ARUNDEL AG

ANNUAL REPORT AND ACCOUNTS

FOR THE YEAR ENDED
31 DECEMBER 2019

ARUNDEL ®

Contents | **Page**

CHAIRMAN'S STATEMENT

The Company is pleased to report its results for the year ended 31 December 2019 ("Dec19").

The Arundel Group's (the "Group") activities comprise:

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

Financial review

During 2019 the Company made two strategic decisions which will shape the direction of the Group in the years ahead. Based on a number of factors including political and economic uncertainties, the Company decided not to pursue the previously announced acquisition of two German fund management businesses. The Company also decided that in the current uncertain global markets that the Group would be better served to retain its investment properties in Germany leased to the Government of Saxony (the "Leipzig Properties") and to refinance the debt secured against these properties in the present low interest rate environment. The Group's current weighted average loan maturity is 5.74 years (31 December 2018 – 4.36 years), and the current weighted average loan interest rate is 2.62% per annum (31 December 2018 – 4.37%)[1].

Key operational matters during 2019 included the following with certain numbers round in millions:

- In February 2019 the Group secured bondholder consent to extend the maturity date of its Swiss Franc convertible bonds for three years with a new maturity date of 31 March 2022. The conversion price decreased to CHF 10.00 per share whilst the interest rate remained unchanged.

- In March 2019, the Group acquired the entire share capital of three property owning companies which owned 61.6 acres of land in India with approval for residential development. As a result, the Group recognised $5.0 million as the initial value in its consolidated balance sheet which represented the market value of cash used to secure the acquisition. This development land was adjusted to its fair value as at 31 December 2019 of $10.0 million based on an independent valuation commissioned by the Group resulting in a fair value gain of $5.1 million. This valuation report also indicated a long-term development value of $64.5 million for the Group's 61.6 acres plus an additional 53.4 acres of contiguous land for which a change of land use will be sought.

- In June 2019 shareholders approved the reduction of the nominal value of the Company's shares from CHF 9.00 per share to CHF 1.00 per share. The Commercial Register has been updated and the reduction became effective 28 August 2019.

- In September 2019 the Group completed the refinancing of debt secured by the Leipzig Properties. The Group entered into a five-year fixed rate facility with one of Germany's most respected mortgage lenders. The principal sum borrowed was €65 million. Under the terms of the financing approximately 10.5% of the principal will be amortised during the term of the loan. Proceeds from the new financing have been used to repay debt secured against the Leipzig Properties which was due to mature in March 2020, other working capital loans to Group companies and for working capital purposes. As a result of the refinancing, the Group will reduce interest costs by approximately €2.5 million per annum.

Overall, your Company is reporting a consolidated net profit of $10.0 million for Dec19 (net loss of $16.0 million – year ended 31 December 2018 ("Dec18")). In view of the Company's decision to retain the Leipzig Properties $8.5 million of impairment costs provided for in 2018 were reversed in the current year.

During 2019, 75% of the Company's income was derived from rent and 25% was derived from investment advisory activities which is comparable to the split of income for 2018, excluding fair value gains and losses.

During 2019, the independent valuation of the Leipzig Properties increased from €134.0 million to €137.1 million, primarily as a result of a decline in capitalisation and discount rates used in preparing the independent valuation. The decrease in these rates reflects a decrease in the yields on the 10-year and 30-year German Government bonds.

Total equity increased from $15.8 million at 31 December 2018 to $25.3 million at 31 December 2019.

Management will focus on further refinancing of the Group's more expensive debt and on reducing expenses over the short to medium term to combat the uncertainties in the current environment.

Covid-19

The Directors have considered and will continue to monitor the threat and implications of the COVID-19 pandemic, but it is too early to fully understand the impact that the virus will have on our business sectors and the wider macro-economic environment. Management does not expect there to be any reduction of its rental income. The probability of earning new transaction income from the Group's investment advisory business is low for the immediate future. Whilst there may be a temporary impact on the valuation of the Group's principal assets, management believes that the Leipzig investment properties leased to the Government of Saxony, its freehold London office building located in the prime location of St James's Square and its development land in India outside of Chennai represent an excellent source of long-term value for the Group. Based on a review of the activities of the Group, the current working capital position and the ability to reduce certain costs in the short term, the Directors currently believe that this risk can be managed for the year ahead.

New advisory business

The Group had been developing a number of new business initiatives which were expected to lead to an increase in advisory income in the current and subsequent financial years. However, the trade war between China and the USA, volatility in the oil and gas sector and latterly the development of the Covid-19 pandemic has created material uncertainty in the Company's ability to execute transactions in the immediate future.

Whilst the economic back drop remains extremely challenging, your Group believes that its historic relationships and operations in the United States, Europe and Asia provide it with a unique set of diversified opportunities once the business environment stabilises.

Management shareholdings

At 31 December 2019 management owned 4,047,372 of the Company's issued share capital which represents 26.8% of the total number of shares in issue. This total remains unchanged from 31 December 2018.

Finally, after serving as a Director of the Company since its listing in 2005 (the last 8 years as Chairman), I have decided for personal reasons to retire and not to stand for re-election as a Director of the Company at the Company's upcoming Annual General Meeting. It has been my pleasure to serve as a Director of the Company and I wish my colleagues every success in the years ahead.

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

Arundel AG

Dr. Volkert Klaucke (Chairman)
Approved by the board: 27 April 2019

[1] Calculated by comparing the weighted average loan balances and interest rates payable at 24 April 2020 compared to the equivalent data at 31 December 2018.

Financial results

The comparative figures in the consolidated income statement for the year ended 31 December 2018 ("Dec18") have been re-presented to reflect income and expenses related to the Leipzig Properties in each line item rather than *profit for the period from discontinued operations*. Certain numbers have been rounded in millions.

Total revenue for the year ended 31 December 2019 ("Dec19") was $9.3 million compared to $9.8 million for Dec18. Rental income from the Leipzig Properties for Dec19 was $7.0 million (Dec18 - $7.4 million) and advisory income was $2.3 million (Dec18 - $2.4 million). The reduction in rental income reflected a 5.3% strengthening of the US dollar against the Euro during the financial years.

The results for Dec19 included a fair value gain on investment properties and development land of $3.8 million (Dec18 – loss $0.01 million) which primarily reflect the impact of the reduction of yields on 10-year and 30-year German government bonds between the reporting dates on the assumptions used in the independent valuation report for the Leipzig Properties. The consolidated income statement reflects the release of an unallocated excess impairment provision in the amount of $8.5 million compared to a charge of $8.8 million for Dec18. The provision related to original intention, taken in 2018, to seek a buyer of the Leipzig Properties. However, as stated above, this decision was reversed in April 2019. As a result, the excess provision was no longer required.

The results for Dec19 also include a fair value gain of $5.1 million following the acquisition of three Indian companies which owned 61.6 acres of development land near Chennai.

Administrative and marketing expenses for Dec19 were $7.0 million (Dec18 - $6.6 million) with the increase primarily attributable to higher personnel costs for Dec19.

Finance costs for Dec19 are stated at $9.0 million (Dec 18 - $10.0 million). Excluding non-cash related items such as the impact of movements in foreign exchange rates and amortisation of debt issue expenses, net finance costs for Dec19 were $6.7 million (Dec18 - $7.2 million) reflecting the beneficial impact of the refinancing of debt secured against the Leipzig Properties which completed at the end of September 2019.

The Company is reporting a consolidated net profit for Dec19 of $10.0 million (Dec18 – loss $16.0 million) and a loss from adverse movements in foreign exchange rates of $0.9 million (Dec18 – loss $4.0 million) resulting in total comprehensive income for Dec19 of $9.1 million compared to a loss of $20.0 million for Dec18.

Balance sheet

The comparative assets and liabilities at 31 December 2018 related to the Leipzig Properties have been included under *assets / liabilities of a disposal group classified as held for sale.*

Total assets were $199.3 million at 31 December 2019 compared to $190.2 at 31 December 2018. The Leipzig Properties were independently valued at $154.0 million (€137.1 million) at 31 December 2019 compared to $153.5 million (€134.0 million) at 31 December 2018. The increase primarily reflects the impact of a decrease on German Government 10-year and 30-year bond yields feeding through to the assumptions used in the independent valuation offset by adverse movements in the exchange rate of the Euro against the US dollar.

Development land at 31 December 2019 is stated at $10.0 million (31 December 2018 – nil). This carrying value reflects its fair value using the independent valuation performed as at 31 December 2019.

Current assets at 31 December 2019 were $4.6 million compared to $2.3 million at 31 December 2018. Current liabilities at 31 December 2019 were $7.3 million compared to $37.5 million at 31 December 2018. The decrease in current liabilities reflects $30.9 million of borrowings transferred to non-current liabilities.

Long term borrowings at 31 December 2019 were $162.6 million compared to $136.9 million at 31 December 2018.

Cash flow

During Dec19 the Group used $4.1 million in operating activities compared to $7.3 million during Dec18. Net cash generated by financing activities in Dec19 totalled $5.7 million compared to $4.6 million used by financing activities in Dec18.

Overall, the Group increased its net cash and cash equivalents in Dec19 by $2.1 million compared to a net decrease of $11.6 million in Dec18.

Arundel AG

Approved by the board: 27 April 2020

DIRECTORS

Dr. Volkert Klaucke (Chairman)

Mr. Markus Müller

Dr. Doraiswamy Srinivas (Vice Chairman)

Mr. David Quint

COMPANY SECRETARY

Dr. Doraiswamy Srinivas

EXECUTIVE MANAGEMENT

Dr. Volkert Klaucke (Executive Chairman)

Mr. David Quint (Executive director)

Dr. Doraiswamy Srinivas (Executive director)

Mr. Ralph Beney (Chief Financial Officer)

Mr. Richard Borg (Group Legal Officer)

REGISTERED OFFICE

Gotthardstrasse 21
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 December 2019.

PRINCIPAL ACTIVITY

Arundel AG (the "Company") is domiciled in Switzerland with its registered office at Gotthardstrasse 21, CH-8002, Zürich and is the ultimate parent company of the Arundel Group (the "Group"). The Company is an investment holding company. The Group is focused on investment and financing activities in Europe, the USA and India.

The Company is listed on the SIX Swiss Exchange.

DIRECTORS

The Directors of the Company at 31 December 2019, 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	Swiss	Member	2016

SECRETARY

The secretary of the Company at 31 December 2019 was Dr. Doraiswamy Srinivas, who has been secretary since his appointment on 30 June 2005.

AUDITORS

The auditors are PricewaterhouseCoopers AG, Zurich, Switzerland.

DIRECTORS' INTERESTS

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

	31 December 2019	31 December 2018
Dr. Volkert Klaucke	38,629	38,629
Dr. Doraiswamy Srinivas	1,510,000	1,510,000
Mr. Markus Müller	Nil	Nil
Mr. David Quint	1,638,075	1,638,075

By order of the Board

Dr. Volkert Klaucke
Chairman - Date: 27 April 2020

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 income statement and consolidated statement of comprehensive income for the year ended 31 December 2019, the consolidated balance sheet as at 31 December 2019, the consolidated statement of changes in shareholders' equity and consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019 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.

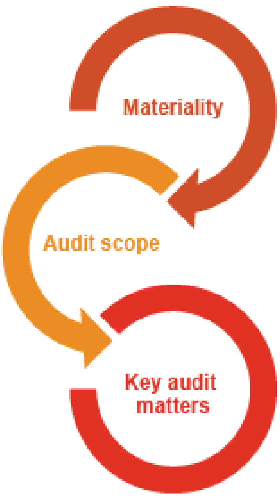
Basis for opinion

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 996,000

Our audit procedures were performed by a central team.

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

Valuation of investment properties and development land

Acquisition of development land

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

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 996,000
How we determined it	0.5% of total assets
Rationale for the materiality benchmark applied	We chose total assets as a relevant benchmark for a Group that mainly holds capital investments, which is a generally accepted benchmark.

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 consists of 22 companies, of which eight operate on the British Virgin Islands, three in Singapore, two each in Germany, the United Kingdom, and the United States, one each in India, Guernsey, and Mauritius, and the holding company as well as one subsidiary in Switzerland. Our audit procedures were performed by a central team.

Key audit matters

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

Valuation of investment properties and development land

Key audit matter	How our audit addressed the key audit matter
Refer to page 36 (Note 11: Investment Property and Development Land) The Group owns investment properties in Leipzig, Germany and development land in Chennai, India. The properties are held at fair value. The valuation of investment property and development land is considered as a key audit matter due to the significance of these assets on the consolidated balance sheet (USD 163.9 million) as well as the considerable judgement required by Management in determining the fair value of investment property and development land. The valuation of investment property is performed by a third party appraiser using a discounted cash flow model to calculate the market value assuming a 10-year calculation period and a long-term growth rate (terminal value). The valuation of development land is performed by a third party appraiser using a comparison method under a market approach. The most significant judgements affecting the investment property valuation are the assumptions surrounding the rents relating to the period after the current lease expires, void periods as well as the discount rates and capitalisation rate for terminal values. The most significant judgements effecting the development land valuation are the discounts and premiums applied to the subject property relative to comparable land properties.	To evaluate the appropriateness of Management's valuation we performed the following audit procedures: • We tested the valuation of the investment properties and development land by involving PwC real-estate specialists in Germany and India. This included an assessment of the competency, capability and objectivity of Management's independent property appraisers and the appropriateness of the valuation methodologies applied to appraise the properties. • We assessed Management's assumptions and valuation models as described on page 36 (Note 11) of the financial statements. For investment property, this included assessing the rental value, discount rate and capitalisation rate by comparing them to independent market values. In addition, we assessed the void periods and assumptions of the renewal rents by comparing them with economic and industry forecasts. For development land, we evaluated adjustments applied to comparable properties under the market approach, such as adjustments to reflect the size, the infrastructure and access, the location within the neighbourhood and the shape and topography of the property. • We compared the rents, which were used in the valuation of investment property, with the current lease agreements. Based on the work carried out we consider Management's approach to value the investment property and development land as an adequate basis to form a conclusion on the fair value of the investment property and development land.

Acquisition of development land

Key audit matter	How our audit addressed the key audit matter
Refer to page 36 (Note 11: Investment Property and Development Land) The Group acquired the entire issued share capital of three Indian companies ("Indian Co's") which owned 61.6 acres of land in near Chennai, India. The land is approved for residential development. The acquisition was qualified as an asset acquisition. The acquired land is included within investment property and development land on the consolidated balance sheet. The acquisition of the development land is considered as a key audit matter due to the complexity of the transaction as well as the considerable judgement required by Management in determining the consideration paid for the development land. The development land was recognised at USD 5.0 million, representing consideration primarily in the form of settlement of loans previously advanced by the Group to the Indian Co's. Prior to the acquisition, the loans receivable from the Indian Co's were included within Other receivables and prepayments on the consolidated balance sheet.	To evaluate the appropriateness of Management's recognition of the development land we performed the following audit procedures: • We evaluated Management's assessment whether the acquisition should be treated as an asset acquisition or qualifies as a business combination according to IFRS 3. • We assessed legal documents with respect to the transfer of ownership of the acquired companies and the ownership of the development land, including with the support of PwC regulatory specialists in India. • We tested the consideration paid for the development land. Based on the work carried out we consider Management's treatment of the acquisition as an adequate basis to form a conclusion on the acquisition of development land.

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 of Arundel AG and our auditor's reports thereon.

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

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

Responsibilities of the Board of Directors for the consolidated financial statements

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

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

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

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

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

Report on other legal and regulatory requirements

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

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

PricewaterhouseCoopers AG

Patrick Balkanyi	Philipp Gnädinger
Audit expert Auditor in charge	Audit expert

Zurich, 27 April 2020

Enclosure:

- Consolidated financial statements (consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of changes in shareholders’ equity, consolidated cash flow statement and notes)

	NOTE	Year ended 31 December 2019	Re-presented Year ended 31 December 2018
		$	$
Revenue	5	9,285,407	9,787,665
Administrative and marketing expenses	6	(6,998,590)	(6,578,912)
Fair value gain/(loss) on investment properties and development land	11	8,526,525	(11,810)
Unallocated excess impairment provision	24	8,520,726	(8,806,348)
Reversal of impairment/(loss) on financial assets	12	521,748	(266,262)
Other income		35,114	201,299
Operating profit		19,890,930	(5,674,368)
Finance income	7	62,198	8,236
Finance costs	8	(8,988,537)	(10,039,694)
Profit/(loss) before income tax expense		10,964,591	(15,705,826)
Tax charge	20	(982,071)	(257,660)
Profit/(loss) for the year		9,982,520	(15,963,486)
Attributable to:			
Equity owners of the parent		9,460,856	(15,730,098)
Non-controlling interests		521,664	(233,388)
Profit/(Loss) per share attributable to owners of the parent during the year		**$ per share**	**$ per share**
Basic and diluted profits/(losses) per share:	9	0.634	(1.054)

Comparative information has been represented in order to be consistent with the presentation of certain items in 2019, in particular the reversal of the decision to dispose of investment property as outlined in Note 2.1.

The notes on pages 17 to 53 form part of these consolidated financial statements.

	Year ended 31 December 2019 $	Re-presented Year ended 31 December 2018 $
Profit/(Loss) for the year	9,982,520	(15,963,486)
Other comprehensive income/(expense)		
Items that may be subsequently reclassified to profit or loss		
Currency translation differences	(866,739)	(4,031,843)
Other comprehensive expense for the year	(866,739)	(4,031,843)
Total comprehensive income/(expense) for the year	9,115,781	(19,995,329)
Attributable to:		
Equity owners of the parent	8,638,591	(19,648,912)
Non-controlling interests	477,190	(346,417)
	9,115,781	(19,995,329)

The notes on pages 17 to 53 form part of these consolidated financial statements.

ARUNDEL AG
CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2019

	NOTE	As at 31 December 2019 $	As at 31 December 2018 $
ASSETS			
Non-current assets			
Property plant and equipment	10	25,442,793	24,775,969
Investment property and development land	11	163,909,916	-
Other receivables and prepayments	12	5,419,895	9,407,019
		194,772,604	34,182,988
Current assets			
Other receivables and prepayments	12	1,161,663	992,445
Cash and cash equivalents		3,405,850	1,283,929
		4,567,513	2,276,374
Assets of disposal group classified as held for sale	24	-	153,693,695
TOTAL ASSETS		199,340,117	190,153,057
EQUITY			
Capital and reserves			
Share capital	17	16,362,693	147,264,236
Share premium		56,307,636	56,307,636
Equity component of convertible bond		778,972	752,049
Translation reserve		(993,116)	(170,851)
Accumulated loss		(49,631,549)	(189,651,464)
Treasury shares	17	(348,835)	(1,012,035)
Attributable to equity owners of the parent		22,475,801	13,489,571
Non-controlling interests	19	2,782,854	2,305,664
TOTAL EQUITY		25,258,655	15,795,235
LIABILITIES			
Non-current liabilities			
Non current borrowings	13	162,602,260	42,472,694
Deferred taxation	21	4,147,900	3,121,721
		166,750,160	45,594,415
Current liabilities			
Accruals	14	1,574,395	1,587,855
Trade and other payables	15	4,545,856	3,898,231
Current borrowings	13	1,211,051	31,979,562
		7,331,302	37,465,648
Liabilities of disposal group classified as held for sale	24	-	91,297,759
TOTAL LIABILITIES		174,081,462	174,357,822
TOTAL EQUITY AND LIABILITIES		199,340,117	190,153,057

The notes on pages 17 to 53 form part of these consolidated financial statements.

ARUNDEL AG
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

		Attributable to equity owners of the parent								
		Share capital $	**Share premium $**	**Treasury shares $**	**Equity component of convertible bond $**	**Translation reserve $**	**Accumulated loss $**	**Attributable to equity owners of the parent $**	**Non-controlling interest $**	**Total equity $**
Balance as of 31 December 2017 and 1 January 2018		**147,264,236**	**56,307,636**	**(5,441,626)**	**749,267**	**3,747,963**	**(175,801,097)**	**26,826,379**	**2,652,081**	**29,478,460**
Profit/(loss) for the period		-	-	-	-	-	(15,730,098)	(15,730,098)	(233,388)	(15,963,486)
Other comprehensive income										
Foreign currency translation		-	-	-	-	(3,918,814)	-	(3,918,814)	(113,029)	(4,031,843)
Total comprehensive income		-	-	-	-	**(3,918,814)**	**(15,730,098)**	**(19,648,912)**	**(346,417)**	**(19,995,329)**
Treasury share transactions	17	-	-	4,429,591	-	-	1,879,731	6,309,322	-	6,309,322
Equity component of convertible bond	13	-	-	-	2,782	-	-	2,782	-	2,782
Balance as of 31 December 2018 and 1 January 2019		**147,264,236**	**56,307,636**	**(1,012,035)**	**752,049**	**(170,851)**	**(189,651,464)**	**13,489,571**	**2,305,664**	**15,795,235**
Profit/(loss) for the period		-	-	-	-	-	9,460,856	9,460,856	521,664	9,982,520
Other comprehensive income										
Foreign currency translation		-	-	-	-	(822,265)	-	(822,265)	(44,474)	(866,739)
Total comprehensive income		-	-	-	-	**(822,265)**	**9,460,856**	**8,638,591**	**477,190**	**9,115,781**
Treasury share transactions	17	-	-	663,200	-	-	(342,484)	320,716	-	320,716
Reserve transfer	18	(130,901,543)	-	-	-	-	130,901,543	-	-	-
Equity component of convertible bond	13	-	-	-	26,923	-	-	26,923	-	26,923
Balance as of 31 December 2019		**16,362,693**	**56,307,636**	**(348,835)**	**778,972**	**(993,116)**	**(49,631,549)**	**22,475,801**	**2,782,854**	**25,258,655**

The notes on pages 17 to 53 form part of these consolidated financial statements.

ARUNDEL AG
CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2019

	NOTE	Year ended 31 December 2019 $	Year ended 31 December 2018 $
Cash flow from operating activities			
Profit/(Loss) for the period		9,982,520	(15,963,486)
Adjustments for:			
-Net foreign exchange losses	8	1,037,870	1,695,164
- Interest income	7	(62,198)	(8,236)
- Interest expenses and other finance expenses	8	6,486,329	7,104,433
- Amortisation of debt issue costs	8	1,227,778	1,096,020
- Change in fair value of investment property and development land	11	(8,526,525)	11,180
- Excess impairment provision	24	(8,520,726)	8,806,978
- Change in allowance for impairment of receivables	12	(521,748)	266,262
- Depreciation	10	425,367	440,895
- Treasury shares issued in lieu of fees	17	358,079	-
- Income tax expense	20	982,071	257,660
Changes in working capital			
- Trade creditors and other payables		(830,925)	(1,215,293)
- Other receivables and prepayments		(720,429)	(720,921)
- Accruals		(592,052)	(3,123,858)
Interest paid		(4,825,208)	(5,961,490)
Income tax received		15,883	41,041
Net cash used by operating activities		(4,083,914)	(7,273,652)
Cash flow from investing activities			
Change in restricted cash		88,098	283,008
Capital expenditure	10	(69,604)	-
Cash acquired on acquisition, net	11	399,167	-
Interest received	7	62,198	8,236
Net cash generated by investing activities		479,859	291,244
Cash flow from financing activities			
Proceeds from borrowings	13	75,670,451	4,010,966
Costs associated with new borrowings	13	(1,433,493)	-
Repayment of borrowings	13	(68,512,412)	(9,067,229)
Proceeds from sale of treasury shares	12	-	2,137,592
Payment of cash element of par value capital reduction	18	-	(1,692,977)
Net cash (used)/generated by financing activities		5,724,546	(4,611,648)
Net increase/(decrease) in cash and cash equivalents		2,120,491	(11,594,055)
Movement in cash and cash equivalents			
Cash and cash equivalents at beginning of period		1,284,048	12,885,139
Net increase/(decrease) in cash and cash equivalents		2,120,491	(11,594,055)
Foreign currency translation adjustments		1,311	(7,036)
Cash and cash equivalents at end of period		**3,405,850**	**1,284,048**

For disclosure of changes in liabilities arising from financing activities see Note 13. Furthermore, the Company issued shares in lieu of fees of $0.4 million (refer to Note 17). In addition, the Group acquired three Indian companies in exchange of loans provided in prior years (refer to Note 11).

The notes on pages 17 to 53 form part of these consolidated financial statements.

1. GENERAL INFORMATION

Arundel AG (the "Company") is domiciled in Switzerland with its registered office at Gotthardstrasse 21, CH-8002, Zürich and is the ultimate parent company of the Arundel Group (the "Group"). The Company is an investment holding company. The Group is focused on investment and financing activities in Europe, the United States ("US") and India.

The Company is listed on the SIX Swiss Exchange.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with and comply with International Financial Reporting Standards ("IFRS"), published by the International Accounting Standards Board. The consolidated financial statements are reported in US Dollars unless otherwise stated and are based on the accounts of the individual subsidiaries for the year ended 31 December 2019, which were drawn up according to uniform Group accounting principles.

Covid-19

The directors have considered and will continue to monitor the threat and implications of the COVID-19 pandemic but it is too early to fully understand the impact that the virus will have on our business sector and the wider macro-economic environment. However, based on a review of the activities of the Arundel AG group, the current working capital position of the group and the ability to reduce certain costs in the short term, the directors currently believe that this risk can be managed for the year ahead. The Company therefore continues to adopt the going concern basis in preparing its financial statements (for further information see Note 29).

Change in plan to dispose of the Leipzig properties

On 29 April 2019 the Directors decided to retain the Leipzig properties owned by the Group in Germany for the foreseeable future based on the high probability that a debt refinancing secured on the properties would be successful. This reversed the decision taken on 5 April 2018 to seek a purchaser which, in turn, resulted in all assets and liabilities related to the Leipzig properties being presented as a disposal group held for sale and discontinued operations as at 30 June 2018 and 31 December 2018. As a consequence of the decision to retain the properties, the Group ceased to classify assets and liabilities related to the Leipzig properties as held for sale during the current reporting period and the excess impairment provision made in the year ended 31 December 2018 was released (See Note 24).

In April 2019 the Directors reversed a decision taken in 2018 to sell the Leipzig properties. As a result, comparative information in the consolidated income statement and consolidated statement of comprehensive income presented as discontinued operations for the year ended 31 December 2018 has been represented as continuing operations to be consistent with the presentation for the year ended 31 December 2019.

Adoption of new standards and interpretations

A number of new or amended standards became applicable for the current reporting period as follows:

- IFRS 16, Leases'
- Amendment to IFRS 9, 'Financial instruments' on prepayment features with negative compensation
- Amendments to IAS 28, 'Investments in associates', on long term interests in associates and joint ventures
- Amendment to IAS 19, 'Employee benefits' Plan amendment, curtailment or settlement'
- IFRS 3, IFRS 11, IAS 12, IAS 23 Annual Improvements to IFRS Standards 2015–2017 Cycle
- IFRIC 23 'Uncertainty over income tax'

After assessment the group concluded that there are no financial impacts on application and did not make retrospective adjustments as a result of adopting these standards and amendments.

The key new standard applicable from 1 January 2019 was IFRS 16 'Leases'. The standard replaces IAS 17 Leases and 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. However as the Group had only finance leases, it applied the simplified transition approach, which had leases classified as finance leases under IAS 17, and is required to use the carrying amount of the lease asset and lease liability immediately before the date of initial application on transition. Additionally, it was determined that the standard would have no impact on lessor accounting.

New standards not yet adopted

The following new standards or amendments are currently issued but not effective:

- IFRS 3 Definition of a Business (Amendments to IFRS 3)
- IAS 1, IAS 8 Definition of Material (Amendments to IAS 1 and IAS 8)
- IFRS 17 Insurance Contracts
- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)

None of these are expected to have a material impact on the financial statements of the Group.

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.

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.

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:

- Investment Advisory
- Investments in Development Rights
- Investments in Government Tenanted Property

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 including those associated with the Head Office of the Group, 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 the 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.

2.4 Foreign currency transactions and translation (continued)

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

Foreign exchange gains and losses are presented net in the consolidated income statement within finance costs and finance income respectively.

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 in "other comprehensive income" as a separate component of equity.

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

The translation rates used are disclosed in Note 25.

2.5 Property, Plant and Equipment

All property, plant and equipment (PPE) is stated at historical cost less accumulated depreciation. Historical cost 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
- 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 consolidated income statement under sundry administration expenses.

2.6 Investment property and development land

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

Investment property and development land comprises freehold land and buildings and land acquired for future development. Investment property and development land are initially recognised at cost including related transaction costs and borrowing costs. After initial recognition investment property and development land is held at fair value.

2.6 Investment property and development land (Continued)

Fair value of investment property is based on a discounted cash flow model, using observable market data, adjusted for difference in the nature, location or condition of the specific asset. Valuations are performed annually in accordance with guidance issued by the Royal Institute of Chartered Surveyors by independent external valuers. Fair value of development land is based on a market approach using comparable transactions adjusted for size, infrastructure, access, shape and topography, valuations are performed by external valuers.

The fair value of investment property and development land reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. In addition assumptions are also made regarding discount rates, vacancy rates, lease renewal and capital expenditure. The fair value also reflects on a similar basis, any cash outflows that could be expected in respect of the property or land.

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

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

2.7 Impairment of non-financial assets

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.

2.8 Loans receivable

Loans are classified as non-current assets unless management has the express intention of holding the loans for less than 12 months from the balance sheet date, in which case they are included in current assets. Purchases and sales of loans are recognised on the trade date, which is the date that the Group commits to purchase or sell the asset. Loans are initially recognised at fair value plus transaction costs and are subsequently carried at amortised cost using the effective interest method, less the 12-month expected credit loss (provision). In the event of a significant increase of the credit risk of the counterparty since initial recognition, the lifetime expected credit loss is recognised in the income statements.

Loans are derecognised when the rights to receive cash flows from the loans have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. When loans and receivables are sold the resulting gains and losses are included in the income statement as gains and losses from loans.

2.9 Revenue, Trade receivables and contract assets

Revenue is measured based on consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control over a service to a customer. Revenue is presented net of value added tax (where applicable), rebates and discounts and after eliminating intragroup sales. The Groups' revenue is earned from the following revenue streams:

- Rental income from Government tenanted property and:
- Investment management and advisory services

The majority of revenue recognised by the Arundel Group is derived from specific contracts with customers for fixed amounts to be received over time. As such the recognition of income is aligned with the principles of IFRS 15 and IFRS 16.

A receivable is the right to consideration that is unconditional. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due. If the Company performs by transferring services to a customer before the customer pays consideration or before payment is due, the contract is presented as a contract asset, excluding any amounts presented as a receivable. A contract asset is the right to consideration in exchange for goods or services that the Company has transferred to a customer. The contract asset is measures at the amounts of goods and service are transferred less the lifetime expected credit loss.

2.9 Revenue, Trade receivables and contract assets (continued)

Trade debtors are recognised initially at fair value less the lifetime expected credit loss if the Company has the unconditional right for payment; and is subsequently measured at amortised cost using the effective interest method and considering changes to the lifetime expected credit loss.

Changes to the lifetime expected credit loss for receivables and contract assets are recognised in the income statement.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. The loss allowances are based on assumptions about risk of default and expected loss rate, the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

2.10 Impairment of financial assets

The group has two types of assets that are subject to the expected credit loss model:

- Receivables and contract assets arising from revenue within the investment and management advisory segment
- Debt instruments carried at amortised cost

Whilst cash and cash equivalents and other debtors such as taxation receivable are subject to the impairment requirements of IFRS 9, the identified impairment loss was considered immaterial.

2.11 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.

2.12 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.

2.13 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. Share disposals are treated on a "first in first out" basis and any gain or loss is recognised in retained earnings.

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

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

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 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.

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.

2.17 Current and deferred income tax expense

The tax expense for the period comprises current and deferred tax expense. Income tax expense is 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.

2.17 Current and deferred income tax expense (Continued)

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.

2.18 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.

2.19 Provisions and contingencies

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

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

2.20 Finance income and expense

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

2.21 Leases

As a lessee - The Group assesses whether a contract is or contains a lease, at inception of a contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets.

For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

As a lessor – the Group leases Investment Properties to tenants under operating leases with rentals payable monthly. There are no variable lease payments that depend on an index or rate. Expectations about future residual values are reflected in the fair value of the properties.

2.22 Employee benefits

(a) Pensions
The Group operates a defined contribution plan for its staff in the UK. The Group pays contributions to privately administered pension plans on a contractual basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense in the period in which the related service is provided.

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

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, cash flow and fair value interest rate risk), credit risk and liquidity rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out by the executive management under policies approved by the Board of Directors. The Board identifies, evaluates and manages financial risks. The Board provides principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, and credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

(a) Market risk

1. Foreign exchange risk

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

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

3. FINANCIAL AND OTHER RISK MANAGEMENT (CONTINUED)

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

	Sensitivity range 31 December 2019	Profit Impact of exchange rate movement + 0.05 $	-0.05 $	Equity Impact of exchange rate movement +0.05 $	-0.05 $
Euro	0.9406 - 0.8406	(2,222,656)	2,487,066	(2,165,753)	2,423,394
CHF	1.0178 - 0.9178	(470,135)	521,359	(1,758,981)	1,950,632
GBP	0.8042 - 0.7042	22,126	(25,269)	(1,360,265)	1,553,434

	Sensitivity range 31 December 2018	Profit Impact of exchange rate movement + 0.05 $	-0.05 $	Equity Impact of exchange rate movement +0.05 $	-0.05 $
Euro	0.9230 – 0.8230	(1,187,286)	1,331,558	(2,544,405)	2,853,587
CHF	1.0333 – 0.9333	(1,545,595)	1,711,198	(1,891,588)	2,094,262
GBP	0.8337 – 0.7337	18,068	(20,531)	(1,300,987)	1,478,309

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

A key parameter affecting the carrying value of the Group's investment properties is the Euro to US Dollar exchange rate, the following table demonstrates the sensitivity to exchange rate movements of the valuation of €137.11 million (See Note 11) as at 31 December 2019:

	$:€	$ 31 December 2019 Carrying Value	$ Sensitivity
Rate increase to 1.00	1.0000	137,110,000	(16,840,673)
Rate increase to 0.90	0.9000	152,344,444	(1,606,228)
Rate as at balance sheet date	**0.891**	**153,950,673**	**-**
Rate reduction to 0.80	0.8000	171,387,500	17,346,827
Rate reduction to 0.70	0.7000	195,871,429	41,920,576

	$:€	$ 31 December 2018 Carrying Value	$ Sensitivity
Rate increase to 1.00	1.0000	134,040,000	(19,509,120)
Rate increase to 0.90	0.9000	148,933,333	(4,615,787)
Rate as at balance sheet date	**0.8729**	**153,549,120**	**-**
Rate reduction to 0.80	0.8000	167,550,000	14,000,880
Rate reduction to 0.70	0.7000	191,485,714	37,936,954

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

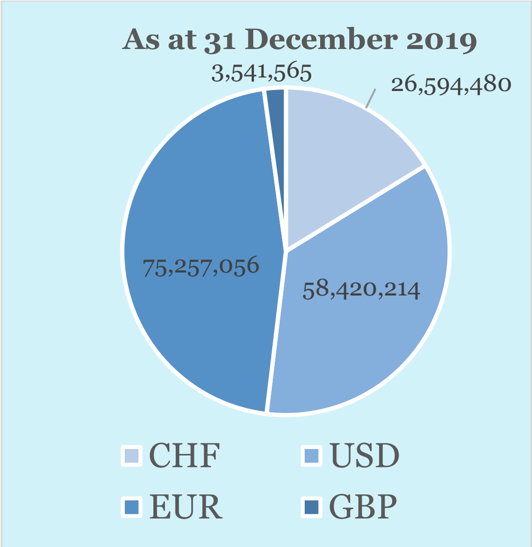
3. FINANCIAL AND OTHER RISK MANAGEMENT (CONTINUED)

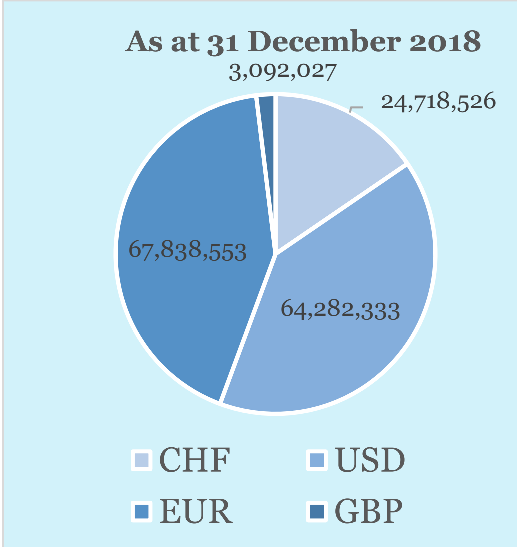
A key parameter affecting the carrying value of the Group's development land is the INR to US Dollar exchange rate, the following table demonstrates the sensitivity to exchange rate movements of the valuation of INR 708.9 million (See Note 11) as at 31 December 2019:

	$:INR	$ 31 December 2019 Carrying Value	$ Sensitivity
Rate increase to 80.00	80.00	8,861,236	(1,098,007)
Rate increase to 75.00	75.00	9,451,985	(507,258)
Rate as at balance sheet date	**71.98**	**9,959,243**	
Rate reduction to 70.00	70.00	10,127,127	167,884
Rate reduction to 65.00	65.00	10,906,136	946,893

3. FINANCIAL AND OTHER RISK MANAGEMENT (CONTINUED)

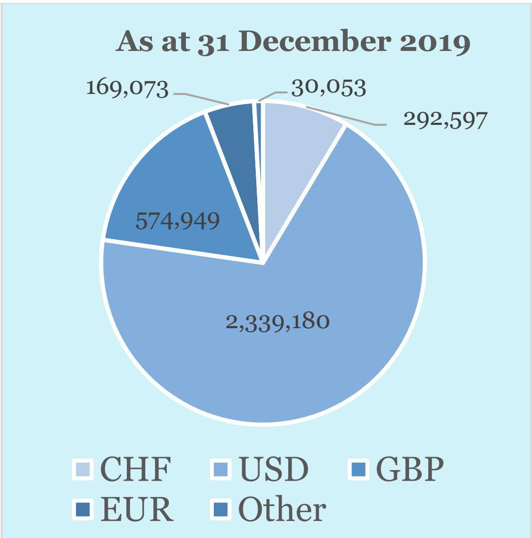
The carrying amounts of the Group's total borrowings are denominated in the following currencies:

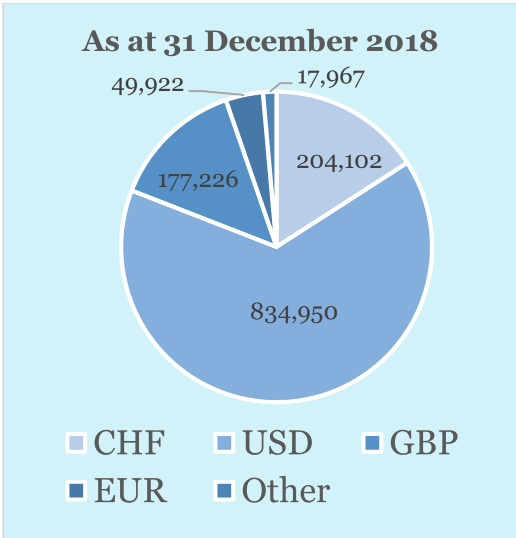




Borrowings as at 31 December 2018 in the chart above include those borrowings which were presented in the disposal group classified as held for sale (See Note 24).

Cash and cash equivalents is denominated in the following currencies:





3. FINANCIAL AND OTHER RISK MANAGEMENT (CONTINUED)

2. Cash flow and fair value interest rate risk

(a) Interest rate risk

The Group's interest-rate risk mainly arises from long-term borrowings 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 expose the Group to fair value interest-rate risk. Group policy is to maintain a significant percentage of its borrowings in fixed rate instruments. The Board regularly meet to review levels of fixed and variable borrowings and takes appropriate action as required.

As 98.5% of the Group's total borrowings attract fixed rates of interest (with maturity dates ranging from 31 January 2021 to 31 December 2028), exposure to movements in market rates is limited and immaterial. However, the table below shows the sensitivity of profit and other comprehensive income to movements in current interest rates:

	$ 31 December 2019	$ 31 December 2018
Shift in basis points	50	50
Profit impact of increase	(828,556)	(777,419)
Profit impact of decrease	828,556	777,419
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 customers, including outstanding receivables. The table below shows the credit rating and balance of the three major bank counterparties at the balance sheet date.

			$	$
	31 December 2019	**31 December 2018**	**31 December 2019**	**31 December 2018**
Counterparty	**Rating**	**Rating**	**Balance**	**Balance**
Credit Suisse	A+	A	754,317	219,017
National Westminster Bank Plc	A	A-	987,549	476,343
Investec	BB	BB	1,016,626	347,794

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

(c) Liquidity risk

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

3. FINANCIAL AND OTHER RISK MANAGEMENT (CONTINUED)

Management monitors rolling forecasts of the Group's liquidity reserve on the basis of expected cash flow. Lenders are approached in advance of maturity dates and, where appropriate, management may negotiate a new facility or seek alternative lenders as required.

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

At 31 December 2019	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 Years	Total	Carrying value
	$	$	$	$	$	$
Borrowings	5,621,269	9,173,453	107,492,454	69,124,785	191,411,961	163,813,311
Trade and other creditors	3,479,012	-	-	-	3,479,012	3,479,012
Total	9,100,281	9,173,453	107,492,454	69,124,785	194,890,973	167,292,323

At 31 December 2018	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 Years	Total	Carrying value
	$	$	$	$	$	$
Borrowings	34,572,269	1,557,457	8,061,471	45,636,022	89,827,219	74,452,256
Trade and other creditors	2,848,212	-	-	-	2,848,212	2,848,212
Continuing operations	37,420,481	1,557,457	8,061,471	45,626,022	92,675,431	77,300,468
Liabilities of disposal group held for sale	7,097,001	59,590,762	1,948,725	24,903,937	93,540,425	82,213,436
Total	44,517,482	61,148,219	10,010,196	70,593,959	186,215,856	159,513,904

d) Capital Risk Management

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

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

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

3. FINANCIAL AND OTHER RISK MANAGEMENT (CONTINUED)

The gearing ratios at 31 December 2019 and 31 December 2018 were as follows:

	December 2019	December 2018
	$	$
Total borrowings (Note 13 and 24)	163,813,311	156,665,692
Less: cash and cash equivalents	(3,405,850)	(1,284,048)
Net debt	160,407,461	155,381,644
Total equity	25,258,655	15,795,235
Total capital	185,666,116	171,176,879
Gearing ratio	**86.4%**	**90.8%**

3.2 Fair value estimation

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

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

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

As at 31 December 2019, Investment property and development land of $163,909,916 is included in level 3 (2018 - $153,549,120). There were no instruments included in level 1 or 2 at 31 December 2019 or 31 December 2018.

For further details of the valuation technique used to value the Investment Properties and development land held by the group see Note 11.

There were no transfers between levels in the period ended 31 December 2019.

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. 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. In addition, this note also explains where there have been actual adjustments made this year as a result of changes in previous estimates.

a) Estimate of fair value of investment properties

The Group owns significant investment properties in Leipzig, held at fair value (Please refer to note 11).

The weighted average lease term for the entirety of the Leipzig Properties is approximately 11 years.

The principal inputs underlying management's estimation of fair value are the current rental income 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 commissioning an independent appraisal of the properties and discussions with the local property consultant.

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. The table below shows the net effect on the carrying amount of the investment property after deferred taxation should the capitalisation change by 0.5%:

		$ 31 December 2019		$ 31 December 2018
Increase by 0.5%	5.06%	(12,808,771)	5.16%	(12,517,015)
Capitalisation Rate	**4.56%**	-	**4.66%**	-
Decrease by 0.5%	4.06%	15,967,897	4.16%	15,523,898

b) Estimate of fair value of development land

The principal inputs underlying management's estimation of fair value of development land is data in respect of transactions of a land of a similar type in the same or similar location. Management made these estimations based on commissioning an independent appraisal of the development land by a national property consultant.

The table below shows the net effect on the carrying amount of the development land after deferred taxation should the weighted average premium/discount implicit in the valuation change by 5%:

	$ 31 December 2019			$ 31 December 2018
Increase by 5%	(2.0)%/2.0%	397,224	-	-
Weighted average premium/discount	**(7.0)%/(3.0%)**	-	-	-
Decrease by 5%	(12.0)%/(8.0%)	(397,224)	-	-

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

c) Impairment of financial assets

The group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract balances.

Trade receivables and contract assets are written off when there is no reasonable expectation of recovery. 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.

Impairment losses on financial assets are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

d) Revenue recognition

The majority of revenue recognised by the Arundel Group is derived from specific contracts with customers for fixed amounts to be received over time. As such the recognition of income is aligned with the principles of IFRS 15 and IFRS 16. For example with asset management and advisory service agreements specifying a fixed amounts per annum/month or quarter, this revenue is recognised over the course of the year equally as the performance obligations are met.

An exception to this is revenue recognised in relation a fee sharing arrangement with a third party fund manager. This contract does have variable consideration as it is based on the Group's share of fees received by a third party fund manager which, in turn, are dependent upon fund performance.

5. REVENUE

	Year ended 31 December 2019 Total segment revenue $	REPRESENTED Year ended 31 December 2018 Total segment revenue $
Rental Income	7,000,806	7,381,319
Investment management and advisory fees	2,284,601	2,406,346
Total	9,285,407	9,787,665

Nature of services provided by the Group

Rental income from government tenanted property:

The Group leases out real estate assets in Leipzig, Germany for which it receives monthly rental income. Approximately 85% of the properties are leased to the tenant until March 2025, although the tenant has the right to terminate approximately 20% of the properties by giving six months notice. No such notice has been received. The remaining 15% of the properties are leased until March 2047.

Investment management and advisory:

The Group provides investment management and advisory services to customers with a focus on investment in India, the US and Europe. The Group earns fee income from the provision of these services which generally accrues over time. The group has a number of contracts in place with customers for the provision of these services which specify fixed consideration for services provided, revenue is recognised in accordance with fulfilment of the performance obligations over time.

5. REVENUE (Continued)

Disaggregation of revenue

In the following table, revenue is disaggregated by the nature of services provided and timing of revenue recognition.

	Year ended 31 December 2019 $	REPRESENTED Year ended 31 December 2018 $
Nature of services provided		
- Investment management and advisory services	2,284,601	2,406,346
- Rental income	7,000,806	7,381,319
	9,285,407	9,787,665

All revenue is transferred over time.

Contract assets

As at 31 December 2019 the Group has contract assets of $1,250,000 (2018 - $1,250,000) with a customer which entitles it to a share of fee income due to a third-party fund manager. The performance obligation in relation to this contract was fulfilled at inception of the contract. The Company estimated the variable consideration it expects to receive based on the expected value. The Company recognised revenue only up the amount for which it expects it highly probable that no reversal of revenue will occur. There was no change in the amount compared to 2018 because the estimated fee remains within a range of potential outcomes.

Management expects to collect the consideration after the distribution of the funds, which is not expected to occur before 31 December 2020, and classified the contract asset as non-current.

6. ADMINISTRATIVE AND MARKETING EXPENSES

	Year ended 31 December 2019 $	REPRESENTED Year ended 31 December 2018 $
Staff costs	2,994,102	2,721,297
Professional fees and other sundry costs	2,593,869	2,425,608
Maintenance and rent	985,252	991,112
Depreciation (Note 10)	425,367	440,895
	6,998,590	6,578,912

As at 31 December 2019, the Group employed 13 staff members, of which 12 members of staff are based in the UK. 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 28.

7. FINANCE INCOME

	Year ended 31 December 2019 $	REPRESENTED Year ended 31 December 2018 $
Bank interest and other finance income	62,198	8,236
	62,198	8,236

8. FINANCE COSTS

	Year ended 31 December 2019 $	REPRESENTED Year ended 31 December 2018 $
Interest on bonds	1,627,653	1,594,480
Interest on facilities	2,383,547	3,858,446
Interest on other loans	2,475,129	1,651,507
Amortisation of debt issue costs	1,227,778	1,096,020
Other borrowing expenses	236,560	144,076
Foreign exchange movements, net	1,037,870	1,695,165
	8,988,537	10,039,694

9. 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 December 2019 $	REPRESENTED Year ended 31 December 2018 $
Net profit/(loss) attributable to equity owners of the parent:	9,460,856	(15,730,098)
Weighted average number of ordinary shares outstanding	14,914,284	14,925,315
Basic and diluted profits/(losses) per share	**0.634**	**(1.054)**

A subsidiary of the Group issued convertible debt as described in Note 13. Management has calculated that the maximum number of additional ordinary shares that could be issued at 31 December 2019 is 2,644,875 (December 2018 – 1,613,790). Since the share price at 31 December 2019 and 2018 was significantly below the conversion price, there is no dilutive impact.

10. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land $	Freehold Buildings $	Fixtures and Fittings $	Vehicles $	Total $
Year ended 31 December 2019					
Opening net book amount	9,170,299	15,487,469	80,913	37,288	24,775,969
Additions	-	39,267	40,660	81,792	161,719
Disposals	-	-	-	(19,455)	(19,455)
Depreciation charge	-	(387,252)	(18,577)	(19,538)	(425,367)
Foreign exchange movement	358,756	591,171	-	-	949,927
Closing net book amount	9,529,055	15,730,655	102,996	80,087	25,442,793
At 31 December 2019					
Cost	9,529,055	16,999,694	192,595	140,156	26,861,500
Accumulated depreciation	-	(1,269,039)	(89,599)	(60,069)	(1,418,707)
Net book amount	9,529,055	15,730,655	102,996	80,087	25,442,793

	Freehold Land $	Freehold Buildings $	Fixtures and Fittings $	Vehicles $	Total $
Year ended 31 December 2018					
Opening net book amount	9,712,797	16,811,865	42,306	56,743	26,623,711
Additions	-	-	71,379	-	71,379
Disposals	-	-	(14,471)	-	(14,471)
Depreciation charge	-	(403,139)	(18,301)	(19,455)	(440,895)
Foreign exchange movement	(542,498)	(921,257)	-	-	(1,463,755)
Closing net book amount	9,170,299	15,487,469	80,913	37,288	24,775,969
At 31 December 2018					
Cost	9,170,299	16,369,256	151,935	77,819	25,769,309
Accumulated depreciation	-	(881,787)	(71,022)	(40,531)	(993,340)
Net book amount	9,170,299	15,487,469	80,913	37,288	24,775,969

10. PROPERTY, PLANT AND EQUIPMENT (continued)

The Group owns a freehold property in London and other fixed assets (office equipment and a motor vehicle).

Whilst Brexit has had some impact on property prices in London, management believes the commercial property market remain robust, particularly in areas designated as “super-prime”. At 31 December 2019, the Group does not believe that an impairment of the asset has occurred and holds the asset at value on acquisition less amortisation and depreciation in accordance with the appropriate accounting policies.

Leased assets

Vehicles and fixtures and fittings include the following amounts where the group is a lessee:

	Year ended 31 December 2019 $	Year ended 31 December 2018 $
Cost	135,938	143,909
Accumulated depreciation	(23,362)	(63,304)
Net book value	112,576	80,605

The lease liability in respect of these right of use assets as at 31 December 2019 totals $119,701 (2018 - $71,275) and is shown within Other Payables (see Note 15).

11. INVESTMENT PROPERTY AND DEVELOPMENT LAND

	As at 31 December 2019 $ Investment Property	As at 31 December 2019 $ Development Land	As at 31 December 2019 $ Total	As at 31 December 2018 $ Investment Property
Beginning of period/year	-	-	-	160,840,429
Transferred from disposal group classified as held for sale (Note 24)	149,877,496	-	149,877,496	-
Investment in development land in India	-	5,041,788	5,041,788	-
Fair value gains/(losses)	3,438,796	5,087,729	8,526,525	(11,810)
Additions	-	9,132	9,132	
Net change in fair value due to exchange differences	634,381	(179,406)	454,975	(7,279,499)
Transferred to disposal group classified as held for sale (Note 24)	-	-	-	(153,549,120)
End of period/year	153,950,673	9,959,243	163,909,916	-

Investment Property

On 5 April 2018 the Company announced its intention to seek a purchaser for the Group’s investment properties in Leipzig, Germany. As a result all assets and liabilities which were expected to be disposed of in this transaction were classified as at 31 December 2018 to a disposal group held for sale (See Note 24). As mentioned in Note 2.1 the Company reversed this decision on 29 April 2019 at which point all assets and liabilities ceased to be classified as available for sale in accordance with IFRS 5.

11. INVESTMENT PROPERTY AND DEVELOPMENT LAND (continued)

The investment property is carried at fair value. An independent valuation of the investment properties was performed by Botta Management AG as at 31 December 2019 and 31 December 2018. A discounted cash flow method was used to calculate the market value assuming a 10-year calculation period plus a terminal value (with the exception of the land registry ("Records Bureau") for which a 30 year calculation period and terminal value were used).

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	137,110,000/ 153,950,673 (31 Dec 2018 – 134,040,000/ 153,549,120)	Discounted cash flow	6,250,000/ 7,017,662 (Dec 2018 – 6,250,000/ 7,159,375)	3.1 to 3.6% (Dec 2018 – 3.3 to 4.3%)	4.1 to 4.6% (Dec 2018 – 4.4 to 5.3%)

The fair value of the investment properties increased by €3,070,000 ($3,438,796) primarily as a result of a reduction in the discount and capitalisation rates used in the report prepared by the independent valuer. These reductions reflected the decrease in yields on 5, 10 and 30-year German government bonds between the reporting dates. The property is denominated in EUR and the net change in fair value in the year due to exchange difference since transfer from the disposal group classified as held for sale was $634,381.

Development Land

In March 2019, the Group acquired the entire issued share capital of three Indian companies ("Indian Co's") which owned 61.6 acres of land in near Chennai, India. The land is approved for residential development. The acquisition was treated as an asset acquisition as defined in IFRS 3. In December 2019 a legal process to merge the Indian Co's with Omkar Property Development Private Limited was completed. The Group had previously advanced loans to the Indian Co's to acquire the land. At 31 December 2018, the loans were included in non-current receivables as set out in Note 12.

The development land was initially recognised at $5.0 million (INR 350.1m) which represents cumulative cash payments lent by the Group to facilitate the acquisition of the land.

At 31 December 2019 the development land is carried at a fair value of $9,959,243 (INR 708.9m). The fair value is based on an independent valuation performed by Vestian Global Workplace Services Pvt Ltd. The valuation was based on a market approach using comparable transactions, adjusted to reflect the size, the infrastructure and access, the location within the neighbourhood and the shape and topography. The valuation uses a weighted average premium/discount.

12. RECEIVABLES AND PREPAYMENTS

	As at 31 December 2019 $	As at 31 December 2018 $
Non-current		
Other receivables and prepayments – third party	1,383,916	5,848,289
Contract assets	1,250,000	1,250,000
Other receivables and prepayments – related party	3,360,468	3,428,339
Allowance made for impairment of receivables	(574,488)	(1,119,609)
	5,419,896	9,407,019
Current		
Other receivables and prepayments – third party	1,161,663	992,445
	1,161,663	992,445
Total	6,581,559	10,399,464

Non-current third party receivables and prepayments:

Included within third party receivables are payments made to third parties for potential development land in Chennai, India. As at 31 December 2019 these total $1,383,816 (2018: $5,848,189). The movement in the year ended 31 December 2019 relates to investment into development land (See Note 11).

Non-current related party receivables and prepayments:

Non-current related party receivables as at 31 December 2019 and 31 December 2018 relate to a loan of $2,245,649 (€2,000,000) and accrued interest to June 2016 due from Ridgemont Holdings Limited ("Ridgemont") (see note 27). Ridgemont's sole asset is a 5.1% interest in the partnership which owns the Leipzig investment properties. Ridgemont has the right but not the obligation to deliver its interest in the partnership in settlement of obligations under the loan. As at 31 December 2019, the principal and interest were due to be repaid in March 2020. On 2 April 2020 the maturity date was extended to 31 March 2022.

Current third party receivables and prepayments:

	As at 31 December 2019 $	As at 31 December 2018 $
Trade receivables	528,489	326,383
Taxation receivable	239,127	244,976
Other receivables and prepayments	394,047	421,086
	1,161,663	992,445

Impairment of financial assets

As at 31 December 2019, the group considers the credit risk on trade receivables and contract assets to be very low and consequently the period over which expected loss was considered was limited to 12 months. The assessment considered the individual counterparty risk and collateral held. Following this assessment, no impairment has been recognised.

The credit risk on the loan made in respect of investments in development rights in India is considered to be nil as the Group holds collateral in excess of the value of the loans made.

12. RECEIVABLES AND PREPAYMENTS (continued)

The Group has assessed the loan to Ridgemont mentioned above to represent a non-performing asset under IFRS 9. This loan is secured against the 5.1% minority holding of Ridgemont in USI Verwaltungszentrum Leipzig Limited & Co.KG. Due to revaluations of this holding as at 31 December 2019 the value of this holding is significantly lower than the valuation of the loan made and accrued interest. As such, allowance has been made for the lifetime expected loss, the allowance has been adjusted in the period to the underlying value of the 5.1% minority holding.

	Related Parties $
Opening loss allowance as at 1 January 2019 (calculated under IFRS 9)	1,119,609
Decrease in allowance recognised in profit or loss during the period	(521,748)
Impact of foreign exchange rates	(23,373)
Closing loss allowance as at 31 December 2019	574,488

13. BORROWINGS

	As at 31 December 2019 $	As at 31 December 2018 $
Non-current		
Bonds	26,594,480	-
Facilities	70,937,633	790,902
Other loans	65,070,147	41,681,792
Total non current borrowings	162,602,260	42,472,694
Current		
Bonds	-	24,718,526
Facilities	1,211,051	261,016
Other loans	-	7,000,020
Total current borrowings	1,211,051	31,979,562
Total borrowings	163,813,311	74,452,256

Transfer to liabilities of disposal group classified as held for sale

As at 31 December 2018, borrowings with a carrying amount of $82,213,436 were included in a disposal group classified as held for sale as these were expected to be disposed of in the transaction detailed in Note 24. This represents the facilities secured against the Leipzig properties (Senior, Junior and Subordinated loans) which were expected to be repaid as part of the transaction. As mentioned in Note 2.1 the decision to dispose of the Leipzig properties was reversed during the current period, as such these loans were transferred out of the disposal group classified as held for sale.

Bonds

On 31 March 2019, after securing bond holder consent, the Group extended the maturity date of its Swiss Franc convertible bonds for three years with a new maturity date of 31 March 2022. The interest rate remained unchanged whilst the conversion price decreased to CHF 10.00 per share. In the year ended 31 December 2019, CHF 1.44 million ($1.44 million) of convertible bonds were issued to third parties, bringing the total in issue as at 31 December 2019 to CHF 26.44 million. The equity component relating to the conversion option of bonds issued in the period was valued and recorded in equity at $26,923.

Included in the terms of the Bonds is a covenant that the Group must maintain the ratio of the net value of all assets held by the Arundel Group to the aggregate principal amount of the bonds of equal to or greater than 2:1. This is reviewed and tested on each interest payment date, as at 31 December 2019 the ratio was 4.68:1 (2018 – 3.99:1). The Group can issue up to a total of CHF 42.04 million of the bonds.

13. BORROWINGS (continued)

Facilities

On 26 September 2019 the group successfully completed the refinancing of debt secured against the Leipzig properties. The group entered into a new 5-year facility with a major German financial institution. The principal sum borrowed was €65 million and the interest rate was fixed at 0.95% per annum. Under the terms of the financing approximately 10.5% of the principal sum will be amortised during the term of the loan. The facility is secured against the Leipzig properties.

Other facilities include a loan from a bank which is secured by a first legal mortgage over freehold property in the UK and a fixed and floating charge. The loan is repayable by equal quarterly instalments of approximately $66k ending in September 2022. Interest on the loan is payable at 2% over the lender's base rate. As at 31 December 2019, the principal amount outstanding on this loan was $823,388.

Other Loans – non current

At 31 December 2019 Other Loans included various loans from minority shareholders totaling $59.5 million (December 2018 - $37.2 million). The maturity date of these loans is 31 December 2028. The weighted average interest rate on these loans is 2.63% per annum.

Also included are other loans totaling approximately $5.6 million on which interest is charged at interest rates between 3.0% per annum and 8.4% per annum. The maturity of these loans ranges from January 2021 to May 2022. $1.6 million of these loans is secured by a second charge against the freehold property in London.

The maturity of non-current borrowings is as follows:

	As at 31 December 2019 $	As at 31 December 2018 $
Between 1 and 2 years	4,837,498	261,016
Between 2 and 5 years	98,287,306	4,933,718
Over 5 years	59,477,456	37,277,960
Non-current borrowings	162,602,260	42,472,694

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

	Carrying amounts		Fair values	
	December 2019 $	December 2018 $	December 2019 $	December 2018 $
Non-current borrowings	162,602,260	42,472,694	161,909,194	44,370,055

The fair values are based on cash flows discounted using a rate based upon a borrowings rate of between 1.10% and 8.44% (December 2018 – 2.50% to 8.00%). These are level 3 in the fair value hierarchy.

The fair value of current borrowings approximates their carrying value.

13. BORROWINGS (CONTINUED)

Changes in liabilities arising from financing activities in the year ended 31 December 2019 and 31 December 2018 are as follows:

		Cash flows		Non cash changes						
	As at 1 January 2019	**Proceeds from borrowings**	**Repayment of borrowings**	**Amortisation of Debt Issue Costs**	**Foreign Exchange**	**Other drawdowns**	**Change in maturity**	**Equity Component of Bonds**	**Transfer from disposal group AFS**	**As at 31 December 2019**
	$	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Non-current borrowings	42,472,694	73,016,276	(59,242,314)	(229,820)	(422,174)	635,343	27,675,712	(26,923)	78,723,466	162,602,260
Current borrowings	31,979,562	2,654,177	(9,270,098)	24,105	9,063	-	(27,675,712)	-	3,489,954	1,211,051
Total	74,452,256	75,670,453	(68,512,412)	(205,715)	(413,111)	635,343	-	(26,923)	82,213,420	163,813,311

		Cash flows		Non cash changes						
	As at 1 January 2018	**Proceeds from borrowings**	**Repayment of borrowings**	**Amortisation of Debt Issue Costs**	**Foreign Exchange**	**Other drawdowns**	**Change in maturity**	**Equity Component of Bonds**	**Transfer to disposal group AFS**	**As at 31 December 2018**
	$	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Non-current borrowings	154,804,036	1,010,946	(4,000,000)	1,022,593	(3,311,172)	402,748	(28,730,237)	(2,782)	(78,723,438)	42,472,694
Current borrowings	8,953,240	3,000,020	(5,067,229)	73,427	(220,135)	0	28,730,237	0	(3,489,998)	31,979,562
Total	163,757,276	4,010,966	(9,067,229)	1,096,020	(3,531,307)	402,748	0	(2,782)	(82,213,436)	74,452,256

14. ACCRUALS

	As at 31 December 2019 $	As at 31 December 2018 $
Current		
Payable to related parties (refer to Note 27)	437,037	618,994
Audit fees	313,484	162,448
Professional fees	252,343	161,441
Other accrued expenses	193,838	438,227
Loan interest and related fees	377,693	206,745
Total accruals	1,574,395	1,587,855

15. TRADE AND OTHER PAYABLES

	As at 31 December 2019 $	As at 31 December 2018 $
Current – Non related parties		
Liability for par value capital reduction	463,459	456,150
Trade Creditors	2,631,553	2,621,524
Payable re; Indian development land	597,098	-
Taxation payable	112,029	-
Social security payable	-	119,494
Lease liability creditor	119,701	71,275
Other payables	18,631	35,921
	3,942,471	3,304,364
Current – related parties		
Payable re; shares held in treasury (Note 27)	603,385	593,867
Total other payables	4,545,856	3,898,231

16. FINANCIAL INSTRUMENTS BY CATEGORY

Assets as per balance sheet 31 December 2019	Notes	Fair value through profit and loss	Financial assets at amortised cost	Financial liabilities at amortised cost
		$	$	$
Other receivables and prepayments	12	-	6,581,459	-
Cash and cash equivalents		-	3,405,850	-
Borrowings	13	-	-	(163,813,311)
Total		-	9,987,309	(163,813,311)

Assets as per balance sheet 31 December 2018	Notes	Fair value through profit and loss	Financial assets at amortised cost	Financial liabilities at amortised cost
		$	$	$
Other receivables and prepayments	12	-	10,399,364	-
Cash and cash equivalents		-	1,283,929	-
Borrowings	13	-	-	(74,452,256)
Total		-	11,683,293	(74,452,256)

See Note 13 for consideration of the fair value of borrowings. Other receivables and prepayments and cash and cash equivalents approximate fair value.

As at 31 December 2018, borrowings totalling $82,213,436 were included in a disposal group classified as held for sale (See Note 24).

17. SHARE CAPITAL

	As at 31 December 2019 $	As at 31 December 2018 $
Authorised, allotted, called up and fully paid: Equity interests:		
15,115,164 Ordinary shares of CHF 1.00 (31 December 2018 CHF 9.00) each	16,362,693	147,264,236

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 7,557,582 until 12 June 2020 through the issuance of up to 7,557,582 additional registered shares with a nominal value of CHF 1.00 each. An increase in partial amounts is permitted.

Conditional share capital

According to Article 3a of the Articles the share capital may be increased by a maximum amount of CHF 1,511,516 through the issuance of up to 1,511,516 fully paid registered shares with a nominal value of CHF 1.00 each to enable the Company, at its discretion, to settle discretionary fees or remuneration to 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 6,046,066 through the issuance of up to 6,046,066 fully paid registered shares with a nominal value of CHF 1.00 each through the exercise of conversion rights, warrant rights or option rights which have been or will be granted to bondholders or other creditors of the Company or its subsidiaries.

17. SHARE CAPITAL (continued)

An analysis of the movement in treasury shares in the year ended 31st December 2018 and year ended 31 December 2019 is as follows:

	No of Treasury Shares	**$**	**Average price per share $**
As at 31 December 2017	834,386	5,441,626	6.52
Receipt of shares in settlement of obligations from shareholders	672,967	2,790,207	4.15
Shares issued on completion of par value capital reduction (Note 18)	(696,732)	(4,445,119)	6.38
Sale of shares to third parties	(558,456)	(2,774,679)	4.97
As at 31 December 2018	252,165	1,012,035	4.01
Receipt of shares in settlement of obligations from shareholders	69,763	145,700	2.09
Shares issued in lieu of fees	(215,000)	(808,900)	3.76
As at 31 December 2019	106,928	348,835	3.26

Treasury shares were issued in lieu of $0.4 million in fees. The deduction from total equity of $0.8 million reflects the historical cost of these shares.

18. PAR VALUE REDUCTION

On 2 September 2019 the Company completed the par value capital reduction transaction approved by shareholders at the annual general meeting held on 11 June 2019. As a result, the nominal share capital of the company reduced from CHF 9.00 to CHF 1.00 with a corresponding adjustment against accumulated losses.

19. NON CONTROLLING INTEREST

	As at 31 December 2019 $	As at 31 December 2018 $
Non-controlling interest	2,782,854	2,305,664

The non-controlling interest relates to a 5.1% interest in USI Verwaltungszentrum Leipzig Limited & Co. KG 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 of the subsidiary that has non-controlling interests that are significant to the Group, the presented figures represent 100% of the subsidiary.

Summarised balance sheet	**As at 31 December 2019 $**	**As at 31 December 2018 $**
Non-Current		
Assets	153,950,673	153,549,120
Liabilities	(98,487,642)	(108,357,632)
Total non-current net assets	55,463,031	45,191,488
Current		
Assets	154,323	129,614
Liabilities	(1,051,578)	(111,976)
Total current net (liabilities)/assets	(897,255)	17,638
Net assets	54,565,776	45,209,126

Summarised income statement	**Year ended 31 December 2019 $**	**Year ended 31 December 2018 $**
Revenue	7,000,806	7,381,319
Fair value gain/(loss) on investment property	3,438,796	(5,552,405)
Administrative expenses	(894,562)	(871,631)
Finance income/(costs)	683,668	(5,533,521)
(Losses)/gains attributable to:	10,228,708	(4,576,238)
Equity holder	9,707,044	(4,342,850)
Non-controlling interest	521,664	(233,388)
	10,228,708	(4,576,238)

19. NON CONTROLLING INTEREST (CONTINUED)

Summarised cash flows	**Year ended 31 December 2019 $**	**Year ended 31 December 2018 $**
Cash flows from operating activities		
Cash generated from operations	6,050,700	6,528,183
Interest paid	(2,364,796)	(3,155,200)
Net cash generated from operating activities	3,685,904	3,372,983
Net cash used in investing activities	86,131	282,738
Net cash used in financing activities	(3,637,519)	(3,655,571)
Net increase/(decrease) in cash and cash equivalents	**134,516**	**150**
Cash and cash equivalents at beginning of period	**119**	**206**
Movement	134,516	150
Foreign exchange movement on cash	341	(237)
Cash and cash equivalents at end of period	**134,976**	**119**

20. INCOME TAXES

	Year ended 31 December 2019 $	**Year ended 31 December 2018 $**
Income tax as per consolidated income statement	(982,071)	(257,660)
		-

The tax on the Group's profit/loss before tax differs from the theoretical amount that would arise using the weighted average tax applicable to profits of the consolidated companies (December 2019: 15.46% December 2018: 10.95%) as follows:

	Year ended 31 December 2019 $	**Year ended 31 December 2018 $**
Profit/(loss) before tax per consolidated income statement –	10,964,591	(15,705,826)
Income tax calculated at domestic rates applicable to profits in respective countries	1,695,202	(1,719,714)
Income not subject to taxation	(447,251)	-
Expenses not deductible for tax purposes in the period	-	1,942,531
Previously unrecognised tax losses used to reduce tax expense	(237,888)	(54,149)
Other	(27,992)	88,992
Tax charge	982,071	257,660

21. DEFERRED INCOME TAX

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

A deferred tax asset is recognised for unused tax losses to the extent that it is probable that future taxable profits will be available. Against which these tax losses can be utilised. Such deferred tax assets amounted to $ Nil (31 December 2018 – $Nil).

As at 31 December 2019, the Company had estimated unused tax losses of $283 million (December 2018 - $295 million), which arose between 2013 and 2019 and will expire between the end of 2020 and 2026. These losses were not capitalised as it is unlikely that they will be utilised by the Group.

The fair value of the investment property is below the acquisition price (refer to Note 11) and therefore a taxable temporary difference does not exist. The fair value of the development land is above the acquisition price and a deferred tax liability of $918,292 was recorded. The remaining deferred tax liability results from temporary differences on property, plant equipment.

	As at 31 December 2019 $	As at 31 December 2018 $
Deferred taxation liability	4,147,900	3,121,721

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

	As at 31 December 2019 $	As at 31 December 2018 $
Opening period	3,121,721	3,312,175
Charged to the income statement	914,827	(5,706)
Net changes due to exchange differences	111,352	(184,748)
Closing period	4,147,900	3,121,721

22. CONTINGENT LIABILITY

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

The Group had no other contingent liabilities at 31 December 2019.

23. INVESTMENTS IN SUBSIDIARIES

The subsidiaries of the Group as of 31 December are as follows: *1 - Dormant company.*	**Country of Incorporation**	**Ownership Percentage Dec 2019**	**Ownership Percentage Dec 2018**
Arundel (Schweiz) 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%
USI Leipzig GmbH	Germany	100%	Nil
USIEC Limited[1]	BVI	100%	100%
Goldlink United Limited	BVI	100%	100%
Arundel Real Estate Pte. Ltd.	Singapore	100%	100%
Omkar Property Development Private Limited	India	100%	100%
Arundel Investments Pte Ltd. [1]	Singapore	100%	100%
USI Commodities Pte Limited[1]	Singapore	Nil	100%
USI Resources Limited[1]	BVI	100%	100%
Arundel Inc	USA	100%	100%
Arundel Group Services Limited [1]	UK	100%	100%
Arundel Group Limited	UK	100%	100%
Arundel (Securities) Inc.	USA	100%	100%
Arundel (Guernsey) [1]	Guernsey	100%	100%
Arundel (Mauritius) Limited [1]	Mauritius	100%	100%
PCG Capital Limited [1]	BVI	100%	100%

24. NON CURRENT ASSETS HELD FOR SALE, DISCONTINUED OPERATIONS AND OTHER TRANSACTIONS

On 5 April 2018, the Company announced its intention to seek a purchaser for the Group's German investment properties in Leipzig (the "Leipzig Properties") subject to satisfactory terms and conditions and initiated an active plan to locate possible purchasers. In the period from the announcement to 31 December 2018 the Company received interest from several parties and started contract negotiations with purchasers, one of which had reached an advanced stage including negotiations around an agreed sales price as at 31 December 2018. As at this date, the sale was considered highly likely and expected to complete within a year.

On 29 April 2019 the Directors decided to retain the Leipzig properties owned by the Group in Germany for the foreseeable future based on the high probability that a debt refinancing secured on the properties would be successful. This reversed the decision taken on 5 April 2018 to seek a purchaser which, in turn, resulted in all assets and liabilities related to the Leipzig properties being presented as a disposal group held for sale and discontinued operations as at 30 June 2018 and 31 December 2018. As a consequence of the decision to retain the properties, the Group ceased to classify assets and liabilities related to the Leipzig properties as held for sale and discontinued operations during the current reporting period.

24. NON CURRENT ASSETS HELD FOR SALE, DISCONTINUED OPERATIONS AND OTHER TRANSACTIONS (Continued)

Assets of disposal group classified as held for sale:

	31 December 2019 $	31 December 2018 $
Investment property	-	153,549,120
Restricted cash	-	88,098
Receivables and prepayments	-	56,358
Cash and cash equivalents	-	119
	-	153,693,695

Liabilities of disposal group classified as held for sale:

	31 December 2019 $	31 December 2018 $
Senior Loan	-	56,130,149
Junior Loan	-	4,430,984
Subordinated Loan	-	21,652,302
Borrowings	-	82,213,436
Accruals	-	277,980
Unallocated excess impairment	-	8,806,343
	-	91,297,759

The Group valued the disposal group in accordance with IFRS 5. As a result of the valuation as a whole the Group identified an impairment which could not be allocated to non-current assets ("Excess impairment"). A liability was recorded therefore and relates mainly to unfavourable financing conditions of existing borrowing, which a buyer would deduct in the valuation and costs to sell.

The unallocated excess impairment provision was released in 2019 upon the Board of Directors reversing this decision.

Discontinued operations

In the Annual Report for the year ended 31 December 2018 the results of the Group's German investment properties were presented as discontinued operations. As mentioned in Note 2.1 comparative information in these financial statements has been represented for consistency of presentation.

25. FOREIGN EXCHANGE RATES

	Balance Sheet		Income Statement and Cash Flow Statement	
	31 December 2019 $	31 December 2018 $	average Year ended 31 December 2019 $	average Year ended 31 December 2018 $
EUR	0.891	0.873	0.893	0.848
CHF	0.968	0.983	0.994	0.979
GBP	0.754	0.784	0.784	0.745
SGD	1.345	1.362	1.364	1.350
INR	71.180	69.560	70.394	64.409

26. SEGMENT INFORMATION **Year ended 31 December 2019**	**Investment in Development Rights (India)** **$**	**Investment Advisory (UK/US)** **$**	**Investment in Government Tenanted Property (Germany)** **$**	**Head Office and Reconciling Central Costs** **$**	**Total** **$**
Revenue (Note 5)	-	2,284,601	7,000,806	-	9,285,407
Net gain on fair value movement on investment property and development land (Note 11)	5,087,729	-	3,438,796	-	8,526,525
Unallocated excess impairment (Note 24)	-	-	8,520,726	-	8,520,726
(Loss)/profit after tax	**3,883,588**	**(747,685)**	**12,872,557**	**(6,025,940)**	**9,982,520**
Assets					
Investment property (Note 11)	9,959,243	-	153,950,673	-	163,909,916
Property, plant and equipment (Note 10)	-	-	-	25,442,793	25,442,793
Other receivables (Advance development rights payments) (Note 12)	1,383,816	-	-	-	1,383,816
Trade receivables (Note 12)	-	1,250,000	-	-	1,250,000
Cash and cash equivalents	29,332	2,153,365	134,976	1,088,177	3,405,850
Segment assets for reportable segments	**11,372,391**	**3,403,365**	**154,085,649**	**26,530,649**	**195,392,375**
Of which are non-current assets:	11,343,059	1,250,000	153,950,673	25,442,793	191,986,525
Liabilities					
Total borrowings (Note 13)	9,430,384	-	71,325,296	83,057,631	163,813,311
Deferred taxation (Note 21)	918,292	-	-	3,229,608	4,147,900
Trade and other payables (Note 15)	597,098	2,631,553	-	1,317,205	4,545,856
Accruals (Note 14)	-	393,277	365,488	815,630	1,574,395
Unallocated excess impairment (Note 24)	-	-	-	-	-
Segment liabilities for reportable segments	**10,945,771**	**3,024,830**	**71,690,783**	**88,420,075**	**174,081,462**

Investment advisory income is derived from a number of external customers. 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. All revenue derived from Investments in Government Tenanted Property is derived from one external customer in Germany.

26. SEGMENT INFORMATION	**Investments in Development Rights (India)**	**Investment Advisory (UK/US)**	**Head Office and Reconciling Central Costs**	**Sub Total**	**Investments in Government Tenanted Property (Germany) (AFS in 2018)**	**Total**
Year ended 31 December 2018	**$**	**$**	**$**	**$**	**$**	**$**
Revenue (Note 5)	-	2,406,346	-	2,406,346	7,381,319	9,787,665
Net loss on fair value movement on investment property (Note 11)	-	-	-	-	(11,810)	(11,810)
Unallocated excess impairment (Note 24)	-	-	-	-	(8,806,348)	(8,806,348)
(Loss)/profit after tax	**(305,643)**	**(814,232)**	**(7,828,193)**	**(8,948,068)**	**(7,015,418)**	**(15,963,486)**
Assets						
Investment property (Note 11)	-	-	-	-	153,549,120	153,549,120
Property, plant and equipment (Note 10)	-	-	24,775,969	24,775,969	-	24,775,969
Other receivables (Advance development rights payments) (Note 12)	5,848,189	-	-	5,848,189	-	5,848,189
Trade receivables (Note 12)	-	1,250,000	-	1,250,000	-	1,250,000
Other receivables	-	-	-	-	56,358	56,358
Restricted cash (Note 12)	-	-	-	-	88,098	88,098
Cash and cash equivalents	6,210	1,001,355	276,365	1,283,930	119	1,284,049
Segment assets for reportable segments	**5,854,399**	**2,251,355**	**25,052,334**	**33,158,088**	**153,693,695**	**186,851,783**
Of which are non-current assets:	-	-	24,775,969	24,775,969	153,549,120	178,325,089
Liabilities						
Total borrowings (Note 13)	9,000,000	-	65,452,256	74,452,256	82,213,436	156,665,692
Deferred taxation (Note 21)	-	-	3,121,721	3,121,721	-	3,121,721
Trade and other payables (Note 15)	-	2,692,799	1,205,432	3,898,231	-	3,898,231
Accruals (Note 14)	-	262,772	1,325,083	1,587,855	277,980	1,865,835
Unallocated excess impairment (Note 24)	-	-	-	-	8,806,343	8,806,343
Segment liabilities for reportable segments	**9,000,000**	**2,955,571**	**71,104,492**	**83,060,063**	**91,297,759**	**174,357,822**

Investment advisory income is derived from a number of external customers worldwide. 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. All revenue derived from Investments in Government Tenanted Property is derived from one external customer in Germany.

26. SEGMENT INFORMATION (CONTINUED)

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

Year ended 31 December	**As at 31 December 2019 $**	**As at 31 December 2018 $**
Total reportable segment assets	195,392,375	186,851,783
Other investments	100	100
Receivables and prepayments	3,947,642	3,301,174
Total assets per balance sheet	199,340,117	190,153,057

Reportable segments' liabilities equal total liabilities in both periods.

As at 31 December 2019 and 31 December 2018, there were no non-current fixed assets held in Switzerland.

27. RELATED PARTY TRANSACTIONS

(a) Parent entity

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

(b) Directors and Management Compensation

The following fees for director's fees, salaries and other compensation including payroll taxes and other benefits were recognised in December 2019 and December 2018.

	Year Ended 31 December 2019 $	**Period Ended 31 December 2018 $**
Dr. Volkert Klaucke	362,142	150,000
Mr. Markus Müller	31,690	30,644
Mr. David Quint	539,012	465,585
Dr. Doraiswamy Srinivas	223,652	237,190
Mr. R M Beney	390,422	392,395
Mr. R J Borg	385,698	390,270

As at 31 December 2019 accrued fees of $119,251 remained payable to Mr. Beney. In addition, $307,184 remained payable at the discretion of the Company to Dr Srinivas. Additionally, and amount of $593,867 was payable to Dr Srinivas in relation to shares due upon the completion of the par value capital reduction (See Note 18). Dr Klaucke's remuneration for 2019 included $212,142 in recognition of his extraordinary contribution in securing the refinancing of debt secured against the Group's investment properties in Leipzig.

In addition, $53,980 (2018 – $25,989) was paid to a company beneficially owned by Mr Müller in respect of other services provided to the Group.

All key management personnel compensation are short term employee benefits.

27. RELATED PARTY TRANSACTIONS (continued)

(c) Loans to related parties

Loan to Ridgemont Holdings Limited	Year Ended 31 December 2019 $	Period Ended 31 December 2018 $
At beginning of period	3,428,339	3,590,767
Foreign exchange movement	(67,871)	(162,428)
At end of period	3,360,468	3,428,339
Allowance made for impairment	(574,488)	(1,119,609)
	2,785,980	2,308,730

Ridgemont is owned by David Quint Jnr who is an employee of the Group and the son of David Quint Snr who is a Director of the Company. The loan, referred to in Note 12, is secured by Ridgemont's 5.1% interest in the Partnership referred to in Note 19. No interest has been charged on this loan since 2016 as collection is not ensured. Allowance for the expected lifetime credit loss for this loan has been made as at 31 December 2019 as the balance has been adjusted to agree with the value of the 5.1% interest (See Note 12).

(d) Loans from related parties

Loans from Mrs Kathleen Quint of £750,000 and £450,000	Year Ended 31 December 2019 $	Period Ended 31 December 2018 $
At beginning of period	957,015	1,013,630
Additions	594,693	-
Interest charged	113,234	83,021
Interest paid	(113,234)	(83,021)
Foreign exchange movement		(56,615)
At end of period	1,591,128	957,015

The loans are payable to Mrs Kathleen Quint, wife of David Quint Snr. Interest is payable to Mrs Quint at 5% over the rate charged to Mrs Quint from her lender. The aggregate interest rates charged to the Company is 8.44% and 7.49%.

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

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

	Shares December 2019	Shares December 2018
Board of Directors		
Dr. Volkert Klaucke	38,629	38,629
Mr. David Quint	1,638,075	1,638,075
Dr. Doraiswamy Srinivas	1,510,000	1,510,000
Mr. Markus Müller	Nil	Nil
Total	**3,186,704**	**3,186,704**
Group Management		
Mr. Ralph Beney	542,091	542,091
Mr. Richard Borg	318,577	318,577
Total	**860,668**	**860,668**

29. SUBSEQUENT EVENTS

Covid-19

The Directors have considered and will continue to monitor the threat and implications of the COVID-19 pandemic but it is too early to fully understand the impact that the virus will have on our business sector and the wider macro-economic environment. The Company does not expect there to be any reduction of its rental income. The probability of earning new transaction income from the Group's investments advisory activities are low for the immediate future. Whilst there may be a temporary impact on the valuation of the Group's principal assets, the Company believes that its Leipzig Properties leased to the Government of Saxony, its freehold London office building located in the prime location of St James's Square, and its development land in India outside of Chennai represent an excellent store of long term value for the Group.

Based on a review of the activities of the Group, the current working capital position and the ability to reduce certain costs in the short term, the Directors currently believe that this risk can be managed for the year ahead. The Company therefore continues to adopt the going concern basis in preparing its financial statements.

30. BOARD APPROVAL

The consolidated financial statements on pages 13 to 54 are subject to approval by the annual general meeting and have been authorised by the board of directors on 27 April 2020 and were signed on its behalf by:

Dr. Volkert Klaucke
Chairman
Date: 27 April 2020

Dr. Doraiswamy Srinivas
Vice Chairman
Date: 27 April 2020

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 (the Company), which comprise the balance sheet as at 31 December 2019, income statement and notes for the year then ended, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements as at 31 December 2019 comply with Swiss law and the company's articles of incorporation.

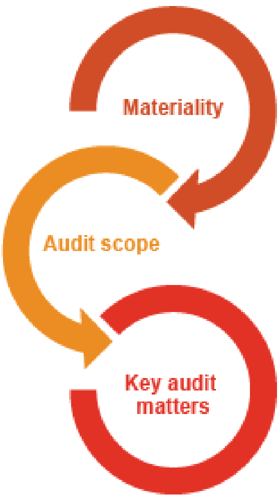
Basis for opinion

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 180,000

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 a key audit matter the following area of focus has been identified:

Valuation of investments in subsidiaries

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

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 180,000
How we determined it	0.5 % of Total assets
Rationale for the materiality benchmark applied	We chose total assets as a relevant benchmark, for a company that mainly holds capital investments, which is a generally accepted benchmark.

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.

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 65 (Note 2.1: Investment in subsidiaries). At 31 December 2019, the carrying value of the Company's investments in subsidiaries amounts to CHF 32.9 million. We focused our audit on this because of the significance of this line item to the total assets, the impact on the income statement and the judgment involved in valuing the investments. With the exception of the investment in Goldlink United Limited ("Goldlink"), the Company assesses the value of its investments based on the investments' net asset value. Goldlink transferred Company shares to third parties for the future transfer of development land in India. The Company has retained possession of the shares issued until the completion of the receipt of assets in a form acceptable to the Company. Therefore, management considers the value of Goldlink based on the third parties' obligation to transfer the title on the development land being at least the net asset value of the investment plus the value of the transferred shares as of 31 December 2019. As a result of these assessments Management recognized an impairment on investments in subsidiaries of CHF 10.9 million in 2019.	We have assessed Management's assessment of the investments' values by performing the procedures listed below: • We compared the book values of the investments with the Company's pro-rata share of the respective investment's equity. For investments holding significant investment properties we recalculated the net assets value of the subsidiary considering the valuation of the investment property. This included an assessment of the valuation performed by an independent property appraiser. • For the investment in Goldlink, we reviewed the legal documentation relating to the right to claw back the shares. • We recalculated the recognized impairment charge. Our audit work did not result in reportable findings on this matter.

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.

PricewaterhouseCoopers AG

Patrick Balkanyi	Philipp Gnädinger
Audit expert Auditor in charge	Audit expert

Zurich, 27 April 2020

Enclosures:

- Financial statements (balance sheet, income statement and notes)
- Proposed appropriation of reserves

Balance Sheet – Assets

CHF	Note	As at 31 December 2019	As at 31 December 2018
Assets			
Cash and cash equivalents		455,814	3,622
Other current receivables			
third parties		312,633	390,921
companies in which the entity holds an investment		2,584,770	4,835,490
Current assets		**3,353,217**	**5,230,033**
Investments	2.1	32,841,609	43,757,640
Non-current assets		**32,841,609**	**43,757,640**
Total Assets		**36,194,826**	**48,987,673**

Balance Sheet – Liabilities and Equity

CHF	Note	As at 31 December 2019	As at 31 December 2018
Liabilities and Shareholders' equity			
Due to shareholders		583,959	583,959
Due to companies in which the entity holds an investment		2,061,699	3,547,714
Due to third parties		448,538	566,038
Allowance for par value capital reduction		-	-
Bank overdraft		-	-
Accrued expenses and deferred income	2.2	207,335	494,293
Short-term liabilities		**3,301,531**	**5,192,004**
Share capital	2.3	15,115,165	136,036,476
Legal capital reserves			
Reserves from capital contributions	2.4	-	27,000,000
Voluntary retained earnings			
Accumulated profits/(losses)	2.5	29,644,763	(73,849,719)
Loss for the year		(11,224,132)	(44,086,145)
Treasury shares			
from reserves from capital contributions	2.6	(642,501)	(1,304,943)
Shareholders' equity		**32,893,295**	**43,795,669**
Total Liabilities and Shareholders' equity		**36,194,826**	**48,987,673**

Income statement

CHF	Note	Year Ended 31 December 2019	Period Ended 31 December 2018
Other income	2.7	723,809	-
Personnel expenses		(20,000)	(20,000)
Other operating expenses	2.8	(1,021,442)	(432,289)
Operating result		**(317,633)**	**(452,289)**
Financial income	2.9	50,507	-
Financial expenses	2.10	(40,975)	(107,764)
Extraordinary, non-recurring or prior year period expenses	2.11	(10,916,031)	(43,526,092)
Loss for the year/period before taxes		**(11,224,132)**	**(44,086,145)**
Direct taxes		-	-
Loss for the year/period		**(11,224,132)**	**(44,086,145)**

Notes

1. Principles

1.1 General Aspects

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

1.2 Company information

Arundel AG (the “Company”) is domiciled in Switzerland with its registered office at Gotthardstrasse 21, CH-8002, Zürich and is the ultimate parent company of the Arundel Group (the “Group”). The Company is an investment holding company. The Group is focused on investment and financing activities in Europe, the USA and India. The Company is listed on the SIX Swiss Exchange.

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

1.3 Treasury Shares

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

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

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

2. Information on balance sheet and income statement items

2.1 Investments

As at 31 December 2019

Company and Domicile	Number of Shares Owned	Type of Shares and Nominal Value	Share Capital in issue	Direct/ Indirect Ownership % December 2019 (Capital and voting rights)	Direct/ Indirect Ownership % December 2018 (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 Gotthardstrasse 21, CH-8002 Zurich, Switzerland, Registered number: CH-020.3.927.468-9	11,000	Ordinary CHF 100	CHF 1,100,000	100	100
Goldlink United Limited Vanterpool Plaza, 2nd Floor, Wickhams Cay 1, Road Town, Tortola, BVI, Registered number: 1774044	40,000	Ordinary US$ 1.00	US$ 40,000	100	100
USIEC Limited Nerine Chambers, Road Town, Tortola, BVI, Registered number 1660465	2	Ordinary No par value	-	100	100
USIGH III Investments Holdings Limited Nerine Chambers, Road Town, Tortola, BVI, Registered number 1531975	2	Ordinary US$ 1.00	US $2.00	100	100
Arundel Inc 45 Rockefeller Plaza, Suite 2000,New York, NY 10111, USA Registered number 819194	1,115	Ordinary No par value	US$ 11,150	100	100
INDIRECT SHAREHOLDINGS					
USI Germany Limited Nerine Chambers, Road Town, Tortola, BVI, Registered number 1440436	1	Ordinary US$ 1.00	US$ 1.00	100	100
USI Leipzig Limited Nerine Chambers, Road Town, Tortola, BVI, Registered number 1417877	1,000	Ordinary No par value	-	100	100

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

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

Impairments of Investments

	Gross Value	Cumulative Impairments	Impairments to 31 December 2019	Net Value
Investments	**CHF**	**CHF**	**CHF**	**CHF**
- Goldlink United Limited	224,829,260	(208,060,102)	(8,046,706)	8,722,452
- USIGHL	99,062,720	(89,065,761)	(2,933,873)	7,063,086
- Arundel (Schweiz) AG	4,326,980	(3,529,480)	201,304	998,804
-Arundel Inc	17,384,810	(1,190,787)	(136,757)	16,057,266
Total Investments	**345,603,770**	**(301,846,130)**	**(10,916,031)**	**32,841,609**

2.2 Accrued Expenses and Deferred Income

	At 31 December 2019 CHF	**At 31 December 2018 CHF**
Provision for VAT liability	-	321,977
Professional fees	207,335	172,316
Total	**207,335**	**494,293**

2.3 Share Capital

On 2 September 2019 the Company completed the par value capital reduction transaction approved by shareholders at the annual general meeting held on 11 June 2019. As a result, the nominal share capital of the company reduced from CHF 9.00 to CHF 1.00 with a corresponding adjustment against accumulated losses.

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 7,557,582 until 12 June 2020 through the issuance of up to 7,557,582 additional registered shares with a nominal value of CHF 1.00 each. An increase in partial amounts is permitted.

Conditional share capital

According to Article 3a of the Articles the share capital may be increased by a maximum amount of CHF 1,511,516 through the issuance of up to 1,511,516 fully paid registered shares with a nominal value of CHF 1.00 each through the exercise of option rights granted to members of the board of directors or the management and to advisors of the company or its subsidiaries. Furthermore, pursuant to Article 3b of the Articles the share capital may be increased by a maximum amount of CHF 6,046,066 through the issuance of up to 6,046,066 fully paid registered shares with a nominal value of CHF 1.00 each through the exercise of conversion rights, warrant rights or option rights which have been or will be granted to bondholders or other creditors of the Company or its subsidiaries.

2.4 Reserves from capital contributions

At the Company’s annual general meeting of 11 June 2019, the board approved a transfer from reserves for capital contributions of CHF 27,000,000 to retained earnings.

2.5 Equity table

	Share capital	Reserves from capital contribution	Reserves for treasury shares from capital contribution	Other legal reserves	Accumulated profits/(losses)	Loss of the year	Treasury shares	Total
As at 1 January 2019	**136,036,476**	**27,000,000**	**-**	**-**	**(73,849,719)**	**(44,086,145)**	**(1,304,943)**	**43,795,669**
Reallocation of prior year loss[1]	-	-	-	-	(44,086,145)	44,086,145	-	-
Transfer of reserve[1]	-	(27,000,000)	-	-	27,000,000	-	-	-
Par value capital reduction[1]	(120,921,312)				120,921,312	-	-	-
Dividends received, shares sales, share issues and share receipts	-				(340,685)		-	(340,685)
Adaption to Note 2.6	-	-	-	-	-	-	662,442	662,442
Loss of the year	-				-	(11,224,132)	-	(11,224,132)
As at 31 December 2019	**15,115,165**	**-**	**-**	**-**	**29,644,763**	**(11,224,132)**	**(642,501)**	**32,893,295**

[1] According to 2019 AGM resolution.

2.6 Treasury Shares

As at 31 December 2019 the Group held 106,929 shares of the Company (31 December 2018 – 252,165 shares). The number of shares held directly by the Company changed as follows:

	December 2019	December 2018	December 2019	December 2018
Treasury shares	**Shares**	**Shares**	**CHF**	**CHF**
Opening balance	252,165	834,386	1,304,943	5,633,913
Shares transferred from subsidiary	66,391	113,207	135,438	400,617
Shares issued on par value capital reduction	-	(857,307)	-	(5,368,033)
Shares returned to treasury		160,575		1,032,497
Receipt of shares from NCR/TLC	3,373	559,760	6,881	2,294,040
Sale of treasury shares		(558,456)		(2,688,091)
Shares issued in exchange for services rendered	(215,000)	-	(804,761)	-
Closing balance	106,929	252,165	642,501	1,304,943

2.7 Other Income

Other Income	**Year Ended 31 December 2019 CHF**	**Period Ended 31 December 2018 CHF**
Management charge income from subsidiary	645,963	-
VAT refunds	77,846	-
Total	723,809	-

2.8 Expenses

Other Operating Expenses	Year Ended 31 December 2019 CHF	Period Ended 31 December 2018 CHF
Professional fees	748,529	565,630
Maintenance and general administration	272,913	561,682
Release of VAT provision	-	(695,023)
Total	**1,021,442**	**432,289**

2.9 Financial Income

	Year Ended 31 December 2019 CHF	Period Ended 31 December 2018 CHF
Foreign exchange gains	-	-
Other income – interest on VAT repayments	50,507	-
Total	**50,507**	**-**

2.10 Financial Expenses

	Year Ended 31 December 2019 CHF	Period Ended 31 December 2018 CHF
Finance expenses	592	30,313
Foreign exchange losses	40,383	77,451
Total	**40,975**	**107,764**

2.11 Extraordinary, non-recurring or prior year period expenses

	Year Ended 31 December 2019 CHF	Period Ended 31 December 2018 CHF
Impairment provision on investments in subsidiaries	10,916,031	43,526,092
Total	**10,916,031**	**43,526,092**

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 December 2019 (Voting Rights)	Year Ended 31 December 2018 (Voting Rights)
NCR Developments Limited	12.73%	13.02%
David and Kathleen Quint	10.84%	10.84%
Doraiswamy Srinivas	9.99%	9.99%
Ewok Capital Management Limited	9.99%	9.99%
Mrs Beatrix Lanfranconi	9.97%	9.97%
Green Street Global Investments Limited	8.15%	8.15%
YRC Worldwide Inc, Master Pension Plan Trust	7.18%	7.18%
Venus Global Macro Fund Limited	4.30%	4.30%

3.3 Guarantees

The Company has granted guarantees for subsidiary company borrowings in the amount of CHF 59.1 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 28 of the consolidated financial statements.

Proposal of the Board of Directors for appropriation of reserves at 31 December 2019 in CHF

Accumulated retained earnings	
Accumulated retained earnings available to the General Meeting	29,644,763
Loss for the period ended 31 December 2019	(11,224,132)
Accumulated retained earnings carried forward	18,420,631

No capital distribution is proposed for the year ended 31 December 2019. However, it is the Board's intention that distributions should continue in the future.

Report of the statutory auditor

to the General Meeting of Arundel AG

Zurich

We have audited the accompanying remuneration report of Arundel AG for the year ended 31 December 2019. The audit was limited to the information according to articles 14 to 16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) contained in the tables labelled 'audited' on pages 77 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 to 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 December 2019 complies with Swiss law and articles 14 to 16 of the Ordinance.

PricewaterhouseCoopers AG

P. Balkanyi | Ph. Gnädinger

Patrick Balkanyi	Philipp Gnädinger
Audit expert Auditor in charge	Audit expert

Zurich, 27 April 2020

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

1. Introduction

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

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

2. Organisation and competencies

The shareholders' meeting annually elects the nomination and compensation committee of the Board (hereinafter the "Committee"), which as at 31 December 2019 consisted of the Executive Chairman (Dr. Volkert Klaucke), another executive member of the Board (Mr. David Quint) and a non-executive member of the Board (Mr. Markus Müller), and was chaired by Dr. Klaucke.

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

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

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

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

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

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

3. Compensation components

Compensation components for members of the Board and Executive Management consist mainly of fixed annual fees as set out in each individual's agreement, and (in the case of Executive Management) of annual bonuses and additional fees relating to the achievement of business linked objectives. These components are generally paid in cash and/or, if the Board so determines, in shares of the Company. No external consultants or formal benchmarks were used in deriving compensation for the Board and Executive Management.

Generally, agreements with the members of Executive Management shall continue until terminated by either party by giving 3 months prior written notice. All directors are appointed for a period of one year (defined as the period from one annual general meeting until the next), with any re-appointments approved at the annual general meeting of the Company's shareholders.

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

4. Audited compensation for financial year under review

a. Audited compensation of the members of the Board of Directors
[CO 663b bis/ERCO 17]

The following gross directors' fees for acting as members of the Board were recognised for the years ended 31 December 2019 and ended 31 December 2018:

	Year Ended 31 December 2019		Period Ended 31 December 2018	
	Compensation CHF	Social security CHF	Compensation CHF	Social security CHF
Dr. Volkert Klaucke	29,820	1,491	29,370	1,469
Mr. David Quint +	0	0	0	0
Dr. Doraiswamy Srinivas +	0	0	0	0
Mr. Markus Müller	10,000	1,500	10,000	1,500

All amounts are fixed payments. Social security costs reflect the employer's contribution on amounts payable by the Company. Directors' fees are payable in Swiss Francs.

Dr. Klaucke was appointed as Executive Chairman and Chief Executive Officer on 26 January 2016.

David Quint was appointed as an Executive Director 4 October 2016.

Dr. Doraiswamy Srinivas was appointed as Deputy Chairman and Executive Director on 4 October 2016.

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

In addition, CHF53,656 (2018 – CHF25,443) was paid to a company beneficially owned by Mr Müller in respect of other services provided to the Group.

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

On 31 December 2019, 31 December 2018 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 years ended 31 December 2019 and 31 December 2018 no compensation was paid to former directors.

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

Dr Klaucke appointed as Executive Chairman, and as Chief Executive Officer on 26 January 2016. David Quint, Dr Doraiswamy Srinivas, Ralph Beney and Richard Borg all became members of Executive Management on 5 October 2016. Gross compensation to members of Executive Management was fixed with no variable element and is reported as:

	Year Ended 31 December 2019		Period Ended 31 December 2018	
	Compensation CHF	Social security CHF	Compensation CHF	Social security CHF
Dr. Volkert Klaucke	119,280	0	117,480	0
Mr. David Quint	535,778	0	457,423	0
Dr. Doraiswamy Srinivas	222,310	0	230,327	0
Mr. Ralph Beney	388,080	0	381,815	0
Mr. Richard Borg	383,384	0	381,658	0

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

On 31 December 2019, 31 December 2018 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 December 2019 was made up as follows:

	Year Ended 31 December 2019			
	Fees CHF	Payroll taxes CHF	Other benefits CHF	Total CHF
Dr. Volkert Klaucke	119,280	0	0	119,280
Mr. David Quint	393,122	38,640	104,016	535,778
Dr. Doraiswamy Srinivas	190,511	13,716	18,083	222,310
Mr. Ralph Beney	323,972	46,226	17,882	388,080
Mr. Richard Borg	329,043	44,613	9,728	383,384

Compensation for the year ended 31 December 2018 was made up as follows:

	Year Ended 31 December 2018			
	Fees CHF	Payroll taxes CHF	Other benefits CHF	Total CHF
Dr. Volkert Klaucke	117,480	0	0	117,480
Mr. David Quint	344,293	42,031	71,099	457,423
Dr. Doraiswamy Srinivas	196,839	14,709	18,780	230,327
Mr. Ralph Beney	319,818	44,670	17,328	381,815
Mr. Richard Borg	325,074	46,250	10,334	381,658

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

As at 31 December 2019, accrued fees of CHF nil (2018 – CHF279,109) were payable to Dr Klaucke and CHF115,435 (2018 – CHF117,224) were payable to Mr. Beney. In addition, accrued fees of CHF297,354 (2018 – CHF212,139) were payable at the discretion of the Company to Dr Srinivas.

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

The Board recommended that Dr Klaucke was awarded CHF210,869 in recognition of his invaluable assistance in securing the refinancing of debt secured against the Group's investment properties in Leipzig.

There were no additional bonuses or fees awarded in respect of the year ended 31 December 2019.

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

6. Share ownership information

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

	Shares 31 December 2019	**Shares 31 December 2018**
Board of Directors		
Dr. Volkert Klaucke	38,629	38,629
Mr. David Quint +	1,638,075	1,638,075
Dr. Doraiswamy Srinivas ++	1,510,000	1,510,000
Mr. Markus Müller (appointed 27 September 2016)	Nil	Nil
Total	**3,186,704**	**3,186,704**
Executive Management		
Mr. Ralph Beney	542,091	542,091
Mr. Richard Borg	318,577	318,577
Total	**860,668**	**860,668**

\+ includes 979,216 shares held by David Quint and 658,859 shares held by his wife Kathleen Quint.

++ Dr Srinivas is entitled to an additional 90,818 shares pending approval by the Financial Conduct Authority in the UK.

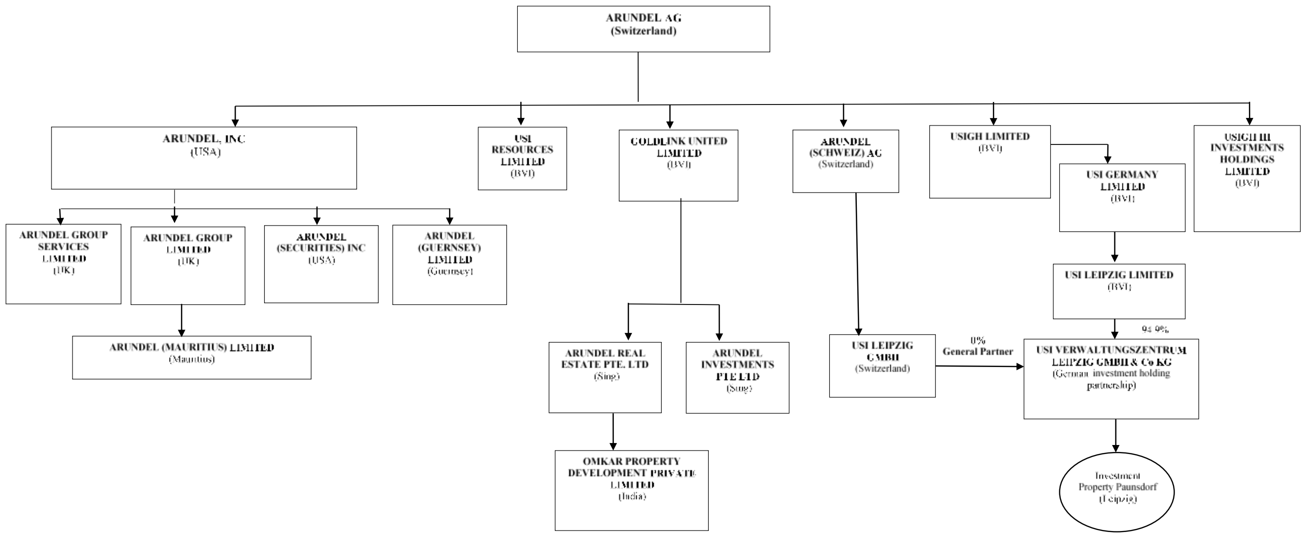
I Corporate Governance

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

1 Group Structure and Shareholders

1.1 Group Structure

At 31 December 2019, 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 section 3.4 and for segment reporting, to Note 26 to the Consolidated Financial Statements)



All holdings are 100% unless otherwise stated.

The Company has its address at Gotthardstrasse 21, CH-8002 Zurich, Switzerland and its registered shares are listed on the SIX Swiss Exchange under the International Reporting Standard. For its ISIN, Security Number and SIX Swiss Exchange Symbol see section 9. The Company's market capitalization as at 31 December 2019 was CHF 31,439,541.

At 31 December 2019, 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[1] Registered number: 1039705	10,000	Ordinary US$ 0.01	US$ 100	100	100
Arundel (Schweiz) AG Gotthardstrasse 21, CH-8002 Zurich, Switzerland, Registered number: CH-020.3.927.468-9	11,000	Ordinary CHF 100	CHF 1,100,000	100	100
USI Germany Limited [1] Registered number: 1440436	1	Ordinary US$ 1.00	US$ 1.00	100	100
USI Leipzig Limited[1] Registered number: 1417877	1,000	Ordinary No nominal value	-	100	100
USIGH III Investments Holdings Limited[1] Registered number: 1531975	2	Ordinary US$ 1.00	US$ 2.00	100	100
Goldlink United Limited[1] Registered number: 1774044	40,000	Ordinary US$ 1.00	US$ 40,000	100	100
Arundel Real Estate Pte Ltd 100D Pasir Panjang Road #03-04 Meissa, Singapore 118520 Registered number: 201503006R	1,000	Ordinary US $1.00	US$ 1,000	100	100
Arundel Investments Pte Ltd 100D Pasir Panjang Road #03-04 Meissa, Singapore 118520 Registered number: 201503006R	1,000	Ordinary US $1.00	US$ 1,000	100	100
USI Resources Limited[1] 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[2] Registered number: 819194	1,115	Ordinary No nominal value	-	100	100
Arundel Group Services Limited[3] Registered number: 10190006	100	Ordinary GBP 1.00	GBP 100	100	100
Arundel Group Limited[3] Registered number: 02722984	20,000	Ordinary GBP 1.00	GBP 20,000	100	100
Arundel (Securities) Inc[2] Registered number: 01446223	1	Ordinary US$ 1.00	US$ 1.00	100	100
Arundel (Guernsey) Limited PO Box 308, 15/21 Commercial Arcade St Peter Port, Guernsey GY1 1JX Registered number: 31345	2	Ordinary GBP 1.00	GBP 2.00	100	100
Arundel (Mauritius) Limited 33 Edith Cavell Street, Port Louis, Mauritius, Registered number: C20170 C1/GBL	10,000	Ordinary US$ 1.00	US$ 10,000	100	100
USI Leipzig GmbH Brühl 10, 04109 Leipzig	25,000	Ordinary €1.00	€25,000	100	100

Registered number: HRB206969					

[1] Registered office at Nerine Chambers, Road Town, Tortola, BVI.
[2] Registered office at 45 Rockefeller Plaza, Suite 2000, New York, NY 10111, USA.
[3] Registered office at 31a St James's Square, London, SW1Y 4JR.

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

1.2 Significant shareholders

The Company had the following major shareholders (3% or more of voting rights) as at 31 December 2019 (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	1,924,451	12.73%
David and Kathleen Quint Avallon, East Road, St. Georges Hill, Weybridge, Surrey, KT13 0LF, United Kingdom	1,638,075	10.84%
Doraiswamy Srinivas and Usha Kumar 63 Ashley Gardens, Ambrosden Avenue, London SW1P 1QG, United Kingdom	1,510,000	9.99%
Fides Trust Limited as trustee of the Linga Trust, PO Box 308,15/21 Commercial Arcade, St Peter Port, Guernsey GY1 1JX[2]	1,510,000	9.99%
Mrs Beatrix Lanfranconi 6045 Meggen, Switzerland	1,506,704	9.97%
Mr Thirupathur Lakshmanan Chandran [3] 11 Tg Rhu Rd 14-02 436896, Singapore	1,231,687	8.15%
YRC Worldwide, Inc. Master Pension Plans Trust 10990 Roe Avenue, Overland Park, Kansas 66211, USA	1,085,229	7.18%
Venus Global Macro Fund Limited c/o Catamaran Corp Ltd, A-1C Sector 16, Noida, U.P. 201301, India	650,604	4.30%
Ralph Beney August Pitts Farmhouse, Churn Lane, Horsmonden Kent TN12 8HW, United Kingdom	542,091	3.59%

Other shareholders	3,516,323	23.26%
Total	15,115,164	100%

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

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

3 The shares are held by Green Street Global Investments Limited ("**GS**") (a BVI corporation with registered address at Nerine Chambers, Road Town, Tortola, BVI). GS is beneficially owned 100% by Mr Chandran, a non-resident Indian domiciled in Singapore.

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

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

1.3 Cross-shareholdings

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

2 Capital structure

2.1 Capital

As at 31 December 2019:

2.1.1 The Company's issued share capital amounted to CHF 15,115,164, divided into 15,115,164 registered shares with a par value of CHF 1.00 each, fully paid in.

2.1.2 The Company's conditional capital for board members, management and advisers amounted to CHF 1,511,516 and the conditional capital for bondholders and other creditors amounted to CHF 6,046,066.

2.1.3 The Company's authorized capital amounted to CHF 7,557,582 and expires on 12 June 2020.

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 7,557,582 until 12 June 2020 through the issuance of up to 7,557,582 fully paid-in additional registered shares with a nominal value of CHF 1.00 each (corresponding to 50.00% of the current issued share capital). An increase in partial amounts is permitted. The date of issuance, the issue price, the payments with regard to the issue price, the dividend entitlement as well as the allocation of not-exercised subscription rights shall be determined by the Board. The Board may restrict or withdraw subscription rights in connection with mergers, acquisitions of interests, financing and/or re-financing of mergers or acquisitions of interests, or other investment projects, national or international placements of shares, conversion of loans or other equity securities into shares and for the broadening of the shareholder basis. The new registered shares are subject to the restrictions specified in Article 4 of the Articles (see section 2.6.1).

2.2.2 Conditional capital

According to Article 3a of the Articles the share capital may be increased by a maximum amount of CHF 1,511,516 through the issuance of up to 1,511,516 fully paid registered shares with a nominal value of CHF 1.00 each (corresponding to 10.00% of the current issued share capital) through the exercise of option rights granted to the members of the Board or of the management and to advisers of the Company or its subsidiaries. The subscription rights of the shareholders are excluded. The conditions of the option rights, the issue price, the dividend entitlement as well as the type of contribution shall be determined by the Board. The acquisition of registered shares through the exercise of option rights as well as every subsequent transfer of shares are subject to the restrictions set forth in Article 4 of the Articles (see section 2.6.1).

Furthermore, according to Article 3b of the Articles the share capital may be increased by a maximum amount of CHF 6,046,066 through the issuance of up to 6,046,066 fully paid registered shares with a nominal value of CHF 1.00 each (corresponding to 40.00% of the current issued share capital) through the exercise of conversion rights, warrant rights or option rights which have been or will be granted to bondholders or other creditors of the Company or its subsidiaries. The subscription rights of the shareholders are excluded. The conditions of the option rights and of the conversion rights, the issue price, the dividend entitlement as well as the type of contribution shall be determined by the Board. The Board may restrict or withdraw the right for advance subscription (*Vorwegzeichnungsrecht*) of the shareholders in connection with (i) the financing (refinancing inclusively) of acquisitions of enterprises or parts thereof, participations or other investment projects of the Company and/or its subsidiaries or (ii) the issuance of bonds with option or conversion rights on national or international capital markets. If the right of advance subscription (*Vorwegzeichnungsrecht*) is excluded, (i) the bonds or bonds with warrants (*Anleihen oder Optionsanleihen*) have to be offered at market conditions, with (ii) the period of time for exercising the conversion and the options rights being not more than 10 years from the issue date (or from the time of any reset of their terms), and (iii) the exercise price of the new registered shares corresponding to the market conditions at the time of issue (or reset of terms). The acquisition of registered shares through the exercise of conversion and/or option rights as well as every subsequent transfer of these shares is 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 4,204,000 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 19 September 2017, the shareholders resolved to reduce the issued share capital by CHF 7'557'582 (from CHF 143,594,058 to CHF 136,036,476), by reducing the nominal value of each of the Company's registered shares from CHF 9.50 to CHF 9.00 and repaying CHF 0.50 per share to the shareholders. The capital reduction was registered in the Commercial Register on 29 November 2017 and the repayment effected on 10 January 2018.

At the Annual General Meeting of the Company on 11 June 2019, the shareholders resolved to reduce the issued share capital by CHF 120,921,312 (from CHF 136,036,476 to CHF 15,115,164), by reducing the nominal value of each of the Company's registered shares from CHF 9.00 to CHF 1.00. Of the reduction amount of CHF 120,921,312, a partial amount of CHF 117,935,864 was used to eliminate losses carried forward, and the balance of CHF 2,985,448 was allocated to legal capital reserves. The capital reduction was registered in the Commercial Register on 28 August 2019.

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

2.4 Shares and participation certificates

As at 31 December 2019, the Company had 15,115,164 registered shares with a par value of CHF 1.00 fully paid in. The shares rank equally among each other in all respects (including in respect of entitlements to dividends and liquidation proceeds). Each share confers one vote in the shareholders' meeting (subject to limitations on approval as a shareholder with the right to vote, see below section 2.6.1).

The Company has not issued any participation certificates.

2.5 Profit sharing certificates

The Company has not issued any profit sharing certificates.

2.6 Limitation on transferability and nominee registrations

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

Article 4 of the Articles provides that:

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

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

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

2.6.2 Reasons for granting exceptions in the year under review

Not applicable.

2.6.3 Nominee registration

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

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

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

2.7 Convertible bonds and warrants/options

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

2.7.1 CHF 42,040,000 of 6.25% Guaranteed Secured Convertible Notes Due 2019 (“2019 Bonds”)

As at 31 December 2019, USIGH Limited had CHF 42,040,000 of 2019 Bonds in issue. The 2019 Bonds had a coupon of 6.25% per annum, a conversion price of CHF 10.00 and a maturity of 31 March 2022. In order to convert the 2019 Bonds, conversion notices must be received by the conversion agent by the fifth business day prior to the date of maturity. As at 31 December 2019, 2019 Bonds in the aggregate principal amount of CHF 26,448,749 were held by third parties and the remainder by USIGH Limited. Assuming all of the 2019 Bonds were converted, 4,204,000 registered shares with a nominal value of CHF 1.00 each of the Company would have to be issued (corresponding to 27.81% of the current issued share capital).

By 31 December 2019, no shares had been issued under the 2020 Bonds.

3 Board of Directors

The members of the Board are responsible for the strategic direction and oversight of the Company. As at 31 December 2019, 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 (2016)
Dr. Doraiswamy Srinivas	U.S./UK	Executive Deputy Chairman	2005 (2016)
David Quint	U.S./UK	Executive Member	2005 (2016)
Non-executive members			
Markus Müller	Swiss	Member	2016

3.1 Members of the Board

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

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

Mr David Quint (1950), U.S./UK citizen, is a co-founder and Chief Executive Officer of Arundel Inc. Prior to founding Arundel Inc in 1992, Mr Quint served as Managing Director of Belden & Blake Corporation’s UK subsidiary and as an attorney with Arter & Hadden. Mr Quint is a graduate of the University of Notre Dame where he received a degree in Modern Languages and a Juris Doctorate. He is also a non-executive director of Ascension Healthcare Plc (a privately-held British healthcare technology company).

Mr Markus Müller (1958), Swiss citizen, is a director of MPM Swiss AG, a Swiss investment management company. Between 2009 and 2019 Mr Müller served on the board of directors and in the executive management of Compass Portfolio Management AG, a Swiss asset management company. From 2000 – 2018 Mr. Müller served in the 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. Save that Mr Mueller is a director of USIGH Limited, he does not have any significant business connections with the Company or any of its subsidiaries.

3.2 Permissible outside mandates

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

3.3 Elections and terms of office

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

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

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

3.4 Internal organizational structure

3.4.1 Board

The Board may take decisions on all matters which by law or the Articles are not allocated to the general meeting of shareholders.

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

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

The Chairman has the following duties:

- chairing meetings of the Board and general meetings of shareholders;
- determining the agenda for meetings of the Board except in cases where proposals are made by other members of the Board;
- representation of the Board to the public, to public authorities and to the shareholders;
- supervision of the execution of measures which have the approval of the Board;
- preparation of amendments to the Articles, conduct of the voting procedures and other matters to be addressed at any general meeting of shareholders;

- in association with the Company's executive management team ("**Executive Management**"), preparation of materials concerning strategic planning, short-term corporate goals, financial planning and budgets to be approved by the Board;

- decisions concerning non-budgeted investments and expenditures up to CHF 2.25 million and up to CHF 100,000 respectively; and

- decisions requiring urgent action or in exceptional circumstances which would otherwise be addressed by the Board, the Nomination and Compensation Committee or the Audit Committee. Such decisions shall be submitted for approval to the responsible bodies as soon as possible.

3.4.2 Committees

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

3.4.2.1 Audit Committee

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

- review the semi-annual and annual financial statements and consider whether they are complete and reflect appropriate principles;

- monitor the integrity and effectiveness of the Company's financial reporting process and systems of internal controls regarding finance and accounting, operational processes as well as manual and automatic finance and accounting data processing;

- oversee the qualifications of the public accounting firm engaged as the Company's independent auditor to prepare and issue an audit report on the financial statements of the Company;

- monitor the independence and performance of the Company's external and internal auditors (if any);

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

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

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

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

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

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

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

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

3.4.2.2 Nomination and Compensation Committee

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

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

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

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

- assist the Board in discharging its responsibilities relating to compensation of directors of the Company and of members of Executive Management;
- approve or establish proposals for all compensation plans, policies and programmes relating to compensation and benefits for directors, Executive Management and direct employees (if any);
- propose to the Board compensation of directors, members of Executive Management and direct employees (if any);
- ensure that newly elected directors receive the appropriate introductions and orientation and the elected directors receive the adequate continuing education and training to fully discharge their obligations;
- assist the Board in identifying individuals who are qualified to become Board or Executive Management members, when vacancies arise;
- recommend to the Board the director nominees for the next annual shareholders’ meeting;
- recommend to the Board a set of corporate governance principles to be published in a directive on corporate governance;
- prepare any disclosure statement on compensation and corporate governance required by applicable law, regulations or the rules of a stock exchange on which the Company's shares are listed or traded;
- lead the Board in its annual review of the Board's performance; and
- recommend to the Board director nominees for each committee.

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

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

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

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

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

3.4.3 Work methods of the Board and its committees

3.4.3.1 Board

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

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

3.4.3.2 Audit Committee

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

3.4.3.3 Nomination and Compensation Committee

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

3.5 Definition of areas of responsibility

The Board has the responsibilities and duties set forth in the Swiss Code of Obligations (hereinafter "**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 financial 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 financial 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 financial year, with a provisional annual report.

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

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

4 Executive Management

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

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

4.1 Responsibilities

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

4.2 Composition

As at 31 December 2019, Executive Management consisted of the following:

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

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

5 Compensation, shareholdings and loans

Details on compensation and participation of members of the Board and of Executive Management are disclosed within the Remuneration Report**.**

5.1 Method of determining compensation and share ownership programmes

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

5.2 Rules on compensation in the Company's Articles

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

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

Board of Directors

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

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

Executive Management

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

Pursuant to Article 36 of the Articles:

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

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

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

- the Board shall issue regulations governing the details.

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

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

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

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

5.2.3 Vote on pay at the shareholders' meeting

Board

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

Executive Management

Article 37 of the Articles provides that:

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

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

5.3 Compensation in the year under review

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

Details of compensation paid to members of Executive Management (including executive members of the Board) in that capacity are set out within the Remuneration Report It consisted of fixed compensation, except as noted below.

The annual compensation provided by the Group to Dr. Klaucke and the other directors for their position as members of the Board, and fixed compensation provided to Dr. Klaucke as Group CEO and the other members of Executive Management in that capacity, 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 a further discretionary decision in September 2019 in which members of the Board (except for the Chairman) participated, the Board decided, subject to shareholders' approval, that the Chairman, Dr. Klaucke, be awarded a cash bonus payment (variable compensation) in respect of the period under review in the amount of CHF 210,869 (equivalent to 176.8 per cent. of his fixed compensation in his capacity as a member of executive management for that period), in recognition of his extraordinary contribution to the securing of the refinancing of debt secured against the Group's investment properties in Leipzig during 2019. The cash bonus was awarded on an exceptional basis, in view of an extraordinary achievement unrelated to pre-determined targets (as permitted by Art. 36 of the Articles, see above section 5.2.1). No other variable compensation was awarded to members of Executive Management.

The compensation noted above is expressed in terms of annual fees and may differ from the actual charge in the financial statements for the period ended 31 December 2019 (disclosed in Note 27to the Consolidated Financial Statements and the Remuneration Report) due to the effects of foreign exchange and timing differences.

5.4 Share Ownership Programmes

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

6 Shareholders' participation

6.1 Restrictions of voting rights and representation

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

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

Article 15 of the Articles provides that each ordinary shareholders' meeting shall elect an independent proxy for a term of office of one year, running until the end of the next ordinary shareholders' meeting. Re-election is permitted. A shareholders' meeting may remove the independent proxy with effect from the end of the meeting. If the independent proxy is unable to perform his duties, the Board must appoint an independent proxy for the term up to the end of the next shareholders' meeting. Voting proxies and instructions that have already been issued remain valid, provided that the shareholder does not expressly give other instructions. The Board shall make arrangements to permit shareholders to issue proxies and instructions to the independent proxy also by electronic means, and determine the respective details. The independent proxy can be represented by another person at the shareholders' meeting. He remains fully responsible for the performance of his duties. The independent proxy is obliged to exercise the voting rights represented by him in line with the instructions given. If he receives no instructions, he shall abstain from voting.

6.2 Statutory quora

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

6.3 Convocation of the general meeting of shareholders

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

6.4 Agenda

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

6.5 Record date for entry into the share register

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

7 Changes of control and defence measures

7.1 Duty to make an offer

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

7.2 Change of control clauses

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

8 Auditors

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

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

PricewaterhouseCoopers AG, Zurich, and its predecessor companies have held the auditing mandate for Arundel AG since 1992. PricewaterhouseCoopers AG was re-elected as auditors for the financial period ending 31 December 2019 by the Annual General Meeting held on 11 June 2019.

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

The Board proposes to the annual general meeting due to be held on 26 May 2020 to re-elect PricewaterhouseCoopers AG as auditors for the 2020 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 2019 financial period in respect of all group companies is specified in the table below. In addition, PwC also performs certain tax work for the group companies. This tax work is not performed by the audit team. The estimated fee amount for this tax work is also set out in the table below:

Auditor's remuneration	**For the year ended 31 December 2019**
in USD	
Audit and audit related services	333,386
Tax compliance and consulting	180,510
	513,896

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 auditor and the Company is facilitated by Executive Management, including the CFO of the Company. There is an ongoing dialogue and periodic meetings are arranged between the auditors and the CFO, and the auditor is 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 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/or the Audit Committee also liaise directly with the auditor regarding the annual audit work to be carried out and discuss the results of such audits. On request, representatives of the auditor attend meetings of the Board and/or of the Audit Committee in which such matters are discussed. At the relevant Board or Audit Committee meetings, the auditor presents 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.

For additional information, please see also section 3.4.

Evaluation of the external auditor, its independence, performance and fees

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

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.

PricewaterhouseCoopers AG monitors its independence throughout the year and confirms this to the Audit Committee annually.

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

9 Information policy

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

The Company shall publish information according to the following schedule:

Reporting

- April 2020 – Publication of annual report including audited financial statements for the twelve months ended 31 December 2019

- Sept 2020 – Publication of unaudited financial statements for the six months ending 30 June 2020

Meetings of Shareholders

26 May 2020 – 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, Gotthardstrasse 21, 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