares from Escrow claim	248,483	-	-
As at 31 March 2016	1,341,458	13,384,494	9.98
Receipt of shares in settlement of obligations from former shareholders (Note 15)	892,983	7,438,078	9.32
Shares issued on acquisition of RP&C (Note 26)	(1,978,195)	(18,707,034)	9.46
Treasury shares acquired on acquisition of RP&C (Note 26)	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)	-
Receipt of shares from NCR Developments Limited	600,000	4,828,084	8.05
Sale of shares to third party (Note 15)	(510,753)	(4,137,099)	8.10
Foreign exchange movement	-	(183,348)	-
As at 31 March 2017	247,772	1,601,408	6.46

During the year ended 31 March 2017 the Company received 892,983 shares into treasury from one of the Company's former shareholders in settlement of obligations to the Company.

On 4 October 2016, the Company transferred 1,978,195 shares from treasury in order to acquire the entire issued share capital of RP&C International Inc. On the same day 505,236 treasury shares were acquired by the Group, representing the number of shares held in the Company by members of the RP&C International Group at the date of acquisition (See Note 26).

During the year the Company agreed with NCR Developments Limited ("NCR") that it return 600,000 Arundel shares to the company to be held in treasury. These shares were originally transferred to NCR in 2016 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.

On 30 March 2017, the Company announced the sale of 510,573 shares held in treasury to the pension fund of a US publically listed company. Net proceeds of the sale totalled $4 million, this amount was received by the Company in April 2017 and is shown with current receivables as at 31 March 2017 (See Note 15).

17. BORROWINGS

	As at 31 March 2017 $	As at 31 March 2016 $
Non-current		
Bonds	23,641,033	24,458,128
Facilities	84,724,193	72,172,110
Other loans	28,261,563	5,006,847
	136,626,789	101,637,085
Current		
Facilities	7,060,368	23,442,985
Other loans	8,150,000	9,246,527
Total current borrowings	15,210,368	32,689,512
Total borrowings	151,837,157	134,326,597

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 in September 2010 and due March 2019. As at 31 March 2017 CHF 24.5 million ($24.5 million) were in issue, no new bonds have been issued in the year ended 31 March 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 USI 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 March 2017 the ratio was 4.16:1 (2016 – 2.95).

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% p.a. (2016 – 8% p.a.) which is payable at maturity in March 2030, subject to the comments below.

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, payable quarterly in arrears. The Group has agreed to acquire, or procure the acquisition by a third party of, the subordinated loan on 31 March 2019.

In addition, 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.

17. BORROWINGS (CONTINUED)

Freehold Property, London

Upon the acquisition of the RP&C (see Note 26), the Group acquired a loan from National Westminster Bank Plc with a principal amount outstanding of $1,665,391 (£1,284,014). 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 £52k ending in September 2022. Interest on the loan is payable at 2% over the lender's base rate.

Other Loans

At 31 March 2017 Other Loans included various loans from a shareholder totaling $24.0 million (2016 - $14.3) which charged interest at 6.25% per annum during the year ended 31 March 2017. On 31 March 2017 the maturity date of these loans was extended to dates between December 2018 and June 2019 and the interest rate on each of the loans was reduced from 6.25% to 5.0% per annum.

Upon the acquisition of RP&C, the Group acquired a number of other loans totaling $11,437,137 (see Note 26). $7,000,000 charged an interest rate of 6.25% per annum and were due for repayment in June 2017; however, the Company negotiated extended maturity dates to June 2018 after 31 March 2017. Also included are other loans totaling approximately $2.1 million on which interest is charged at the rate between 6% per annum and 8% per annum.

At 31 March 2017, the Company has guaranteed $75.8 million (2016 - $44.4 million) of subsidiary company borrowings.

The maturity of non-current borrowings is as follows:

	As at 31 March 2017 $	As at 31 March 2016 $
Between 1 and 2 years	78,038,514	11,768,934
Between 2 and 5 years	58,588,275	89,868,151
Over 5 years	-	-
Non-current borrowings	136,626,789	101,637,085

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

	Carrying amounts		Fair values	
	2017 $	2016 $	2017 $	2016 $
Non-current borrowings	136,626,789	101,637,085	134,439,032	99,048,758

The fair values are based on cash flows discounted using a rate based upon a borrowings rate of 7.0% (2016 – 7.0%). The carrying amounts of the Group's total borrowings are denominated in the following currency:

	As at 31 March 2017 $	As at 31 March 2016 $
Swiss Francs	25,941,033	25,704,682
US Dollars	50,045,728	9,600,000
Euros	72,394,024	99,021,915
British Pounds	3,456,372	-
	151,837,157	134,326,597

18. COMPOUND FINANCIAL INSTRUMENTS

The Bonds (refer to Note 17) include a conversion option for the holders and a conversion option for the Company, into shares of the Company. This holders' option element has been valued independently of the liability of the Bonds and shown as an equity component. The Company's option element has been valued at nil.

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.

In order to arrive at a valuation of conversion option to be shown in equity, two fair value calculations were performed using implied interest rates both inclusive and exclusive of the option, with the valuation of the equity component deemed to be the difference between the two.

	As at 31 March 2017 $	As at 31 March 2016 $
Fair value of option	749,267	749,267

19. 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.

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 deferred tax asset has been recognised at 17% on provisions/contingencies of $1,805,000 included within the Group financial statements as outlined in Note 26.

	As at 31 March 2017 $	As at 31 March 2016 $
Deferred taxation liability	3,134,146	-

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

	As at 31 March 2017 $	As at 31 March 2016 $
As at 1 April	-	-
Recognised on acquisition of RPC group (See Note 26)	3,419,544	-
Charged to the income statement (See Note 21)	(190,870)	-
Net changes due to exchange differences	(94,528)	-
At 31 March	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 assets is now shown at fair value in the consolidated financial statements whilst its tax base has remained at cost to the acquiree.

20. NON CONTROLLING INTEREST

	As at 31 March 2017 $	As at 31 March 2016 $
Non-controlling interest	2,831,536	2,688,116

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 27).

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 Mar 2017 $**	**As at 31 Mar 2016 $**
Non-Current		
Assets	143,711,456	153,500,404
Liabilities	(105,446,277)	(88,105,875)
Total non-current net assets	38,265,179	65,394,529
Current		
Assets	7,190,414	413,651
Liabilities	(544,933)	(22,467,815)
Total current net Liabilities	6,645,481	(22,054,164)
Net assets	44,910,660	45,340,365

Summarised income statement	**Year ended 31 Mar 2017 $**	**Year ended 31 Mar 2016 $**
Revenue	10,329,503	10,393,784
Fair value loss on investment property	(888,991)	(4,627,227)
Administrative expenses	(786,537)	(1,827,381)
Finance costs	(5,841,826)	(8,077,871)
Losses attributable to:	2,812,149	(4,138,695)
Equity holder	2,668,729	(3,927,622)
Non-controlling interest	143,420	(211,073)
	2,812,149	(4,138,695)

20. NON CONTROLLING INTEREST (CONTINUED)

Summarised cash flows	Year ended 31 Mar 2017 $	Year ended 31 Mar 2016 $
Cash flows from operating activities		
Cash generated from operations	9,487,439	9,907,080
Interest paid	(3,408,307)	(3,629,672)
Net cash generated from operating activities	6,079,132	6,277,408
Net cash used in investing activities	6,942,528	(33,683)
Net cash used in financing activities	(13,332,976)	(6,230,176)
Net increase/(decrease) in cash and cash equivalents	**(311,316)**	**13,549**
Cash and cash equivalents at beginning of period	**(26)**	**(24)**
Movement	(311,316)	13,549
Foreign exchange movement on cash	311,317	(13,551)
Cash and cash equivalents at end of period	**(25)**	**(26)**

21. INCOME TAXES

	Year ended 31 March 2017 $	Year ended 31 March 2016 $
Current tax	(87,982)	-
Deferred tax (Note 19)	190,870	(61,840)
	102,888	(61,840)

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax applicable to profits of the consolidated companies (2017: 3.57%, 2016: 2.19%) as follows:

	Year ended 31 March 2017 $	Year ended 31 March 2016 $ RESTATED
Loss before tax per consolidated income statement – continued operations	(6,792,364)	(9,666,095)
Loss before tax per consolidated income statement – discontinued operations	(248 ,675)	(783,018)
	(7,041,039)	(10,449,113)
Income tax calculated at domestic rates applicable to profits in respective countries	(251,446)	(229,274)
Income not subject to taxation	(54,394)	-
Expenses not deductible	1,436	-
Utilisation of losses brought forward	(105,785)	(19,243)
Fair value losses in excess of initial cost	31,747	101,530
Tax losses for which no deferred tax asset was recognised and reversal of prior year deferred tax asset.	466,939	146,987
Difference in overseas tax rates	(516)	-
Temporary timing difference	(190,870)	-
Income tax expense	(102,888)	-

As at 31 March 2017, the Group had unused tax losses of $278.6 million (2016 - $96.1 million), which expires between 2018 and 2025. These losses were not capitalised as it is unlikely that they will be utilised by the Group.

22. ACCRUALS

	As at 31 March 2017 $	As at 31 March 2016 $
Current		
Payable to related parties (refer to Note 27)	415,865	2,635,714
Audit fees	276,764	244,842
Professional fees	496,994	246,335
Other accrued expenses	2,428,165	994,117
Loan interest and related fees	650,532	4,645,114
Total accruals	4,268,320	8,766,122

Included with other accrued expenses is an amount of $1,200,000 acquired upon the acquisition of RP&C as described in Note 26.

Included within loan interest and related fees at 31 March 2016 is $4,408,301 in respect of interest, premia and fees on the subordinated debt accumulated interest, this amount was included in the refinancing of the debt on 20 June 2016 (See Note 17) and, as such, is not included in accruals as at 31 March 2017.

23. TRADE AND OTHER PAYABLES

	As at 31 March 2017 $	As at 31 March 2016 $
Current		
Trade Creditors	3,369,057	-
Taxation payable	132,057	-
Promissory Note	140,000	-
Other payables	141,898	-
Total other payables	3,783,012	-

Trade creditors primarily include balances due to third parties acquired as part of the business combination referred to in note 26. There is no fixed timetable for settlement of these liabilities; however, the Group plans to settle the obligations once it has successfully raised sufficient working capital.

Taxation payable relates to a withholding tax liability of $99,084 arising on interest payments in Singapore along with a provision for UK Corporation tax of $32,973 in relation to Arundel Group Limited.

24. FINANCIAL INSTRUMENTS BY CATEGORY

Assets as per balance sheet 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 2017	Notes	Other financial liabilities	Total
		$	$
Borrowings	17	151,837,157	151,837,157
Other payables	14	-	-
Total		151,837,157	151,837,157

24. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

Assets as per balance sheet 2016	Notes	Available for sale	Loan receivable	Total
		$	$	$
Other Investments		77,335	-	77,335
Other receivables and prepayments	15	-	14,044,163	14,044,163
Cash and cash equivalents		-	2,546,610	2,546,610
Restricted cash	15	-	270,750	270,750
Total		77,335	16,861,523	16,938,858

Cash and cash equivalents is denominated in the following currencies:

	$
Pounds Sterling	8,179
Indian Rupees	1,646,749
US Dollars	337,364
Singapore Dollars	179,014
Euro	24,047
Swiss Francs	351,257
Total	2,546,610

Liabilities as per balance sheet 2016	Notes	Other financial liabilities	Total
		$	$
Borrowings	17	134,326,597	134,326,597
Other payables	14	18,658,017	18,658,017
Total		152,984,614	152,984,614

25. INVESTMENTS IN SUBSIDIARIES

The subsidiaries of the Group as of 31 March are as follows:	Country of Incorporation	Ownership Percentage	
		2017	2016
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 26			
Arundel Inc (formerly RP&C International Inc.)	USA	100%	Nil
Arundel Group Services Limited (formerly Arundel Group Limited) [1]	UK	100%	Nil
Arundel Group Limited (formerly RP&C International Limited)	UK	100%	Nil
Arundel (Securities) Inc. (formerly RP&C International (Securities) Inc.)	USA	100%	Nil
Arundel (Guernsey) Limited (formerly RP&C International (Guernsey) Limited)[1]	Guernsey	100%	Nil
Arundel (Mauritius) Limited (formerly St. James Investment Management Limited)[1]	Mauritius	100%	Nil
PCG Capital Limited [1]	BVI	100%	Nil

1 - Dormant company.

26. 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 USI Group shares 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 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.

26. 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. The Board continues to believe that the claim is without merit and is preparing a vigorous defence. In accordance with IFRS 3, the Board have 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 has been included for the purposes of business combination accounting.

(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 31 (Segmental Reporting).

b) Discontinued Operations

As at 31 March 2017, the gold trading segment of the business has 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. Comparative information has been restated to reflect this treatment.

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

	Year Ended 31 March 2017 $	Year Ended 31 March 2016 $
Revenue	1,448,523	37,786,674
Cost of goods sold	(1,539,112)	(37,874,212)
Administrative expenses	(91,130)	(577,300)
Finance costs	(26,746)	(20,887)
Impairment of available for sale investment	(40,210)	(97,293)
Taxation	-	(61,840)
Loss for the period from discontinued operations	(248,675)	(844,858)

	Year Ended 31 March 2017 $	Year Ended 31 March 2016 $
Net cashflow from operating activities	(57,658)	14,783
Net cashflow from investing activities	-	(2,596)
Net cashflow from financing activities	-	45,471
Net movement in cash generated	(57,658)	57,658

27. RELATED PARTY TRANSACTIONS

Ongoing related parties post acquisition of RP&C

(i) Ridgemont Holdings Limited ("Ridgemont") was a wholly owned subsidiary of the RP&C Group at 31 March 2016. In June 2016, 100% of the issued share capital of Ridgemont was sold to David Quint Jnr, son of David Quint Snr who is a Director of the Company. Ridgemont owns 5.1% of the Partnership referred to in Note 20 and the Group had a loan outstanding due from Ridgemont of $2,139,195 (€2,000,000), and accrued interest of $1,284,251 at 31 March 2017. Interest of $33,924 (€30,000) has been accrued in the period on this balance. The principal amount of the loan is due in March 2020. David Quint Jnr. is also an employee of the Group. Ridgemont has pledged its 5.1% interest in the Partnership as security against the amounts due to the Group.

(i) As at 31 March 2017 loans totalling $940,669 ($750,000) were payable to Mrs Kathleen Quint, wife of David Quint Snr. These loans were 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 loan at 5% over the Coutts base rate and interest of $34,723 has been paid in the period.

(ii) Fees paid to Directors and Executive Management in the year and amounts outstanding as at 31 March 2017 are detailed on page 54. As at 31 March 2017, an amount of $1,400,000 was payable to Mr Richard Borg in relation to a promissory note issued upon the acquisition of RP&C. Of this amount, $140,000 is payable on 30 September 2017, with the balance payable on 4 October 2018.

Historic Related Parties/Related Parties pre acquisition of RP&C

(iv) Arundel (Mauritius) Limited (formerly St James Investment Management Limited ("SJIM")), which was ultimately owned by RP&C up to 4 October 2016, charged advisory fees of $525,000 in the first half of the year ended 31 March 2017 (period ended 31 March 2016 - $1,019,216). RP&C earned transaction fees of $451,480 in the first half of the year ended 31 March 2017 (period ended 31 March 2016 – $Nil).

(v) Ashishkumar Chhajed was the majority beneficial owner of the Group's issued share capital up to 7 August 2015, when 4 million shares were transferred to a non-related party. Subsequent to this date the Group had no majority beneficial owner. Ashishkumar Chhajed was also the majority beneficial owner of Infinite Group Holdings Limited ("Infinite").

(vi) At 31 March 2015, Infinite owed the Group $6,382,368 in relation to the disposal of Maxiwin, Beaufort Overseas and Fortune which were disposed of in October 2014 (as at 31 March 2014 - $nil). Refer to Note 30b. This receivable was assumed by other third parties during the year ended 31 March 2016. Mr Ravi Singh, who resigned his position as a Director of the Group on 26 January 2016, was a Director of Infinite at 31 March 2015

(vii) In February 2016, Mr William Vanderfelt provided $1 million towards the subscription of CHF1 million of Bonds issued by the Group. Mr Vanderfelt resigned his position as a Director on the Company on 27 September 2016.

27. RELATED PARTY TRANSACTIONS (CONTINUED)

The following director's fees were recognised in 2017 and 2016:

	Year Ended 31 March 2017 $	Year Ended 31 March 2016 $
Dr. Volkert Klaucke	30,000	50,576
Mr. Ravi Singh	-	13,366
Mr. William Vanderfelt	15,187	30,852
Mr. David Quint[1]	15,187	30,852
Dr. Doraiswamy Srinivas[1]	15,187	30,852
Mr. Markus Müller	15,187	n/a

[1] Payable to RP&C

The following fees for management were recognised in 2017 and 2016.

	Year Ended 31 March 2017 $	Year Ended 31 March 2016 $
Dr. Volkert Klaucke	122,999	11,127
Mr. Ravi Singh	-	197,259
Mr. Gokul Dixit	150,000	150,000
Mr. David Quint	261,442	-
Dr. Doraiswamy Srinivas	111,788	-
Mr. R M Beney	200,249	-
Mr. R J Borg	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. Singh was a member of Executive Management (in the position of Chief Executive Officer) from 16 September 2014 until his resignation on 26 January 2016. Mr. Quint, Dr. Srinivas, Mr. Beney and Mr. Borg all became members of Executive Management on 4 October 2016. Mr. Dixit was a member of Executive Management between 20 December 2013 and 16 September 2014.

As at 31 March 2017, accrued fees of $137,858 remained payable to Dr. Volkert Klaucke, $8,333 to Mr. Quint and $115,084 to Mr. Beney. In addition, $43,727 remained payable at the discretion of the Company to Dr Srinivas.

28. EMPLOYEES

As at 31 March 2017, the Group employed 14 staff members, including 12 members of staff employed by the RP&C Group. 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 30.

The two members of staff employed to conduct the gold trading business as at 31 March 2016 are no longer employed by the Group following the discontinuation of operations. The salaries of these staff are included in the cost of goods sold (see Note 26).

29. CONTINGENT LIABILITY

As part of the 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).

As mentioned in Note 26 , 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 $12.1 million plus interest and costs relating to a fund raising undertaken by RP&C on behalf of a UK based operating group in 2010 & 2011.

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

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

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

	Shares 2017	Shares 2016
Board of Directors		
Dr. Volkert Klaucke	38,629	38,629
Mr. William Vanderfelt	187,663	177,238
Mr. David Quint	1,519,889	Nil
Dr. Doraiswamy Srinivas	1,485,319	Nil
Mr. Markus Müller	Nil	n/a
Total	**3,231,500**	**215,867**
Group Management		
Mr. Ralph Beney	502,980	n/a
Mr. Richard Borg	299,920	n/a
Total	**802,900**	**Nil**
Group Advisor (up to 4 October 2016)		
Arundel (Mauritius) Limited (formerly St James Investment Management Limited and the RP&C Group)	Nil	384,957
Total	**Nil**	**384,957**

31. SEGMENT INFORMATION **Year ended 31 March 2017**	**Continuing Operations**						
	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 26)	-	-	-	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 19)	-	-	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 19)	-	-	-	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.

31. SEGMENT INFORMATION (CONTINUED)	Continuing Operations						
	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
	$	$	$	$	$	$	$
Year ended 31 March 2016							
Revenue (Note 6)	-	10,393,784	-	-	10,393,784	37,786,674	48,180,458
Net loss on fair value movement on investment property (Note 13)	-	(4,627,227)	-	-	(4,627,227)	-	(4,627,227)
(Loss)/profit after tax	**(536,749)**	**(3,026,294)**	**-**	**(6,103,052)**	**(9,666,095)**	**(844,858)**	**(10,510,953)**
Assets							
Investment property (Note 13)	-	153,500,404	-	-	150,500,404	-	153,500,404
Development rights (Note 14)	18,658,017	-	-	-	18,658,017	-	18,658,017
Other receivables (Advance development rights payments) (Note 15)	3,244,657	-	-	-	3,244,657	-	3,244,657
Trade debtors (Note 15)	-	-	-	-	-	-	-
Restricted cash (Note 15)	-	270,750	-	-	270,750	-	270,750
Cash and cash equivalents	1,810,058	-	-	678,894	2,488,952	57,658	2,546,610
Segment assets for reportable segments	**23,712,732**	**153,771,154**	**-**	**678,894**	**178,162,780**	**57,658**	**178,220,438**
Of which are non-current assets:	18,658,017	153,500,404	-	-	172,158,421	-	172,158,421
						-	
Liabilities							
Total borrowings (Note 17)	7,100,000	95,615,095	-	31,611,502	134,326,597	-	134,326,597
Other payables (Note 14)	18,658,017	-	-	-	18,658,017	-	18,658,017
Segment liabilities for reportable segments	**25,758,017**	**95,615,095**	**-**	**31,611,502**	**152,984,614**	-	**152,984,614**

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 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 Reconciling Central Costs represents expenses, assets and liabilities that relate to the Group and cannot be separately allocated between segments.

31. SEGMENT INFORMATION (CONTINUED)

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

Year ended 31 March	**2017** **$**	**2016** **$**
Total reportable segment assets	183,232,472	178,220,438
Other investments	115,992	77,335
Deferred taxation		-
Receivables and prepayments (Note 15)	10,132,854	10,799,506
Total assets per balance sheet	193,481,318	189,097,279

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

Year ended 31 March	**2017** **$**	**2016** **$**
Total reportable segment liabilities	158,176,303	152,984,614
Accruals and other payables (Note 22 and Note 23)	6,397,707	8,766,122
Other payables	313,625	-
Total liabilities per balance sheet	164,887,635	161,750,736

As at 31 March 2017 and 31 March 2016, there were no non-current fixed assets held in Switzerland.

32. SUBSEQUENT EVENTS

Extension of Loan Maturity

In June 2017, the repayment dates of loans totalling $7 million which were due for repayment on 14 June 2017 were extended to 15 June 2018.

33. BOARD APPROVAL

The consolidated financial statements on pages 13 to 59 are subject to approval by the annual general meeting and have been authorised by the board of directors on 24 July 2017 and were signed on its behalf by:

Dr. Volkert Klaucke
Chairman

Date: 24 July 2017

Dr. Doraiswamy Srinivas
Vice Chairman

Date: 24 July 2017

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 March 2017, income statement and notes for the year then ended, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements (pages 63 to 74) as at 31 March 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 1'000'000

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 the following area of focus has been identified:

Valuation of investments in subsidiaries

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.

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

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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 1'000'000
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.

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 69 (Note 2.1: Investment in subsidiaries) At 31 March 2017, the carrying value of the company's investments in subsidiaries amounts to CHF 98.4 million. We focussed our audit on these assets because of the large value of the account balances and the judgment involved in the assessment of the recoverability of these assets. Management has assessed the recoverability of the investment in Goldlink United Limited and USIGH Limited. These impairment assessments are based on an analysis of the fair value of assets and liabilities attributed by the subsidiaries at the balance sheet date. For this purpose the valuation of the investment properties was performed as at 31 March 2017 by an independent property consultant and the equity instrument was valued at the stock market price on the closing date. As a result of this exercise impairments of CHF 58.1 million have been recorded.	We have assessed management's impairment assessment of the recoverability of investments in particular by performing the following procedures: • We analysed management's assessment of the fair value of the assets and liabilities attributed by the subsidiaries at balance sheet date. We reviewed the valuation of the investment properties as done by an independent property consultant and recalculated the value of the equity instrument. • We compared the market capitalisation of Arundel AG at 31 March 2017 with the equity of the company and found it to be higher. Based on our procedures we assess management's impairment assessment as adequate to support the value of the investments after the impairment recorded.

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

Roger Kunz
Audit expert
Auditor in charge

Efrem Dell'Era
Audit expert

Zürich, 24 July 2017

Balance Sheet – Assets

CHF	Notes	As at 31 March 2017	As at 31 March 2016
Assets			
Cash and cash equivalents		46,735	38,234
Other current receivables			
third parties		4,473,300	121,851
companies in which the entity holds an investment		-	2,980,105
Current assets		**4,520,035**	**3,140,190**
Investments	2.1	98,427,981	139,172,551
Non-current assets		**98,427,981**	**139,172,551**
Total Assets		**102,948,016**	**142,312,741**

Balance Sheet – Liabilities and Equity

CHF	Notes	As at 31 March 2017	As at 31 March 2016
Liabilities and Shareholders' equity			
Due to shareholders		1,400,000	-
Due to companies in which the entity holds an investment		1,275,218	-
Accrued expenses and deferred income	2.2	1,854,231	2,057,554
Short-term liabilities		**4,529,449**	**2,057,554**
Share capital	2.3	143,594,058	151,151,640
Legal capital reserves			
Reserves from capital contributions	2.4	122,787,853	159,054,940
Reserves for treasury shares from capital contributions	2.5	-	12,787,808
Other legal reserves	2.6	-	(19,283,462)
Voluntary retained earnings			
Retained earnings	2.6	(106,494,246)	(107,035,098)
Loss for the year		(59,462,145)	(54,184,294)
Treasury shares			
from reserves from capital contributions	2.7	(2,006,953)	(2,236,347)
Shareholders' equity		**98,418,567**	**140,255,187**
Total Liabilities and Shareholders' equity		**102,948,016**	**142,312,741**

Income statement

CHF	Notes	Year Ended 31 March 2017	Year Ended 31 March 2016
Personnel expenses		(20,000)	(42,998)
Other operating expenses	2.8	(1,246,257)	(1,154,108)
Operating result		**(1,266,257)**	**(1,197,106)**
Financial income	2.9	-	80,875
Financial expenses	2.10	(66,508)	(28,926)
Extraordinary, non-recurring or prior year period expenses	2.11	(58,129,380)	(53,039,137)
Loss for the year before taxes		**(59,462,145)**	**(54,184,294)**
Direct taxes		-	-
Loss for the year		**(59,462,145)**	**(54,184,294)**

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"), domiciled in Switzerland with its registered office at Bleicherweg 66, CH-8002, Zürich, Switzerland, is the ultimate parent company of the Arundel Group. The business of the group comprised by the Company and its subsidiaries (together the "Group") consists of: the procurement and wholesale trade of gold bullion, including exports to India and Singapore; other investments in natural resources for importing to India; and the ownership and development of real estate and infrastructure assets in India and Europe. On 4 October 2016 the Company completed the acquisition of the RP&C International Inc. Group ("RP&C") an investment banking group based in London which undertakes financing activities internationally, and also a change of the Company's name to Arundel AG. The new name marks the Company's transition from an investment holding company focused on India to a more broadly based investment and financing group that intends to expand its investment and advisory capabilities not only in India but also in Europe and the USA where RP&C historically has operated. The Company 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 annual accounts for the twelve months ended 31 March, 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 March 2017

Company and Domicile	Number of Shares Owned	Type of Shares and Nominal Value	Share Capital in issue	Direct/ Indirect Ownership % 2017 (Capital and voting rights)	Direct/ Indirect Ownership % 2016 (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	Nil
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	Nil
Arundel Group Limited 31A St James’s Square London SW1Y 4JR Registered number 02722984	20,000	Ordinary GBP 1.00	GBP 20,000	100	Nil
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	Nil
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	Nil
Arundel (Mauritius) Limited 33 Edith Cavell Street, Port Louis Mauritius Registered number C20170 C1/GBL	10,000	Ordinary US $1.00	US$1.00	100	Nil
PCG Capital (BVI) Limited Nerine Chambers, Road Town, Tortola, BVI, Registered number 1506015	1,000	Ordinary US $1.00	US$1,000	100	Nil

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	2017 Impairments	Net Value
Investments	**CHF**	**CHF**	**CHF**	**CHF**
- Goldlink United Limited	224,829,260	(115,297,889)	(46,317,473)	63,213,898
- USIGHL	99,062,720	(70,219,040)	(11,811,907)	17,031,773
- USIAG	4,326,980	(3,529,480)	-	797,500
-Arundel Inc	17,384,810	-	-	17,384,810
Total Investments	**345,603,770**	**(189,046,409)**	**(58,129,380)**	**98,427,981**

2.2 Accrued Expenses and Deferred Income

	Year Ended 31 March 2017 CHF	Year Ended 31 March 2016 CHF
Provision for VAT liability	972,000	936,000
Professional fees	176,329	362,173
Management and other fees	578,402	638,883
Directors' fees	127,500	120,498
Total	**1,854,231**	**2,057,554**

2.3 Share Capital

At the Annual General Meeting in September 2016, a reduction in par value of each existing share of the Company was approved by the Company's shareholders. In January 2017 this transaction was executed. This resulted in a decrease in the par value of the existing shares from CHF 10.00 to CHF 9.50. This resulted in a reduction in share capital of CHF 7,557,582.

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 71,797,029 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 9.50 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 14,359,402 through the issuance of up to 1,511,516 fully paid registered shares with a nominal value of CHF 9.50 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 57,437,627 through the issuance of up to 6,046,066 fully paid registered shares with a nominal value of CHF 9.50 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.

2.5 Reserves for treasury shares

Goldlink United Limited, a subsidiary of the Company, held nil shares of the Company as at 31 March 2017 (31 March 2016: 1,092,975). A respective reserve for treasury shares was recorded as at 31 March 2016.

2.6 Equity table

	Share capital	Reserves from capital contribution	Reserves for treasury shares from capital contribution	Other legal reserves	Retained earnings	Loss of the year	Treasury shares	Total
Opening balance	**151,151,640**	**159,054,940**	**12,787,808**	**(19,283,462)**	**(107,035,098)**	**(54,184,294)**	**(2,236,347)**	**140,255,187**
Reallocation of prior year loss[1]	-	-	-	-	(54,184,294)	54,184,294	-	-
Par value reduction (CHF 0.5 / shares)[1]	(7,557,582)	-	-	-	-	-	-	(7,557,582)
Transfer of reserve[1]	-	(49,054,895)	-	19,283,462	29,771,433	-	-	-
resolution of reserves for treasury shares	-	12,787,808	(12,787,808)	-	-	-		-
Dividends received, share sales and share receipts	-	-	-	-	24,572,972	-	-	24,572,972
Reduction at par value of own shares	-	-	-	-	380,741	-	(380,741)	-
Adaption to Note 2.7	-	-	-	-	-	-	610,135	610,135
Loss of the year	-	-	-	-	-	(59,462,145)	-	(59,462,145)
Closing balance	**143,594,058**	**122,787,853**	**-**	**-**	**(106,494,246)**	**(59,462,145)**	**(2,006,953)**	**98,418,567**

[1] According to 2016 AGM resolution.

2.7 Treasury Shares

As at 31 March 2017 the Group held 247,772 shares of the Company (31 March 2016- 1,341,458 shares). Thereof, the number of shares held directly by the Company developed as follows:

Treasury shares	2017 Shares	2016 Shares	2017 CHF	2016 CHF
Balance at 1 April	248,483	9,276	2,236,347	140,487
Shares received from escrow	-	248,483	-	2,236,347
Shares transferred from Goldlink United	-	407,025	-	4,762,193
Shares issued in lieu of dividends	-	(416,301)	-	(5,620,064)
Gain on issuance of shares	-	-	-	717,384
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	282,877	-	2,291,304	-
Shares issued on par value capital reduction	(602,957)	-	(4,883,951)	-
Receipt of shares from NCR	600,000	-	4,860,000	-
Sale of treasury shares	(510,753)	-	(4,137,101)	-
Balance at 31 March	247,772	248,483	2,006,953	2,236,347

2.8 Expenses

Other Operating Expenses	Year Ended 31 March 2017 CHF	Year Ended 31 March 2016 CHF
Professional fees	394,709	355,477
Management charges	100,000	200,000
Maintenance and general administration	751,548	598,631
Total	**1,246,257**	**1,154,108**

2.9 Financial Income

	Year Ended 31 March 2017 CHF	Year Ended 31 March 2016 CHF
Foreign exchange gains	-	80,850
Other income	-	25
Total	**-**	**80,875**

2.10 Financial Expenses

	Year Ended 31 March 2017 CHF	Year Ended 31 March 2016 CHF
Finance expenses	59,425	28,926
Foreign exchange losses	7,083	-
Total	**66,508**	**28,926**

2.11 Extraordinary, non-recurring or prior year period expenses

	Year Ended 31 March 2017 CHF	Year Ended 31 March 2016 CHF
Impairment provision on investments in subsidiaries	58,129,380	53,039,137
Total	**58,129,380**	**53,039,137**

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.

	Year Ended 31 March 2017 (Voting Rights)	Year Ended 31 March 2016 (Voting Rights)
NCR Developments Limited	19.07%	27.13%
David and Kathleen Quint	10.06%	-
Doraiswamy Srinivas	9.83%	-
Ewok Capital Management Limited	9.70%	-
TLC Developments Limited	5.69%	36.0%
Venus Global Macro Fund Limited	5.59%	3.77%

3.3 Guarantees

The Company has granted guarantees for subsidiary company borrowings in the amount of CHF 75.8 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 30 of the consolidated financial statements.

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

Accumulated deficit	
Accumulated deficit at 1 April 2016	(106,494,246)
Loss to 31 March 2017	(59,462,145)
Transfer from reserves from capital contributions	82,787,853
Accumulated deficit carried forward	(83,168,538)

The Board of Directors will recommend a capital distribution to shareholders by way of a par value capital reduction of CHF 0.50 per share at the Company's Annual General Meeting which will be held in Zurich on Tuesday, 19 September 2017. If approved, shareholders will be offered the opportunity to reinvest the proceeds in shares of the Company.

At the Company's Annual General Meeting of 19 September 2017, the board will propose a total transfer from reserves from capital contributions of CHF 82,787,853 to retained earnings.

At the Company's Annual General Meeting of 26 September 2016, 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). Eligible shareholders could elect to receive one additional share per CHF 8.50 of the respective dividend entitlement. This was completed on 12 January 2016. Holders of approximately 75% of eligible shares elected to receive additional shares of Arundel at a rate of 1 share per CHF 8.50 of dividend entitlement. As a result, the Group transferred to such shareholders 602,957 USI shares (valued at CHF 4,883,951) from those held in treasury. The remaining shareholders elected to receive cash, which totalled CHF 1,785,252.

Report of the statutory auditor to the General Meeting of Arundel AG, Zürich

We have audited the remuneration report of Arundel AG for the year ended 31 March 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 labelled 'audited' on pages 78 to 80 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.

Opinion

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

PricewaterhouseCoopers AG

Roger Kunz
Audit expert
Auditor in charge

Efrem Dell'Era
Audit expert

Zürich, 24 July 2017

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

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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 "Nomination and Compensation Committee" or "Committee"), which as at 31 March 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 Nomination and Compensation 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 Nomination and Compensation 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 Nomination and Compensation 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 in 2017 and 2016.

	Year Ended 31 March 2017		Year Ended 31 March 2016	
	Compensation CHF	Social security CHF	Compensation CHF	Social security CHF
Dr. Volkert Klaucke	30,371	1,519	49,180	1,500
Mr Ravi Singh	0	0	12,998	1,455
Mr. William Vanderfelt (resigned 27 September 2016)	15,000	0	30,000	0
Mr. David Quint +	15,000	750	30,000	1,500
Dr. Doraiswamy Srinivas +	15,000	750	30,000	1,500
Mr. Markus Müller (appointed 27 September 2016)	15,000	750	0	0

+ Directors' fees were payable to the RP&C International group up to 30 September 2016. At 31 March 2017 CHF150,000 (2016 – CHF120,000) remained unpaid.

The above gross directors' fees are for the year ended 31 March 2017 and 31 March 2016. 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, with the exception of the fees of Ravi Singh, which were payable in US dollars.

William Vanderfelt received his fee from USIGH Limited, a British Virgin Islands subsidiary of the Company.

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.

Mr Singh was a member of Executive Management from 16 September 2014 up until his resignation on 26 January 2016.

William Vanderfelt was a non-executive member of the Board, during the year ended 31 March 2016 and until 27 September 2017 when he resigned.

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.

Details of 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 March 2017, 31 March 2016 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 year ended 31 March 2017 and the year ended 31 March 2016 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). Mr Singh was a member of Executive Management (in the position of Chief Executive Officer) from 16 September 2014 until his resignation on 26 January 2016. David Quint, Dr Doraiswamy Srinivas, Ralph Beney and Richard Borg all became members of Executive Management on 5 October 2016. Mr Gokul Dixit was a member of Executive Management between 20 December 2013 and 16 September 2014; however, he remains a part of the management team. Gross compensation to members of Executive Management was fixed with no variable element and is reported as:

	Year Ended 31 March 2017		Period Ended 31 March 2016	
	Compensation CHF	Social security CHF	Compensation CHF	Social security CHF
Dr. Volkert Klaucke	121,486	0	10,820	0
Mr. Ravi Singh	0	0	191,292	0
Mr. David Quint	258,226	0	0	0
Dr. Doraiswamy Srinivas	110.413	0	0	0
Mr. Ralph Beney	197,786	0	0	0
Mr. Richard Borg	191,426	0	0	0

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

On 31 March 2017, 31 March 2016 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 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. Ravi Singh	0	0	0	0
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 March 2017, accrued fees of CHF137,858 remained payable to Dr. Volkert Klaucke, CHF8,333 to Mr. Quint and CHF115,084 to Mr. Beney. In addition, CHF43,727 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 year ended 31 March 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 March 2017	Shares 31 March 2016
Board of Directors		
Dr. Volkert Klaucke	38,629	38,629
Mr. Ravi Singh	Nil	Nil
Mr. William Vanderfelt (resigned 27 September 2016)	187,663	177,238
Mr. David Quint +	1,519,889	Nil
Dr. Doraiswamy Srinivas	1,485,319	Nil
Mr. Markus Müller (appointed 27 September 2016)	Nil	Nil
Total	**3,231,500**	**215,867**
Executive Management		
Mr. Ralph Beney	502,980	Nil
Mr. Richard Borg	299,920	Nil
Mr Ravi Singh – left Executive Management in January 2016	Nil	Nil
Group Advisor		
Arundel Inc., including Arundel (Mauritius) Ltd	Nil	384,957
Total	**802,900**	**384,957**

+ 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. holding an interest of 7.36% and 7.36% respectively. Arundel (Mauritius) Limited (formerly St James Investment Management Limited), is the advisor to the Arundel AG group, and is an indirect subsidiary of Arundel Inc.

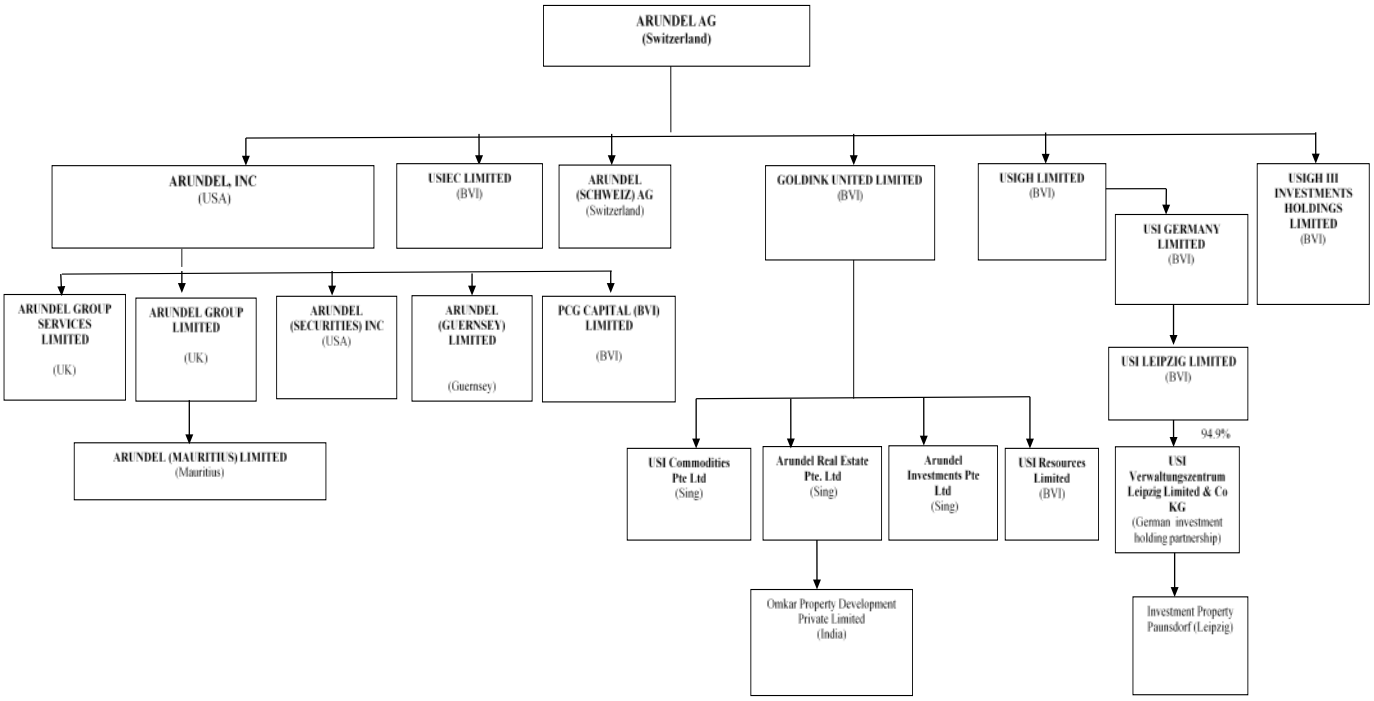
I Corporate Governance

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 March 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 31 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 March 2017 was CHF 118,351,734

At 31 March 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.

1.2 Significant shareholders

The Company had the following major shareholders (3% or more of voting rights) as at 31 March 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	2,881,779	19.07%
David and Kathy Quint Avallon, East Road, St. Georges Hill, Weybridge, Surrey, KT13 0LF, United Kingdom	1,519,889	10.06%
Mr Thirupathur Lakshmanan Chandran [2] 11 Tg Rhu Rd 14-02 436896, Singapore	1,505,805	9.96%
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 [3]	1,465,778	9.70%

Venus Global Macro Fund Limited c/o Catamaran Corp Ltd, A-1C Sector 16, Noida, U.P. 201301, India	845,615	5.59%
Mrs Beatix Lanfranconi 6045 Meggen, Switzerland	564,658	3.74%
YRS Worldwide Inc. 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	3,832,588	25.36%
Total	15,115,164	100%

1 The 2,881,779 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.

2 859,404 shares are held by TLC Developments Limited ("**TLC**") and 646,401 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.

3 The 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.

Disclosure notices of significant shareholdings made to the Company and the SIX Swiss Exchange Ltd Disclosure Office during the 12 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 March 2017:

2.1.1 The Company's issued share capital amounted to CHF 143,594,058, divided into 15,115,164 registered shares with a par value of CHF 9.50 each, fully paid in.

2.1.2 The Company's conditional capital for board members, management and advisers amounted to CHF 14,359,402 and the conditional capital for bondholders and other creditors amounted to CHF 57,437,627.

2.1.3 The Company's authorized capital amounted to CHF 71,797,029 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 71,797,029 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 9.50 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 14,359,402 through the issuance of up to 1,511,516 fully paid registered shares with a nominal value of CHF 9.50 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 57,437,627 through the issuance of up to 6,046,066 fully paid registered shares with a nominal value of CHF 9.50 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.

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 March 2017, the Company has 15,115,164 registered shares with a par value of CHF 9.50 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 The Board can 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, exceed the limit of 2% of all the shares recorded in the commercial register. Legal entities and associations that are linked together by capital, voting power, management or in other manner, as well as all persons, entities and partnerships that are acting in concert with a view to circumvent the percentage limit, are deemed one person.

2.6.1.2 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.

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

2.6.1.4 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

During the year, the Board granted four exceptions to the 2% limitation (see section 2.6.1.1), to David and Kathy Quint (10.06%), Dr. Srinivas and Usha Kumar (9.83%), Ralph Beney (3.33%), and Ewok Capital Management Limited (9.7%) in relation to the shares of the Company they acquired pursuant to the Company's acquisition of RP&C International Inc. in October 2016. The exceptions were granted as an inducement for the former shareholders of RP&C International Inc. to agree to the transaction.

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. Other than as set out below, there are no such agreements currently in place.

Marble Arch Investments PCC Limited has been registered as a nominee for specific beneficial owners known to the Company with the right to vote in respect of 646,401 shares.

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 March 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 9.50 each of the Company would have to be issued (corresponding to 17.94% of the current issued share capital).

By 31 March 2017, no shares have 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 March 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

William Vanderfelt did not stand for re-election as a member of the Board at the Company's annual general meeting of shareholders of 27 September 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 United Kingdom 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.

Dr Doraiswamy Srinivas and David Quint, who were non-executive directors until 4 October 2016, were shareholders of Arundel Inc. and are members of the senior management of the Arundel Inc. group. From December 2013, Arundel (Mauritius) Limited ("**AML**"). has been acting as a permanent adviser and administrator for the Arundel Group (please refer to section 4 below). On 4 October 2016 the Company completed its acquisition of Arundel Inc. Subject to the foregoing, Dr Doraiswamy Srinivas and David Quint have not had any significant business connections with the Company or any of the Company's 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 ordinary shareholders' meeting to the next. Members of the Board and its Chairman may be re-elected after their tenure of office expires.

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 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 a chairman of the Board (the "**Chairman**"). The Board chooses the secretary, who may or may not be a member of the Board. Re-election of any member is permitted for any position.

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. 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 year under review, six meetings were held. At all meetings, a senior officer of AML was present. External legal consultants may attend meetings at the invitation of the Chairman; during the year under review, this was the case at one meeting.

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 3.3.2).

3.4.3.2 Audit Committee

In the year 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 year 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. From 5 October 2016, following the Company's acquisition of RP&C International Inc (now Arundel Inc), Dr. Srinivas and David Quint assumed executive functions. Dr. Srinivas became Executive Deputy Chairman and Executive Director (acting as Chief Operating Officer of Arundel Inc) and David Quint became an Executive Director (acting as Chief Executive Officer of Arundel Inc). Ralph Beney and Richard Borg also joined the Company's Executive Management, acting as Chief Financial Officer and General Counsel, respectively, of the Arundel Group.

Under an advisory agreement of October 2014, which amended and replaced a prior agreement entered into in December 2013 between the same parties, AML provides support as investment adviser and administrator to the Arundel Group. On 4 October 2016 the Arundel Group acquired the entire issued share capital of the RP&C International group, of which AML is a subsidiary and this agreement remains in place. For details concerning the terms of the advisory agreement, please refer to the Company's Annual Report and Accounts for the year ended 31 March 2016 (Corporate Governance Report, section 4.2, p. 89-90; available on www.arundel-ag.com/News).

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

Until 4 October 2016, Executive Management comprised Volkert Klaucke alone. Following the acquisition of the RP&C International group on 4 October 2016, and as at 31 March 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	USA/GB	Executive Deputy Chairman and Executive Director (Chief Operating Officer of Arundel Inc)	Oct 2016
David Quint	USA/GB	Executive Director (Chief Executive Officer of Arundel Inc)	Oct 2016
Ralph Beney	GB	Chief Financial Officer	Oct 2016
Richard Borg	GB	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 and of Kennedy Marr Group Limited, the UK parent company of a group of specialist shipbrokers.

5 Compensation, shareholdings and loans

Details on compensation and participation of members of the Board and of Executive Management are disclosed in Notes 27 and 30 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, normally upon proposal by the Nomination and Compensation Committee, 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 year 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. Each of Dr. Doraiswamy Srinivas and David Quint were each entitled to a fee of CHF 15,000 per annum for their services as members of the Board with such fees payable to Arundel Inc. Markus Müller was entitled to a fee of CHF 15,000 per annum for his services as non-executive member 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 27 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, and to Dr. Klaucke as Group CEO, 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 as of 4 October 2016 (see section 4 above), the Board accepted that their remuneration for the remainder of the Company's financial year was determined by the remuneration arrangements in force in the RP&C International group prior to its acquisition by the Company. From the financial year 2017/18 onward, compensation of all members of Executive Management 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 year ended 31 March 2017 (disclosed in Note 27 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 32 of the Swiss Federal Act on Stock Exchanges and Securities Dealing (since 1 January 2016: Article 135 of the Swiss Federal Act on Financial Market Infrastructures and Market Conduct in Securities and Derivatives Trading), 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 March 2017 by the Annual General Meeting held on 27 September 2016.

The lead engagement partner, Roger Kunz, responsible for the existing auditing mandate took up office in respect of the financial period ending 31 March 2014.

The Board proposes to the annual general meeting due to be held on 19 September 2017 to re-elect PricewaterhouseCoopers AG as auditors for the 2017/8 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 2016/17 financial year 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 year ended 31 March 2017**
in USD	
Audit and audit related services	282,178
Tax compliance consulting and related services	44,031
	326,209
Total tax related fees / audit and audit related services	15.6%

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/AML 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.

In the year ended 31 March 2017, representatives of the auditors were present at all meetings of the Board in which matters concerning the Audit Committee's responsibilities were discussed (namely, at one such meeting).

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 General 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 general discussions. 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.

In accordance with the Swiss Code of Obligations and to foster external auditor independence, the lead audit partner rotates his or her role after seven years.

9 Information policy

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

- July 2017 - Publication of audited annual report and accounts for the year ended 31 March 2017

- December 2017 - Publication of unaudited accounts for the six months ending 30 September 2017

Meetings of Shareholders

19 September 2017 - 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

Registered address and contact address: Arundel AG, Bleicherweg 66, CH-8002 Zurich, Switzerland

Investor Relations

Dr. V. Klaucke, phone: +44 (0) 20 7766 7000

Ralph Beney, phone: +44 (0) 20 7766 7006

E-mail: info@arundel-ag.com

SIX Swiss Exchange Symbol: ARON

Security Number: 227101

ISIN: CH0002271010