
ARIADNE

ARIADNE AUSTRALIA LIMITED

2015 Annual Report

Corporate Information

Directors

Mr David Baffsky, AO (Chairman)
Mr Kevin Seymour, AM (Deputy Chairman)
Mr Maurice Loomes (Director)
Mr John Murphy (Director)
Dr Gary Weiss (Executive Director)

Company Secretary

Mr Natt McMahon

Registered Office and Principal Place of Business

Level 20, 39 Martin Place
Sydney NSW 2000
Telephone: +61 2 8227 5500
Facsimile: +61 2 8227 5511

Share Register

Computershare Investor Services Pty Ltd
Level 4, 60 Carrington Street,
Sydney NSW 2000
Telephone: 1300 850 505 or
+61 3 9415 4000
Facsimile: +61 3 9473 2500
www.computershare.com.au

Bankers

ANZ Banking Group Limited

Auditors

Deloitte Touche Tohmatsu

Website

www.ariadne.com.au

ABN

50 010 474 067

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Chairman's Letter

Dear Shareholders

I draw your attention to the Executive Director's review of operations included in this Annual Report for an overview of our investments and an explanation of the results.

The underlying value of our major investments remains strong and we believe they will continue to deliver very satisfactory results in the future.

We are well-positioned to take advantage of opportunities as they arise and we have completed the restructure of our costs during the course of this year.

The Directors have proposed a final dividend of 0.5 cents per share and have continued the on market share buyback scheme.

We have a small and focused team and I thank my fellow Directors for their contribution.

A handwritten signature in black ink, appearing to read "David Z Baffsky". The signature is written in a cursive style with a prominent loop at the end.

David Z Baffsky AO
Chairman

Executive Director's Review

The Directors submit the Annual Report and Accounts of Ariadne Australia Ltd ("Ariadne").

The 2015 financial year produced a poor – and unsatisfactory – result for shareholders.

For the 2015 financial year Ariadne reported a net loss after tax attributable to members of \$3.6 million – a significant turnaround from the profit of \$6.3 million in the previous year. A positive contribution of \$1.7 million was reported through the Statement of Comprehensive Income (largely arising from gains on the group's strategic portfolio and forex movements), reducing the net loss for the year including Comprehensive Income and attributable to members to \$1.9 million (2014: profit \$10.5 million).

The net tangible assets per share reduced by 1.2% during the year from 39.59 cents per share to 39.11 cents per share at balance date.

Total comprehensive earnings per share, one of the principal measures by which we assess our performance, was -0.94 cents compared to 5.13 cents for the previous year.

A number of factors contributed to the result:

- Subzero Group Ltd – during the first half, Ariadne acquired an 8% shareholding in Subzero at a cost of \$1.7 million, based upon forecasts to the market given by Subzero as to revenue and earnings for the 2015 financial year. These forecasts soon proved to be hopelessly wrong: the company's shares have been suspended as it seeks out prospects of recapitalisation or sale. Ariadne has written off its entire investment in the 2015 financial year results;
- Hillgrove Resources Ltd – notwithstanding the very good operating performance at the Kanmantoo mine during the year (posting an impressive reported EBITDA of \$42.7 million), the Hillgrove share price has continued to fall. Ariadne contributed a further \$1.7 million to purchases of Hillgrove shares during the year. The decline in the Hillgrove share price resulted in a charge to Comprehensive Income of \$1.9 million net of deferred tax during the 2015 year. Ariadne still adheres to its original thesis for investment in Hillgrove;
- Secure Parking – during the year, a judgment of \$6.9 million was entered into against Secure arising out of a contractual dispute. Secure has paid the full amount of the judgment and an appeal has been lodged. Ariadne has provided for its proportionate share of the amount of the judgment and estimated related costs in the 2015 year;
- StayMint – Ariadne exited its remaining StayMint accommodation assets and trading and exit costs are reflected in the year's results;
- Brisbane office – during the year, Ariadne closed its Brisbane office and the 2015 accounts include the termination and other costs which arose as a result.

While disappointing, the majority of these items are of a one-off nature and, in the case of StayMint and the Brisbane office, are part of the ongoing streamlining of the group to improve future performance.

On a more positive note, Ariadne invested \$4.1 million in Foundation Life (NZ) Holdings Ltd which purchased the residual life insurance business of Tower Ltd. The book of life insurance was purchased at a discount to net asset value and, based on projected cash flows, is positioned to deliver an attractive return on invested capital. Since making the investment in September, Ariadne has already received an initial two dividends.

We continue to be pleased by the performance of our investment in ClearView Wealth Ltd which has reported a very satisfactory result for the 2015 financial year and is well-positioned for further profitable growth.

We view our holdings in ClearView and Foundation Life as key components of our strategic portfolio and continue to seek out further such opportunities in the financial services sector.

During the year we recorded gains in some of our trading portfolio (principally holdings in Data#3 Ltd and Sedgman Ltd), but these were insufficient to offset the write-off of our investment in Subzero.

Ariadne's car parking division – comprising our 50% share in Secure Parking and two car park leases held by Ariadne – recorded a loss of \$0.8 million (2014: profit \$4.5 million). Secure continued to experience challenging trading conditions during the year as a consequence of a highly-competitive market, subdued overall retail spending and a continuation of high vacancy rates in key areas, particularly in Brisbane. Secure has maintained a very strong position in all major markets and is successfully transitioning to the digital age through the roll-out of the Secure-A-Spot online booking system and significant growth in customers through the Club Secure online loyalty programme. Through the introduction of these initiatives in the more than 420 car parks operated across Australia, New Zealand and the UK, Secure is well placed to leverage off any market recovery.

Executive Director's Review

Ariadne's property division recorded a profit of \$0.2 million (2014: \$1.8 million). A solid contribution from Orams and a modest profit from Batemans Bay Marina were offset by losses at the Port Macquarie Marina and trading losses and exit costs associated with StayMint. Ariadne has entered into negotiations with a third party to dispose of its interests in both the Batemans Bay and Port Macquarie marinas.

Our subsidiary, Freshxtend International Pty Ltd, again contributed to our overall results, with the decline in the USD/AUD exchange rate positively impacting on distributions received from NatureSeal.

A partially franked (40%) final dividend of 0.5 cents per share has been declared in relation to the 2015 financial year.

As part of ongoing capital management initiatives, Ariadne has extended the on-market buy back facility for a further twelve months.

Ariadne is in a sound financial position, with a strong balance sheet and good cash reserves, and is well-placed to grow shareholder value.

We are planning for a more successful year ahead.



Gary Weiss
Executive Director

Directors' Report

The Directors submit their report for the year ended 30 June 2015.

The term "Group" is used throughout this report to refer to the parent entity, Ariadne Australia Limited ("Ariadne") and its controlled entities.

All amounts included in this report, other than those forming part of the Remuneration Report, are quoted in thousands of dollars unless otherwise stated.

I. OPERATING AND FINANCIAL REVIEW

Group Overview

Ariadne's objective is to hold a portfolio of assets and investments in order to provide attractive investment returns which can generate regular dividends to shareholders and capital growth in the value of the shareholders' investments.

The Board of Directors and management have extensive experience investing in securities, property, merchant banking and operating businesses.

Ariadne's principal activities include investing in securities; car parking; financial services; property and maritime operations. During the period the Group completed the sale of StayMint's remaining accommodation assets. The Group no longer holds any accommodation services assets. There have been no other significant changes in the nature of activities during the reporting period.

Operating Results for the Year

The consolidated net loss before income tax, attributable to the Group for the financial year was \$2,885 (2014: profit \$4,812) and the consolidated net loss before tax attributable to members for the financial year was \$4,024 (2014: profit \$3,824). Net tangible assets were 39.11 cents per share (2014: 39.59 cents). Earnings per share were -1.77 cents (2014: 3.06 cents). Total comprehensive earnings per share were -0.94 cents (2014: 5.13 cents).

Investments

The Investment division recorded a profit of \$2,255 (2014: \$2,643).

The division's result is derived from interest on cash reserves, share of profits from the Group's investments in associates and dividend and trading income from the trading portfolio.

Cash and cash equivalents as at 30 June 2015 were \$12,513 (2014: \$16,302). Ariadne continues to maintain a prudent approach to cash management.

The Group's 53% interest in Freshxtend International Pty Ltd with its 17% investment in 'NatureSeal' continues to contribute positively to the Investment division's result.

The division's result was impacted by the Group's losses on its trading portfolio. The trading portfolio's net loss on mark-to-market write downs during the period was \$1,344 (2014: loss of \$222).

The strategic portfolio performed well recording mark-to-market gains during the period, contributing \$1,347 (2014: \$6,210) to other comprehensive income. A deferred tax expense of \$404 (2014: \$2,436) on the fair value uplift of the available-for-sale assets has also been recognised in other comprehensive income during the reporting period. Both the mark-to-market gain and deferred tax expense attributable to the strategic portfolio are not included in the reported net profit.

During the period the Group added to its strategic portfolio. A further interest in Hillgrove Resources Limited (Hillgrove) of \$1,693 was acquired during the period, including participating in Hillgrove's recent rights issue. The Group also increased its holding in ClearView Wealth Limited ("ClearView") through re-investing the dividend received during the period of \$497. During the period the Group advanced NZ\$4,488 for redeemable preference notes issued by Foundation Life (NZ) Holdings Ltd ("Foundation Life"). The notes form part of a transaction which included the acquisition of a 12% equity interest in the underlying New Zealand business. This is a new entity, formed to buy out the residual life insurance business of Tower Limited. The book of life insurance was purchased at a discount to net asset value and, based on the projected cash flows, is positioned to deliver an attractive return on invested capital. Ariadne views its holdings in ClearView and Foundation Life as key components of its strategic portfolio and continues to seek out further opportunities in the insurance and wealth management sectors that will provide attractive risk adjusted returns to shareholders.

Directors' Report

Car Parking

The Group's Car Parking division recorded a loss of \$837 (2014: profit \$4,513).

The result comprises the Group's 50% share of profits from Secure Kings Unit Trust ("Secure Parking"), in addition to the profit from the operations of two car park leases which are held by the Group.

The Group's share of the loss from Secure Parking for the year was \$1,189 (2014: profit \$4,117). Trading activities from the Group's two leased car parks contributed a net profit of \$352 (2014: \$396).

During the reporting period there was a judgment against Secure Parking. An appeal against the judgment has been lodged and, in the interim, Secure Parking has paid in full the judgment amount of \$6,900. Pending the outcome of this appeal, the Group has adopted a prudent approach and provided for its proportionate share of the amount of the judgment and estimated related costs in its results for the current year. Secure Parking remains a strong and commercially sound business that continues to invest and grow.

Property

The Group's Property division recorded a profit of \$195 (2014: \$1,787).

The division's profit is derived from the Group's 50% share of results from Orams Marine Village ("Orams") located in Auckland, New Zealand, the marinas located at Port Macquarie and Batemans Bay and the accommodation services business, StayMint prior to disposal.

The Group's share of the profit from Orams for the year was \$592 (2014: \$754). The Board remains confident that this strategic investment is well placed to capitalise on the future development of the Western Viaduct area and the growth impetus of the New Zealand marine industry, which enjoys an international reputation for product quality, skill base and competitiveness.

The Port Macquarie Marina operated at a loss of \$522 (2014: loss \$70). The current year result includes an impairment provision of \$450 to reflect the estimated net realisable value of the development inventory. The investment in Batemans Bay Marina recorded a profit of \$55 (2014: \$25). The Batemans Bay Marina is currently undergoing a redevelopment works program which is expected to be completed by December 2015. Ariadne has entered into negotiations with a third party to dispose of its interests in both the Batemans Bay and Port Macquarie marinas.

StayMint reported a loss of \$391 (2014: profit \$711). During the period the Group completed the sale of StayMint's remaining accommodation assets receiving net proceeds of \$4,181 and recording a net loss on disposal of \$197. The proceeds were, in part, used to extinguish the associated loan facility of \$1,250. The Group no longer holds any accommodation services assets.

Taxation

Ariadne has significant carried forward revenue and capital losses available to offset future taxable profits. At 30 June 2015, these are estimated at \$87,481 (2014: \$80,053) and \$157,766 (2014: \$147,091) respectively.

As the Board has concluded there is sufficient evidence to estimate a base level of recurring taxable profit for the next five years, a deferred tax asset equal to the tax expense payable on this base level taxable profit is recorded in the Group's Balance Sheet. In accordance with the Group's accounting policy for income tax, an assessment has been made as to the recoverability and sufficiency of the net deferred tax asset recorded. Following this assessment it was determined that no increase (2014: Nil) to the net asset value be recorded.

Employees

The number of employees at balance date has decreased to 14 (2014: 28), 64% male and 36% female (2014: 50%: 50%), this is predominately due to the divestment of StayMint's remaining accommodation assets and the closure of the Brisbane office.

Directors' Report

2. DIVIDENDS

Dividends paid during the 2015 financial year	(cents per share)	(\$'000)
FY14 Final – paid 03 October 2014	0.5	1,022
FY15 Interim – paid 02 April 2015	0.5	1,019
	1.0	2,041

The Directors have declared a partially franked (40%) final dividend of \$1,019 (0.5 cents per share) in relation to the 2015 financial year, of which 40% is sourced from the Conduit Foreign Income Account. No liability is recognised in the 2015 financial statements as this dividend was declared after 30 June 2015.

3. DIRECTORS

The names and details of Ariadne's Directors in office at the date of this report are set out below. All Directors were in office for the entire period.

Names, qualifications, experience and special responsibilities

David Zalmon Baffsky, AO, LLB (Chairman)

Mr Baffsky AO, was appointed as a Director of Ariadne on 18 March 2008 and Chairman of the Board on 13 January 2009.

Mr Baffsky is Honorary Chairman (formerly Executive Chairman between 1993 and 2008) of Accor Asia Pacific, the largest hotel management company in the Asia Pacific region. He is also the founder of Tourism Asset Holdings Limited, Australia's largest hotel owning company. Mr Baffsky was formerly a Director of the Indigenous Land Corporation (appointed August 1999) and was Chairman of its Audit & Risk Management Committee. He is a Director of SATS Limited (appointed 15 May 2008) and was a Director of Sydney Olympic Park Authority (appointed December 2009). He was appointed Chairman of Investa Funds Management Limited in August 2011 and is a member of its Audit & Compliance Committee. He was formerly a Trustee of the Art Gallery of NSW and in 2009 became Chairman of the Gallery's Risk Management Committee. In 2013 Mr Baffsky was appointed Chairman of Food & Allied Support Services Corporation. In 2014 he was appointed to the boards of Destination NSW and the Australian Brandenburg Orchestra. Mr Baffsky was a member of the Federal Government's Business Government Advisory Group on National Security and works with a number of charitable and non-profit groups. In June 2001, Mr Baffsky was made an Officer in the General Division of the Order of Australia. In 2012 he was awarded the Chevalier in the Order of the National Legion of Honour.

Mr Baffsky was appointed to the Ariadne Audit and Risk Management Committee on 18 March 2008.

Kevin Will Seymour, AM (Deputy Chairman)

Mr Seymour AM, was appointed as a Director of Ariadne on 23 December 1992.

Mr Seymour is a Director of Tatts Group Limited (appointed 12 October 2006), having been a Director of UniTAB Limited (appointed 1 September 2000) prior to its merger with Tattersall's Limited.

During the past three years, Mr Seymour has also served as a Director of Watpac Limited (appointed May 1996 and resigned 24 September 2013).

Mr Seymour is the Executive Chairman of Seymour Group, one of the largest private property development and investment companies in Queensland and has substantial experience in the equities market in Australia. Mr Seymour also has extensive management and business experience including company restructuring. Mr Seymour holds board positions with several private companies in Australia. In June 2003, Mr Seymour received the Centenary Medal for distinguished service to business and commerce through the construction industry, and in June 2005 he was awarded the Order of Australia Medal for his service to business, the racing industry, and the community.

Mr Seymour was previously the Chairman of the RBH Herston Taskforce Redevelopment, Independent Chairman of the Queensland Government's and Brisbane City Council's Brisbane Housing Company Limited and Chairman of Briz31 Community TV. He has also served on the Brisbane Lord Mayor's Drugs Taskforce and is an Honorary Ambassador for the City of Brisbane.

Directors' Report

Maurice William Loomes, B Com (Econ Hons), F Fin

Mr Loomes was appointed as a Director of Ariadne on 20 May 2004.

Mr Loomes is also a Director of Hillgrove Resources Limited (appointed 25 November 2013).

During the past three years, Mr Loomes has also served as Chairman of CIC Australia Limited (appointed September 1994 and resigned 24 May 2013) and Calliden Group Limited (appointed 24 October 2000 and resigned 15 December 2014).

Mr Loomes has an extensive background in investment analysis and strategy and for a number of years was a senior executive with Guinness Peat Group plc.

Mr Loomes was appointed to the Ariadne Audit and Risk Management Committee on 20 May 2004.

John William Murphy, B Com, M Com, CA, FCPA

Mr Murphy was appointed as a Director of Ariadne on 6 December 2006.

Mr Murphy was the founder and Managing Director of Investec Wentworth Private Equity Limited from 2002 until 2011 and a Director of Investec Bank Australia Limited from 2004 until 2014. He is also a Director of Vocus Communication Limited (appointed 7 March 2003) and Gale Pacific Limited (appointed 24 August 2007).

During the past three years, Mr Murphy has also served on the board of the following public companies Redflex Holdings Limited (appointed 7 April 2014 and resigned 13 March 2015), ClearView Wealth Limited (appointed 9 June 2010 and resigned 22 October 2012) and Kresta Holdings Limited (appointed 13 February 2014 and resigned 29 August 2014).

Mr Murphy was appointed to the Ariadne Audit and Risk Management Committee on 6 December 2006 and was elected Committee Chairman on 18 March 2008.

Dr Gary Hilton Weiss, LLB (Hons), LLM, JSD (Executive Director)

Dr Weiss was appointed as a Director of Ariadne on 28 November 1989.

Dr Weiss is Chairman of ClearView Wealth Limited (appointed 22 October 2012) and Secure Parking Pty Ltd (appointed 1 November 2004). He is a Director of Premier Investments Limited (appointed 11 March 1994), Ridley Corporation Ltd (appointed 21 June 2010), The Straits Trading Company Limited (appointed 1 June 2014), Pro-Pac Packaging Limited (appointed 28 May 2012), Tag Pacific Limited (appointed 1 October 1988) and Thorney Opportunities Ltd (appointed 21 November 2013).

During the past three years, Dr Weiss has also served as the Chairman of Coats plc (appointed 4 February 2003, resigned 30 April 2012) and as a Director of Mercantile Investment Company Limited (appointed 6 March 2012 and resigned 25 February 2015). Dr Weiss acts as an Alternate Director of Mercantile Investment Company Limited (appointed 25 February 2015).

4. COMPANY SECRETARY

Natt McMahon, B Com, M AppFin, SA Fin, CA

Mr McMahon was appointed Chief Financial Officer and Company Secretary for the Group on 18 May 2012.

Prior to joining Ariadne, Mr McMahon held senior financial roles with various local and overseas entities.

5. SIGNIFICANT EVENTS AFTER THE BALANCE DATE

After the balance sheet date, the Directors declared a dividend on ordinary shares in respect of the 2015 financial year. The total amount of the dividend is \$1,019 which represents a partially franked (40%) dividend of 0.5 cents per share of which 40% is sourced from the Conduit Foreign Income Account.

As part of ongoing capital management initiatives, Ariadne has extended the on-market buy-back facility for a further twelve months. The buy-back is for the purpose of acquiring shares where they are trading at values below the Board's opinion of the intrinsic value of the shares, such acquisitions benefiting all shareholders.

Directors' Report

6. LIKELY DEVELOPMENTS AND EXPECTED RESULTS

Ariadne intends to continue its investment activities as it has done for many years. The results of these investment activities depend on the performance of the companies and securities in which the Group invests. Their performance in turn depends on many economic factors. These include economic growth rates, inflation, interest rates, exchange rates and taxation levels. There are also industry and company specific issues including management competence, capital strength, industry economics and competitive behaviour.

The composition of the Group's investment portfolio can change dramatically from year to year. As a consequence profit flows are unpredictable as the rewards from a successful long term investment may be accrued in a single transaction.

Ariadne does not believe it is possible or appropriate to make a prediction on the future course of markets or the performance of its investments. Accordingly Ariadne does not provide a forecast of the likely results of its activities. However, the Group's focus is on results over the medium to long term and its twin objectives are to provide shareholders with regular dividends and capital growth in the value of their investments.

7. ENVIRONMENTAL REGULATION AND PERFORMANCE

The Group's environmental obligations are regulated by relevant federal, state and local government ordinances. The Group's policy is to comply with its environmental performance obligations.

8. REMUNERATION REPORT (AUDITED)

All amounts in the Remuneration Report are stated in whole numbers unless otherwise specified.

The Remuneration Report outlines the Director and Executive remuneration arrangements of the Group in accordance with the requirements of the *Corporations Act 2001* and its Regulations.

Remuneration philosophy

The performance of the Group depends upon the quality of its Directors, Executive Officers and employees.

Remuneration of Directors and Executive Officers of the Group is established by annual performance review, having regard to market factors and a performance evaluation process. For Executive Officers remuneration packages generally comprise salary, superannuation and a performance-based bonus.

Remuneration structure

In accordance with good corporate governance the structure of Non-Executive Director and Executive Officer remuneration is separate and distinct.

Non-executive remuneration

Objective

The Board seeks to set aggregate remuneration at a level which provides the Group with the ability to attract and retain Directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

Structure

Ariadne's Constitution and the ASX Listing Rules specify that the aggregate remuneration of Non-Executive Directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the Directors as agreed. The latest determination approved by shareholders provided for an aggregate limit of Non-Executive Directors' remuneration (including superannuation) of \$500,000 per annum. The aggregate level of remuneration was last approved by shareholders on 1 November 2012.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst Directors is reviewed annually. The Board considers fees paid to Non-Executive Directors of comparable companies when undertaking the annual review process.

Directors are also reimbursed for reasonable travel expenses in attending Board and Committee meetings and other costs associated with representing the Group in specific matters from time to time.

Directors' Report

Executive remuneration

Objective

The Group aims to reward Executives with a level and mix of remuneration commensurate with their position and responsibilities within the Group so as to:

- reward Executives for performance against targets set by reference to appropriate benchmarks;
- align the interests of Executives with those of shareholders;
- link reward with the strategic goals and performance of the Group; and
- ensure total remuneration is competitive by market standards.

Structure

In determining the level and make up of Executives' remuneration, the Board considers market levels of remuneration for comparable roles and employee performance. Remuneration consists of the following key elements:

- Fixed remuneration
- Variable remuneration

The Board establishes the proportion of fixed and variable remuneration for each Executive.

Fixed remuneration

Objective

The level of fixed remuneration is set so as to provide a base level of remuneration, which is both appropriate to the position and is competitive in the market. Fixed remuneration is reviewed annually.

Structure

Fixed remuneration is paid in cash.

Variable remuneration

Objective

The objective of variable remuneration is to reward Executives in a manner which aligns this element of remuneration with the creation of shareholder wealth.

Structure

Variable remuneration is generally only offered to Executives who are able to influence the generation of shareholder wealth and have a direct impact on the Group's performance. Due to the operations of the Group, the value of variable remuneration may be linked to the outcome of specific transactions in addition to the Group's overall financial performance. Comprehensive Earnings per Share, Return on Equity, and project Internal Rate of Return as calculated in accordance with applicable accounting standards and accepted valuation techniques may be used as key indicators of performance.

Variable remuneration may be in the form of cash bonuses or longer term incentives in the form of Ariadne share options.

Cash based variable remuneration is used to reward Executives for exceptional performance. The nature of the Group's activities lends itself to a market where cash based incentives are prevalent. While individual performance may be rewarded by way of cash based payments, the Board also considers the use of longer-term incentives in order to align the interests of employees and shareholders.

A share option plan has been established where the Board may grant options over the ordinary shares of Ariadne to Executives as a long-term incentive payment. The options, issued for nil consideration, are granted as variable remuneration. All options are issued at the discretion of the Board, there are no fixed guidelines.

Each option entitles the holder to subscribe for one fully paid ordinary share in Ariadne at a specified price. The options are issued for a term of five years and are exercisable two years from the date of grant. The options cannot be transferred and will not be quoted on the ASX. Option holders do not have any right, by virtue of the option, to participate in any share right issues or dividends.

Directors' Report

Details of Key Management Personnel Remuneration

(a) Details of Key Management Personnel

(i) Directors

D Z Baffsky, AO	Chairman
K W Seymour, AM	Deputy Chairman
M W Loomes	Non-Executive Director
J W Murphy	Non-Executive Director
G H Weiss	Executive Director

(ii) Executives

M R Boyte	Chief Executive Officer (ceased 31 March 2015)
N M McMahon	Chief Financial Officer / Company Secretary
D A Weiss	Investment Officer

(b) Remuneration of Directors and Executives

Remuneration Policy

The Board acts as the Group's Remuneration Committee and is responsible for determining and reviewing compensation arrangements for the Directors and the Executive team. The Directors assess the appropriateness of the nature and amount of emoluments on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and Executive team.

Directors' remuneration primarily consists of a base salary.

Officers receive their base emolument in the form of cash payments. Once the Directors' approval is granted bonuses are paid by way of cash or longer term incentives in the form of Ariadne share options. The Directors link the nature and amount of the Executive Director's and Officers' emoluments to the Group's financial and operational performance.

Superannuation Commitments

All superannuation payments on behalf of the Group's Directors and staff are paid to externally administered superannuation funds. The Group makes contributions in accordance with Superannuation Guarantee Legislation. The value of superannuation in connection with services performed during the period has been disclosed Note 4(b).

Directors' Report

	Short Term Employee Benefits			Post-Employment Benefits	Share Based Payment	Other	Total	% at Risk
	Salary & Fees	Cash Bonus	Non-Monetary Benefits ⁽ⁱ⁾	Super-annuation	Options ⁽ⁱⁱ⁾			
Table 1: Emoluments of Directors of Ariadne								
D Z Baffsky, AO (Chairman) ⁽ⁱⁱⁱ⁾								
2015	130,000	—	17,748	12,350	—	—	160,098	—
2014	130,000	—	17,624	12,025	—	—	159,649	—
K W Seymour, AM (Deputy Chairman)								
2015	70,000	—	—	6,650	—	—	76,650	—
2014	70,000	—	—	6,475	—	—	76,475	—
M W Loomes								
2015	70,000	—	—	6,650	—	—	76,650	—
2014	70,000	—	—	6,475	—	—	76,475	—
J W Murphy								
2015	80,000	—	—	7,600	—	—	87,600	—
2014	80,000	—	—	7,400	—	—	87,400	—
G H Weiss (Executive Director)								
2015	570,000	—	17,748	30,000	—	—	617,748	—
2014	570,000	—	17,624	30,000	—	—	617,624	—
Total Remuneration: Directors								
2015	920,000	—	35,496	63,250	—	—	1,018,746	—
2014	920,000	—	35,248	62,375	—	—	1,017,623	—

Table 2: Emoluments of the Executive Officers of the Group

M R Boyte (Chief Executive Officer – ceased 31 March 2015)								
2015 ^(iv)	348,750	—	—	26,250	—	489,063	864,063	—
2014	465,000	—	—	35,000	—	—	500,000	—
N M McMahon (Chief Financial Officer / Company Secretary)								
2015	188,783	—	—	30,000	3,638	—	222,421	1.64%
2014	171,650	—	—	25,000	—	—	196,650	—
D A Weiss (Investment Officer)								
2015	300,000	—	17,748	18,783	—	—	336,531	—
2014	279,085	—	17,624	17,775	—	—	314,484	—
Total Remuneration: Executives								
2015	837,533	—	17,748	75,033	3,638	489,063	1,423,015	0.26%
2014	915,735	—	17,624	77,775	—	—	1,011,134	—

(i) Non-monetary benefits represent the cost of car parking (including associated fringe benefits tax).

(ii) Refer to Table 3 – Option holdings of Directors and Executives.

(iii) Mr Baffsky, AO performed various consulting services to the Group outside of his Director's duties. Mr Baffsky was paid additional fees of \$43,800 not included above for consulting work performed during the period.

(iv) During the 2015 financial year Mr Boyte was paid a redundancy termination payment of \$489,063 inclusive of \$128,142 accrued leave entitlements.

Directors' Report

Table 3: Option holdings of Directors and Executives

	Balance at beginning of period	Granted as Remuneration	Options Exercised	Options Expired	Balance at end of period	Vested and Exercisable
2015						
Executives						
M R Boyte [^]	1,000,000	—	—	—	1,000,000	1,000,000
N M McMahon	—	150,000	—	—	150,000	—
D A Weiss	500,000	—	—	—	500,000	500,000
Total	1,500,000	150,000	—	—	1,650,000	1,500,000

[^] M R Boyte's employment ceased 31 March 2015

Each option entitles the holder to purchase one Ariadne share at a specified price. The options have a vesting period of two years from the date the option is issued followed by an exercise period of three years. The options may not be exercised during the vesting period.

In accordance with the terms and conditions, options are either exercised, lapse, expire on cessation of employment in the event where vesting conditions have not yet been met. If options are not exercised in the exercise period, they lapse, and therefore have a nil value. Options granted as part of Executive emoluments have been valued using the Black Scholes pricing model, which takes account of factors including the option exercise price, the volatility of the underlying share price, the risk-free interest rate, expected dividends on the underlying share, market price of the underlying share and the expected life of the option. Amortised cost has been calculated as the fair value of options at grant date, prorated over the vesting period of the options. The actual value of the options will only be determined after the exercise period commences and when the options are exercised.

Key inputs used in valuing the options on issue at balance date are as follows:

Issue Date	Expiry Date	Dividend Policy	Expected Volatility	Risk Free Interest Rate	Expected Life of Options from Grant Date (years)	Exercise Price (cents)	Share Price at Grant Date (cents)
31/05/2011	30/05/2016	3.0%	34.9%	5.0%	3.5	35	33
11/11/2014	10/11/2019	2.6%	26.9%	2.7%	3.5	36	38

Table 4: Shareholdings of Directors and Executives

Ordinary shares held in Ariadne	Balance 1 July 2014	Granted as Remuneration	On Exercise of Options	Net Change Other	Balance 30 June 2015
Directors					
D Z Baffsky, AO	1,000,000	—	—	—	1,000,000
K W Seymour, AM	11,634,174	—	—	—	11,634,174
M W Loomes	538,111	—	—	—	538,111
J W Murphy	586,296	—	—	—	586,296
G H Weiss	78,071,619	—	—	(431,876)	77,639,743
Executives					
M R Boyte [^]	1,325,984	—	—	—	1,325,984
N M McMahon	40,428	—	—	—	40,428
D A Weiss	2,199	—	—	—	2,199
Total	93,198,811	—	—	(431,876)	92,766,935

[^] M R Boyte's employment ceased 31 March 2015

Directors' Report

All equity transactions with Directors and Executives other than those arising from the exercise of remuneration options have been entered into under terms and conditions no more favourable than those the entity would have adopted if dealing at arm's length. Currently no Director or Executive has disclosed to Ariadne that they have used hedging instruments to limit their exposure to risk on either shares or options in Ariadne. The Group's policy is that the use of such hedging instruments is prohibited.

(c) Indemnification and insurance of directors and officers

Insurance and indemnity arrangements concerning Officers of the Group are in place. Ariadne's Constitution provides an indemnity (to the extent permitted by law) in favour of each Director, Secretary and Executive Officer. The indemnity is against any liability incurred by that person in their capacity as a Director, Secretary or Executive Officer to another person (other than Ariadne or a related body corporate), unless the liability arises out of conduct involving a lack of good faith. The indemnity includes costs and expenses incurred by an Officer in successfully defending that person's position. The Group has paid a premium insuring each Director, Secretary and full-time Executive of the Group against certain liabilities incurred in those capacities, to the extent permitted by law. Disclosure of premiums and coverage has not been included as such disclosure is prohibited under the terms of the contract of insurance.

(d) Loans from Directors and Executives

No loans from Directors and Executives were made, repaid or outstanding during the current and prior financial periods.

(e) Other transactions and balances with Directors and Executives

Purchases / Payments

- (i) Mr D Z Baffsky (Chairman) performed various consulting services to the Group outside of his Director's duties. Mr Baffsky was paid on commercial terms for consulting work performed of \$43,800 (2014: \$43,700). Mr Baffsky, in his role as Chairman of the Board of directors and for other purposes, utilises an office and car park at premises leased by the Group.
- (ii) Director related entities of Mr K W Seymour (Deputy Chairman) own interests in car parks leased by an entity in which the Group owns a 50% interest. Lease payments were negotiated on commercial terms and conditions. The total lease payments made during the year were \$2,407,392 (2014: \$4,824,233) including GST.
- (iii) Director related entities of Mr K W Seymour (Deputy Chairman) own interests in an office building leased by an entity in the Group. Lease payments were negotiated on commercial terms and conditions. The total lease payments made during the year were \$87,111 (2014: \$86,014) including GST.

Sales / Receipts

- (i) There were no sales made to Directors or Executives during the financial year (2014: Nil).

Investments

The Group holds investments in listed equities where the officers of the Group hold a board position:

ClearView Wealth Limited	G H Weiss	Chairman
Mercantile Investment Company Limited	D A Weiss	Non-Executive Director
Hillgrove Resources Limited	M W Loomes	Non-Executive Director

Directors' Report

(f) Historical Group Performance

The table below illustrates the Group's performance over the last five years. These results include non-recurring items and asset impairment write-downs.

	2015	2014	2013	2012	2011
Total revenues *	15,055	35,088	38,492	29,496	22,294
Total comprehensive income after tax attributable to members	(1,921)	10,489	5,367	5,289	7,404
Return on equity (%) #	(2.3%)	13.2%	7.3%	7.4%	10.7%
Total comprehensive earnings per share (cents)	(0.94)	5.13	2.63	2.59	3.61
Dividends declared (cents)	1.00	1.00	1.00	1.00	2.00
Share price (cents at 30 June)	38	35	28	34	30
Net tangible assets per security (cents at 30 June)	39.11	39.59	33.13	29.27	34.52
Shares on issue (number at 30 June) ^	203,781,892	204,380,463	204,380,463	204,380,463	204,380,463

* Total revenues include the Group's share of profits of joint ventures and associates as shown on the Statement of Comprehensive Income and Note 15(c). The reduction in revenue when compared to prior periods is attributable to the divestment of the accommodation business of StayMint.

Return on equity is calculated as total comprehensive income for the period divided by average equity for the period.

^ During the reporting period Ariadne re-purchased and cancelled 598,571 shares.

Directors' Report

9. DIRECTORS' MEETINGS

The number of meetings of Directors (including meetings of committees of Directors) held during the year and the number of meetings attended by each of the Directors were as follows:

	Directors' Meetings	Meetings of Committees Audit & Risk Management
Number of meetings held:	5	4
Number of meetings attended:		
D Z Baffsky, AO	5	3
K W Seymour, AM	4	–
M W Loomes	4	4
J W Murphy	5	4
G H Weiss	5	–

Committee membership

As at the date of this report, Ariadne had an Audit and Risk Management Committee. Members acting on the Committee during the year were:

J W Murphy (Chairman)
D Z Baffsky, AO
M W Loomes

10. ROUNDING

The amounts contained in the financial report have been rounded to the nearest \$1,000 (where rounding is applicable) under the option available to Ariadne in accordance with ASIC Class Order 98/100. Ariadne is an entity to which the Class Order applies.

11. AUDITOR'S INDEPENDENCE DECLARATION TO THE DIRECTORS

A copy of the auditor's independence declaration as required under Section 307C of the Corporations Act is set out on page 17 and forms part of the directors' report for the year ended 30 June 2015.

12. NON-AUDIT SERVICES

There were no non-audit services provided by Ariadne's auditor, Deloitte Touche Tohmatsu in the current financial year.

	2015 \$	2014 \$
<i>Amounts received or due and receivable by the auditor for:</i>		
Other consulting services in relation to the entity and any other entity in the Group	–	6,022

Signed in accordance with a resolution of the Directors.



D Z Baffsky, AO
Chairman
28 August 2015

Auditor's Independence Declaration

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

Grosvenor Place
225 George Street
Sydney NSW 2000
PO Box N250 Grosvenor Place
Sydney NSW 1220 Australia

Tel: +61 2 9322 7000
Fax: +61 9322 7001
www.deloitte.com.au

The Board of Directors
Ariadne Australia Limited
Level 20,
39 Martin Place
Sydney NSW
Australia 2000

28 August 2015

Dear Board Members

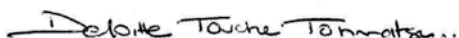
Ariadne Australia Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Ariadne Australia Limited.

As lead audit partner for the audit of the financial statements of Ariadne Australia Limited for the financial year ended 30 June 2015, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely



DELOITTE TOUCHE TOHMATSU



J A Leotta
Partner
Chartered Accountants

Liability limited by a scheme approved under Professional Standards Legislation.
Member of Deloitte Touche Tohmatsu Limited

Statement of Comprehensive Income for the year ended 30 June 2015

	Notes	GROUP	
		2015 \$'000	2014 \$'000
CONTINUING OPERATIONS			
Rental and letting income		11,674	23,042
Sale of goods		436	1,126
Interest income		1,250	1,187
Dividend income		639	459
Other income / (loss)	4(a)	(1,129)	1,749
Share of profits of joint ventures and associates	15(c)	2,185	7,525
Rental and letting expenses		(11,089)	(20,193)
Cost of goods sold		(364)	(984)
Employee benefits expense	4(b)	(3,471)	(5,069)
Depreciation and amortisation	4(c)	(308)	(1,216)
Administration expenses		(1,953)	(1,668)
Finance costs		(305)	(469)
Impairment provisions	4(d)	(450)	(677)
PROFIT / (LOSS) BEFORE INCOME TAX		(2,885)	4,812
Income tax benefit	5(a)	404	2,436
PROFIT / (LOSS) AFTER TAX FROM CONTINUING OPERATIONS		(2,481)	7,248
<i>Attributable to:</i>			
Non-controlling interests		1,139	988
MEMBERS OF ARIADNE AUSTRALIA LIMITED		(3,620)	6,260
OTHER COMPREHENSIVE INCOME			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Net fair value movements on available-for-sale financial assets		943	3,774
Net fair value loss on cash flow hedge	21(c)	(129)	(38)
Exchange difference on translation of foreign operations		1,829	679
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		2,643	4,415
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX			
		162	11,663
<i>Attributable to:</i>			
Non-controlling interests		2,083	1,174
MEMBERS OF ARIADNE AUSTRALIA LIMITED		(1,921)	10,489
Basic earnings per share (cents per share)	6	(1.77)	3.06
Diluted earnings per share (cents per share)	6	(1.76)	3.06

The statement of comprehensive income should be read in conjunction with the accompanying notes.

Balance Sheet as at 30 June 2015

		GROUP	
	Notes	2015 \$'000	2014 \$'000
ASSETS			
Current Assets			
Cash and cash equivalents	8	12,513	16,302
Trade and other receivables	9	1,455	1,786
Inventories	10	3,059	3,511
Other current assets	11	2,419	2,416
Total Current Assets		19,446	24,015
Non-Current Assets			
Receivables	12	12,205	8,400
Other financial assets	13	29,090	25,554
Equity accounted investments	15(c)	22,938	23,971
Property, plant and equipment	16	185	1,793
Deferred tax assets	5(b)	6,305	6,305
Intangible assets	17	—	2,971
Total Non-Current Assets		70,723	68,994
TOTAL ASSETS		90,169	93,009
LIABILITIES			
Current Liabilities			
Trade and other payables	18	607	1,247
Interest-bearing loans and borrowings	19	2,343	2,590
Provisions	20	218	389
Total Current Liabilities		3,168	4,226
Non-Current Liabilities			
Interest-bearing loans and borrowings	19	1,527	250
Provisions	20	203	136
Total Non-Current Liabilities		1,730	386
TOTAL LIABILITIES		4,898	4,612
NET ASSETS		85,271	88,397
EQUITY			
Issued capital	21(a)	382,614	382,842
Reserves	21(c)	32,178	26,615
Accumulated losses	21(d)	(335,096)	(325,575)
EQUITY ATTRIBUTABLE TO MEMBERS OF ARIADNE AUSTRALIA LIMITED		79,696	83,882
Non-controlling interests		5,575	4,515
TOTAL EQUITY		85,271	88,397

The balance sheet should be read in conjunction with the accompanying notes.

Statement of Changes in Equity

	Issued capital \$'000	Reserves \$'000	Accumulated losses \$'000	Ariadne \$'000	Non- controlling interest \$'000	GROUP \$'000
	Note 21(a)	Note 21(c)	Note 21(d)			
FOR THE YEAR ENDED 30 JUNE 2014						
At 1 July 2013	382,842	17,025	(324,363)	75,504	4,231	79,735
Profit / (loss) for the period	—	7,405	(1,145)	6,260	988	7,248
Other comprehensive income	—	4,229	—	4,229	186	4,415
Total comprehensive income for the period	—	11,634	(1,145)	10,489	1,174	11,663
Share issue in non-controlling interest	—	—	—	—	99	99
Equity transactions with equity holders	—	—	(67)	(67)	67	—
Equity dividends	—	(2,044)	—	(2,044)	(1,056)	(3,100)
At 30 June 2014	382,842	26,615	(325,575)	83,882	4,515	88,397
FOR THE YEAR ENDED 30 JUNE 2015						
At 1 July 2014	382,842	26,615	(325,575)	83,882	4,515	88,397
Profit / (loss) for the period	—	5,901	(9,521)	(3,620)	1,139	(2,481)
Other comprehensive income	—	1,699	—	1,699	944	2,643
Total comprehensive income for the period	—	7,600	(9,521)	(1,921)	2,083	162
Cost of shares bought back	(228)	—	—	(228)	—	(228)
Cost of share-based payment	—	4	—	4	—	4
Equity dividends	—	(2,041)	—	(2,041)	(1,023)	(3,064)
At 30 June 2015	382,614	32,178	(335,096)	79,696	5,575	85,271

The statement of changes in equity should be read in conjunction with the accompanying notes.

Statement of Cash Flows for the year ended 30 June 2015

	Notes	GROUP	
		2015 \$'000	2014 \$'000
Cash flows from operating activities			
Receipts from rental and letting income		12,823	22,831
Receipts from sales of goods and other income		1,178	4,555
Payments to suppliers and employees		(18,277)	(30,999)
Dividends and trust distributions received		5,600	7,114
Receipts from trading portfolio sales		293	3,275
Payments for trading portfolio purchases		(2,244)	(1,636)
Interest received		1,224	313
Interest and borrowing costs paid		(301)	(439)
Payments to acquire development inventory	10	(31)	(35)
Net cash flows from operating activities	22	265	4,979
Cash flows from investing activities			
Payments for plant and equipment and intangibles		(105)	(99)
Proceeds from sale of property and intangibles		4,186	7,830
Payments to acquire financial assets		(2,189)	(4,626)
Proceeds from loans repaid by other parties		329	715
Loans advanced to other parties		(4,018)	—
Net cash flows from / (used in) investing activities		(1,797)	3,820
Cash flows from financing activities			
Repayments of borrowings		(1,651)	(3,339)
Proceeds from borrowings		2,686	—
Payments under share buy back	21(a)	(228)	—
Proceeds from issue of shares in non-controlling interest		—	99
Dividends paid to members of the parent entity	7	(2,041)	(2,044)
Dividends paid to non-controlling interests		(1,023)	(1,056)
Net cash flows (used in) financing activities		(2,257)	(6,340)
Net increase / (decrease) in cash and cash equivalents		(3,789)	2,459
Cash and cash equivalents at beginning of period		16,302	13,843
Cash and cash equivalents at end of period	8	12,513	16,302

The statement of cash flows should be read in conjunction with the accompanying notes.

Notes to Financial Statements for the year ended 30 June 2015

1. CORPORATE INFORMATION

The consolidated financial statements of Ariadne Australia Limited ("Ariadne") and its controlled entities ("the Group") for the year ended 30 June 2015 were authorised for issue in accordance with a resolution of the Directors on 28 August 2015.

Ariadne is a for profit company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange ("ASX").

A description of the Group's operations and of its principal activities is included in the Directors' Report on pages 5 to 16.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The consolidated financial statements include the parent entity, Ariadne, and its controlled entities. The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standards as issued by the Australian Accounting Standards Board.

The financial report has been prepared on a historical cost basis, except for available-for-sale financial assets, held-for-trading financial assets and derivative financial instruments which have been measured at fair value.

Where necessary, comparatives have been reclassified and repositioned for consistency with current year disclosures.

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant and effective for the current year. New and revised Standards and amendments thereof and Interpretations effective for the current year that are relevant to the Group include:

- AASB 2012-3 'Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities'
- AASB 2013-3 'Amendments to AASB 136 – Recoverable Amount Disclosure for Non-Financial Assets'
- AASB 2013-4 'Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting'
- AASB 2013-5 'Amendments to Australian Accounting Standards – Investment Entities'
- INT 21 'Levies'
- AASB 2014-1 'Amendments to Australian Accounting Standards'
 - Part A: 'Annual Improvements 2010-2012 and 2011-13 Cycles'
 - Part B: 'Defined Benefit Plans : Employee Contributions (Amendments to AASB 119)'
 - Part C: 'Materiality'
- AASB 2013-9 'Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments'
- AASB 1031 'Materiality'

AASB 2013-5 'Amendments to Australian Accounting Standards – Investment Entities' define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead measure its subsidiaries at fair value through profit or loss on its consolidated and separate financial statements.

To qualify as an investment entity, a reporting entity is required to;

- obtain funds from one or more investors for the purpose of providing them with investment management services;
- commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- measure and evaluate performance of substantially all of its investments on a fair value basis.

As the Group is not an investment entity (assessed based on the criteria set out in AASB 10 as at 1 July 2014), the application of amendments does not have any material impact on the disclosures or the amounts recognised in the Group's consolidated financial statements.

Notes to Financial Statements for the year ended 30 June 2015

(b) Compliance

The financial report also complies with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board.

(c) Future changes

There are a number of Standards and Interpretations that will be mandatory in future reporting periods. The Group has not elected to early adopt these Standards and Interpretations and does not expect them to have a material effect on the financial position or performance of the Group.

Affected Standards and Interpretations	Application date (reporting period commences on or after)	Application date for Group
AASB 2015-3 'Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality'	1 July 2015	30 June 2016
AASB 2014-3 'Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations'	1 January 2016	30 June 2017
AASB 2014-4 'Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation'	1 January 2016	30 June 2017
AASB 2014-9 'Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements'	1 January 2016	30 June 2017
AASB 2014-10 'Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture'	1 January 2016	30 June 2017
AASB 2015-1 'Amendment to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle'	1 January 2016	30 June 2017
AASB 2015-2 'Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101'	1 January 2016	30 June 2017
AASB 2015-5 'Amendments to Australian Accounting Standards – Investment Entities : Applying the Consolidation Exception'	1 January 2016	30 June 2017
AASB 15 'Revenue from Contracts with Customers' and AASB 2014-15 'Amendments to Australian Accounting Standards arising from AASB 15'	1 January 2018	30 June 2019
AASB 9 'Financial Instruments', and the relevant amending standards.	1 January 2018	30 June 2019

(d) Basis of consolidation

The consolidated financial statements comprise the financial statements of Ariadne and its controlled entities. Control is achieved when the Group;

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

Subsidiaries are fully consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which control is transferred out of the Group. Where there is loss of control of a subsidiary, the consolidated financial statements include the results for that part of the reporting period during which Ariadne had control.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profits and losses resulting from intra-group transactions, have been eliminated in full.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(e) Significant judgements and estimates

Critical accounting policies for which significant judgements, estimates and assumptions are made are detailed below. Actual results may differ from these estimates under different assumptions and conditions and may materially affect the financial result or the financial position reported in future periods.

Buildings have been assessed as having a useful life of 40 years and are depreciated on a straight-line basis over this period. Further information is included in Note 2(i).

Management letting rights assets have been assessed as finite life intangible assets, with an estimated useful life of 40 years, and are amortised on a straight-line basis over this period. Further information is included in Note 2(k).

Details in relation to the accounting policies applied when assessing the recoverable amount of the Group's assets and assets of joint ventures are included in Note 2(i) and 2(l).

Details in relation to the accounting policies applied when assessing the net realisable value of inventory are included in Note 2(n).

Details of the significant judgements and estimates made in relation to the treatment of available income tax losses have been disclosed in Note 5.

A number of leases have contract modifications which result in substantive changes to the lease term or lease payments. The assessment of what constitutes substantive changes requires the exercise of management judgement. When there are substantive changes, management consider that accounting treatment is such that a new lease has been entered into and therefore accounts for this in accordance with the requirements of accounting standards. Further information is included in Note 2(t).

No other significant judgements or estimates that require additional disclosure in the financial report in the process of applying the Group's accounting policies have been made.

(f) Investments in joint ventures and associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with AASB 5 Non-current Assets Held for Sale and Discontinued Operations.

Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture. An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture.

The requirements of AASB 139 Financial Instruments: Recognition and Measurement are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with AASB 136 Impairment of Assets ("AASB 136") as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with AASB 136 to the extent that the recoverable amount of the investment subsequently increases.

Notes to Financial Statements for the year ended 30 June 2015

(g) Foreign currency translation

Both the functional and presentation currency of Ariadne and all of its subsidiaries is Australian dollars ("AUD").

All transactions in foreign currencies are initially recorded in the functional currency of the relevant entity at the exchange rate applicable at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into the functional currency of the entity at the rate of exchange applicable at the Balance Sheet date.

Revenues derived and expenses incurred by entities with a functional currency other than AUD are translated into the Group's presentation currency using the average exchange rate applicable in the reporting period. Assets and liabilities are translated into AUD at the rate of exchange applicable at the Balance Sheet date. All exchange differences arising on the translation into the presentation currency of the Group are recorded in the foreign currency translation reserve.

(h) Investment properties

Investment properties are initially measured at cost, including any associated transaction costs of acquisition. Costs incurred in the day-to-day servicing of the asset are excluded from the cost base of the asset.

Subsequent to initial recognition, investment properties are stated at fair value. Market conditions applicable to the asset at Balance Sheet date are considered in assessing fair value. Gains or losses arising from changes in fair values are recognised in the consolidated Statement of Comprehensive Income in the year in which they arise.

When investment property is transferred to development inventories, the deemed cost of the inventory is its fair value as at the date of the change in use.

(i) Property, plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any impairment in value.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

Buildings – 40 years

Plant and equipment – 2 to 10 years

Leasehold improvements – 3 to 10 years

Impairment

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset.

(j) Borrowing costs

Unless incurred during the development phase of a property development, borrowing costs are recognised as an expense when incurred. Borrowing costs incurred during development of properties are deferred on the Balance Sheet and carried as a cost of inventory.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(k) Intangible assets

Acquired both separately and via business combination

Intangible assets including licences acquired separately are capitalised at cost and via business combination are capitalised at fair value as at the date of acquisition. Intangible assets, excluding development costs, which are created within the business are not capitalised. Such expenditure is charged against profits in the period in which it is incurred. Following initial recognition, the cost model is applied to the class of intangible assets.

The useful lives of intangible assets are assessed to be either finite or indefinite. Amortisation is charged on assets with finite lives, with the charge being recorded in the Statement of Comprehensive Income as amortisation expense. Intangible assets are tested for impairment where an indicator of impairment exists.

Useful lives are examined on an annual basis and where applicable, adjustments are made on a prospective basis. Additional details applicable to the Group's intangible assets are as follows:

Licences

Useful lives	Finite – period of licence
Method used	Straight-line
Internally generated / acquired	Acquired
Impairment test / recoverable amount testing	Where indicators of impairment exist

Management letting rights assets

Useful lives	Finite – 40 years
Method used	Straight-line
Internally generated / acquired	Acquired
Impairment test / recoverable amount testing	Where indicators of impairment exist

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the Statement of Comprehensive Income when the asset is derecognised.

(l) Recoverable amount of assets

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Group makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Gains or losses on available-for-sale investments are recognised as a separate component of equity until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the Statement of Comprehensive Income.

(m) Investments

All investments are initially recognised at cost, being the fair value of the consideration given and including acquisition charges associated with the investment. After initial recognition, investments, which are classified as held-for-trading and available-for-sale, are measured at fair value.

Gains or losses on investments held-for-trading are recognised in the Statement of Comprehensive Income. Gains or losses on available-for-sale investments are recognised as a separate component of equity until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the Statement of Comprehensive Income.

Other long-term investments that are intended to be held-to-maturity are measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any discount or premium on acquisition, over the period to maturity.

For investments carried at amortised cost, gains and losses are recognised in the Statement of Comprehensive Income when the investments are derecognised or impaired, as well as through the amortisation process.

For investments that are actively traded in organised financial markets, fair value is determined by reference to quoted market bid prices at the close of business on the Balance Sheet date.

For investments where there is no quoted market price, fair value is determined with reference to the current market value of another instrument which is substantially the same, or is calculated based on the expected cash flows of the underlying net asset base of the investment.

(n) Inventories

Inventories, consisting primarily of property development projects, are carried in the financial statements at the lower of cost and net realisable value. Costs associated with the acquisition and development of property development projects are capitalised.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

(o) Trade and other receivables

Trade receivables, which generally have 30-day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

(p) Cash and cash equivalents

Cash and short-term deposits in the Balance Sheet comprise cash at bank and in hand and short-term deposits which are readily convertible to known amounts of cash and are subject to an insignificant change in value.

For the purposes of the Cash Flow Statement, cash and cash equivalents are as defined above, net of outstanding bank overdrafts.

(q) Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowing.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

Gains and losses are recognised in the Statement of Comprehensive Income when the liabilities are derecognised and as well as through the amortisation process.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(r) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Statement of Comprehensive Income net of any reimbursement.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

(s) Share-based payment transactions

The Group provides benefits to employees (including Directors) of the Group in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over Ariadne shares ("equity-settled transactions").

The cost of these equity-settled transactions is measured with reference to the fair value at the date at which the shares or rights over shares are granted. Fair value is determined using a Black Scholes model.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("vesting date").

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects the extent to which the vesting period has expired.

Previously recognised share-based payment expenses are reversed in the Statement of Comprehensive Income to the extent that awards do not ultimately vest.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transactions as a result of the modification, as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

(t) Leases

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments.

Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to the Statement of Comprehensive Income.

Capitalised leased assets are depreciated over their estimated useful life.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the Statement of Comprehensive Income on a straight-line basis over the lease term.

Notes to Financial Statements for the year ended 30 June 2015

(u) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Rental and letting income

Rental and letting income is recognised on a straight-line basis over the term of the relevant lease. Rental revenue from the operation of serviced apartments is recognised as income in the period in which the service or accommodation is provided. Car parking and marina revenue is recognised when earned.

Sale of property

Revenue is recognised when the significant risks and rewards of ownership of the property have passed to the buyer and can be measured reliably. Risks and rewards of ownership may be passed on transfer of legal title or when managerial involvement and control is no longer retained.

Sale of goods

Risks and rewards from the sale of goods are considered to be passed at the time of delivery of the goods to the customer.

Interest income

Revenue is recognised as the interest accrues using the effective interest method (which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset).

Dividend income

Revenue is recognised when the shareholder's right to receive the payment is established.

Rendering of services

Revenue from the rendering of services is recognised in accordance with either contractually agreed time periods or upon completion of services.

(v) Employee benefits

Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include salaries/wages and on costs, leave provisions, superannuation and share-based payments.

Liabilities arising in respect of wages and salaries, annual leave, and any other employee benefits expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date. In determining the present value of future cash outflows, the market yield as at the reporting date on national government bonds, which have terms to maturity approximating the terms of the related liability, are used.

Employee benefit expenses and revenues arising in respect of the following categories:

- wages and salaries, non-monetary benefits, annual leave, long service leave, and other leave benefits; and
- other types of employee benefits;

are recognised against profits on a net basis in their respective categories.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(w) Income tax

Deferred income tax is provided on all taxable temporary differences at the Balance Sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences:

- except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, including unused tax losses, to the extent that it is probable taxable profit will be available against which the deductible temporary differences, and the carry-forward tax losses can be utilised:

- except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each Balance Sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Income taxes relating to items recognised directly in equity are recognised in equity and not in the Statement of Comprehensive Income.

(x) Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Balance Sheet.

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(y) Derecognition of financial instruments

The derecognition of a financial instrument takes place when the Group no longer controls the contractual rights that comprise the financial instrument, which is normally the case when the instrument is sold, or all the cash flows attributable to the instrument are passed through to an independent third party.

(z) Earnings per share (“EPS”)

Basic EPS is calculated as net profit attributable to members, adjusted to exclude costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares. Diluted EPS is calculated as net profit attributable to members, adjusted for

- costs of servicing equity (other than dividends) and preference share dividends; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(aa) Derivative financial instruments and hedging

Interest rate swaps are used to hedge risks associated with interest rate fluctuations. The Group may also become party to stock call options in its favour, that are entered into to ensure the Group benefits from upward movements in stock prices underlying loans provided to external parties.

Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured to fair value. Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative. Any gains or losses arising from changes in the fair value of derivatives, except for those that qualify as cash flow hedges, are taken directly to the Statement of Comprehensive Income.

The fair values of interest rate swap contracts are determined by reference to market values for similar instruments.

For the purpose of hedge accounting, hedges are classified as cash flow hedges when they hedge the exposure to variability in cash flows that is attributable either to a particular risk associated with a recognised asset or liability or to a forecast transaction.

Cash flow hedges

Cash flow hedges are hedges of exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability that is a firm commitment and that could affect profit or loss. The effective portion of the gain or loss on the hedging instrument is recognised directly in equity, while the ineffective portion is recognised in profit or loss.

The Group tests each of the designated cash flow hedges for effectiveness at the end of each period. For interest rate cash flow hedges, any ineffective portion is taken to the Statement of Comprehensive Income. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked (due to it being ineffective), amounts previously recognised in equity remain in equity until the forecast transaction occurs.

3. SEGMENT INFORMATION

Segment accounting policies

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the entity's chief operating decision maker. The Group's operating segments are identified by internal reporting used by the Board in assessing performance and determining investment strategy. The operating segments are based on a combination of the type and nature of products sold and/or services provided, and the type of business activity. Discrete financial information about each of these operating divisions is reported to the Board on a regular basis.

Reportable segments are based on aggregated operating segments determined by the similarity of the products sold and/or the services provided, as these are the sources of the Group's major risks. Operating segments are aggregated into one reportable segment when they meet the qualitative and quantitative requirements for aggregation as prescribed by AASB 8 Operating Segments.

Segment accounting policies are the same as the consolidated entity's policies described in Note 2.

Segment products and locations

The Group's reportable segments are investments, car parking, and property. The investments division comprises the Group's investments in securities. The car parking division includes gross revenues and expenses from car park leases owned by the Group, as well as the Group's share of results from Secure Kings Unit Trust. The property division includes all results derived from property, marina and accommodation services assets held by the Group, either directly or through joint venture entities or joint venture operations.

The consolidated entity's operations are located in Australasia.

Major customers

The Group has a large number of customers to which it provides both products and services. The Group does not rely on any single customer for a significant portion of revenues.

Notes to Financial Statements for the year ended 30 June 2015

3. SEGMENT INFORMATION CONTINUED

Reportable segment information

	INVESTMENTS		CAR PARKING		PROPERTY		UNALLOCATED [^]		ELIMINATIONS		GROUP	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Revenue and Result												
Revenue from external customers	—	—	10,597	10,170	1,513	13,998	—	—	—	—	12,110	24,168
Interest income	739	369	—	—	511	818	—	—	—	—	1,250	1,187
Dividend income	639	459	—	—	—	—	—	—	—	—	639	459
Other income	82	8	3	—	—	—	323	352	—	—	408	360
Inter-segment	—	—	—	—	—	—	200	280	(200)	(280)	—	—
Net gain / (loss) on held-for-trading financial assets	(1,344)	(222)	—	—	—	—	—	—	—	—	(1,344)	(222)
Net gain / (loss) on disposal of non-current assets	—	—	—	—	(197)	1,611	4	—	—	—	(193)	1,611
Share of profit / (loss) of joint ventures and associates	2,727	2,629	(1,189)	4,117	647	779	—	—	—	—	2,185	7,525
Total segment revenue *	2,843	3,243	9,411	14,287	2,474	17,206	527	632	(200)	(280)	15,055	35,088
Net profit / (loss) for the year before income tax	2,255	2,643	(837)	4,513	195	1,787	(4,498)	(4,131)	—	—	(2,885)	4,812
Income tax benefit	—	—	—	—	—	—	—	—	—	—	404	2,436
Profit after tax	—	—	—	—	—	—	—	—	—	—	(2,481)	7,248
Assets												
Equity accounted investments included in segment assets	11,405	9,290	6,772	10,207	4,761	4,474	—	—	—	—	22,938	23,971
Other assets	46,648	40,340	135	1,393	12,194	17,280	8,254	10,025	—	—	67,231	69,038
Total assets	58,053	49,630	6,907	11,600	16,955	21,754	8,254	10,025	—	—	90,169	93,009
Other segment information												
Depreciation and amortisation	—	2	128	49	84	1,024	96	141	—	—	308	1,216
Finance costs	175	12	1	3	117	437	12	16	—	—	305	468
Impairment provisions	—	—	—	—	450	677	—	—	—	—	450	677
Net movement in fair value of available-for-sale financial assets	943	3,774	—	—	—	—	—	—	—	—	943	3,774
Segment liabilities	2,303	81	45	23	1,766	3,770	784	738	—	—	4,898	4,612

[^] Unallocated segment includes management income, corporate costs, a deferred tax asset and other corporate assets and liabilities.

* Total revenues include the Group's share of profits of joint ventures and associates as shown on the Statement of Comprehensive Income and Note 15(c). The reduction in revenue when compared to prior periods is attributable to the divestment of the accommodation business of StayMint.

Notes to Financial Statements for the year ended 30 June 2015

4. REVENUES AND EXPENSES

Revenue and Expenses from Continuing Operations

	GROUP	
	2015 \$'000	2014 \$'000
(a) Other income		
Net (loss) on held-for-trading financial assets	(1,344)	(222)
Net gain / (loss) on disposal of non-current assets	(193)	1,611
Other income	408	360
	(1,129)	1,749
(b) Employee benefits expense		
Salaries, wages and on costs	3,412	4,627
Leave provisions	(124)	121
Superannuation	179	321
Share-based payment expense	4	—
	3,471	5,069
(c) Depreciation and amortisation		
<i>Depreciation of non-current assets</i>		
Buildings	17	66
Plant and equipment	199	453
Leasehold improvements	65	118
Total depreciation of non-current assets	281	637
<i>Amortisation of non-current assets</i>		
Intangible assets	27	579
Total amortisation of non-current assets	27	579
	308	1,216
(d) Impairment provisions		
Trade and other receivables	—	368
Development inventory	450	—
Buildings	—	50
Intangible assets	—	259
	450	677

Notes to Financial Statements for the year ended 30 June 2015

5. INCOME TAX

(a) Income tax benefit reconciliation

A reconciliation between income tax benefit and the product of accounting profit before income tax multiplied by the Group's applicable income tax rate is as follows:

	GROUP	
	2015 \$'000	2014 \$'000
Group accounting profit / (loss) before income tax	(2,885)	4,812
At the Group's statutory income tax rate of 30% (2014: 30%)	(865)	1,444
Permanent differences	(1,078)	(1,196)
Other movements	(286)	841
Prior year over / (under) provision	590	(57)
Tax losses not recognised / (recouped)	1,639	(1,032)
Deferred tax asset relating to tax losses not previously brought to account	(404)	(2,436)
Income tax benefit reported in the Statement of Comprehensive Income	(404)	(2,436)

(b) Recognised deferred tax balances

Deferred tax assets / (liabilities) comprises:

Tax losses - revenue	6,305	6,305
Tax losses - capital	2,840	2,436
Temporary differences	(2,840)	(2,436)
Net deferred tax asset	6,305	6,305
Opening temporary differences	(2,436)	—
<i>Movement in temporary difference:</i>		
Available-for-sale financial assets	(404)	(2,436)
Closing temporary differences	(2,840)	(2,436)

(c) Unrecognised deferred tax balances

Deferred tax assets comprises:

Tax losses - revenue	19,939	17,711
Tax losses - capital	44,490	41,691
Net deferred tax asset unrecognised	64,429	59,402

Ariadne and its wholly owned Australian resident subsidiaries are part of a tax consolidated group where Ariadne is the head. Ariadne currently has significant carried forward income tax and capital losses that are available to offset future taxable profits. At 30 June 2015, these are estimated at \$87,481 (2014: \$80,053) and \$157,766 (2014: \$147,091) respectively. The full value attributable to these tax losses have not been recognised as an asset on the Balance Sheet.

The Board has concluded that there is sufficient evidence to estimate a base level of recurring taxable profit for the next five years (2014: Three years), and confirmed the likelihood of these income tax losses continuing to be available to offset future taxable income. As such, a deferred tax asset of \$6,305 (2014: \$6,305), equal to the tax payable on this base level taxable profit, has been recorded on the Balance Sheet.

Notes to Financial Statements for the year ended 30 June 2015

A deferred tax asset for the balance of tax losses incurred by the Group has not been recognised at reporting date, as realisation of the benefit is not regarded as probable. The deferred tax asset solely arising from income tax losses of the Group not recognised at reporting date is \$19,939 (2014: \$17,711). The value of this deferred tax asset will only be realised if:

- (a) future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised; and
- (b) the conditions for deductibility imposed by tax legislation continue to be complied with; and
- (c) no changes in tax legislation adversely affect the consolidated entity in realising the benefit.

The Board has concluded that there is insufficient evidence to estimate future capital gains and losses other than those non-current assets which are carried at fair value under accounting standards. As such, a deferred tax asset of \$2,840 (2014: \$2,436), equal to the deferred tax liability on the temporary differences of available-for-sale financial assets, has also been recorded on the Balance Sheet.

6. EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of Ariadne by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

	GROUP	
	2015	2014
<i>Earnings and share data used in the calculations of basic and diluted earnings per share:</i>		
Net profit attributable to members (\$'000)	(3,620)	6,260
Earnings used in calculating basic and diluted earnings per share (\$'000)	(3,620)	6,260
Weighted average number of ordinary shares used in calculating basic earnings per share	204,027,779	204,380,463
<i>Effect of dilutive securities:</i>		
Share options	1,500,000	—
Weighted average number of ordinary shares used in calculating diluted earnings per share	205,527,779	204,380,463
Basic earnings per share (cents per share)	(1.77)	3.06
Diluted earnings per share (cents per share)	(1.76)	3.06

Notes to Financial Statements for the year ended 30 June 2015

7. DIVIDENDS PAID AND PROPOSED ON ORDINARY SHARES

	GROUP	
	2015 \$'000	2014 \$'000
Dividends paid during the year:		
Final partially franked (40%) dividend of 0.5 cents per share (2013: 20% franked 0.5 cents)	1,022	1,022
Interim partially franked (40%) dividend of 0.5 cents per share (2014: 40% franked 0.5 cents)	1,019	1,022
	2,041	2,044
Dividends proposed:		
Final partially franked (40%) dividend of 0.5 cents per share (2014: 40% franked 0.5 cents)	1,019	1,022

As the final dividend for 2015 was declared after balance date, no liability was recognised at balance date.

Franking Account

The amount of franking credits available for distribution from the franking account at year end was \$183 (2014: \$258). The final dividend for 2015 is 40% franked (2014: 40% franked) utilising \$175 from this balance.

Conduit Foreign Income Account

For the 2015 final dividend, 40% of the dividend is sourced from Ariadne's Conduit Foreign Income Account (2014: 60%). As a result, 40% of the final dividend paid to a non-resident shareholder will not be subject to Australian withholding tax.

8. CASH AND CASH EQUIVALENTS

Cash at call	12,280	16,069
Cash on term deposit	233	233
	12,513	16,302

9. TRADE AND OTHER RECEIVABLES (CURRENT)

	Notes		
Trade receivables	(i)	484	815
<i>Related party receivables</i>			
Associates		864	1,503
Provisions		—	(821)
Other receivables		107	289
		1,455	1,786
<i>Reconciliation of amounts provided against related party receivables</i>			
Opening balance		(821)	(453)
Arising during the year		—	(368)
Utilised or reversed	(ii)	821	—
Closing balance		—	(821)

(i) Trade receivables are non-interest bearing and are generally on 30-day terms. An allowance for doubtful debts is made when there is objective evidence that a trade receivable is impaired. There was no allowance for doubtful debts recognised in the current year (2014: \$15). There are no significant receivables individually or in aggregate past due but not impaired.

(ii) During the period the provision for related party receivables was utilised on divestment/deregistration of the associated entity.

Notes to Financial Statements for the year ended 30 June 2015

10. INVENTORIES

	GROUP	
	2015 \$'000	2014 \$'000
<i>Interest in development properties</i>		
Opening property development inventories	3,458	3,480
Development costs capitalised	31	35
Impairment	(450)	—
Partial divestment of marina development property	—	(57)
Total property development inventories at the lower of cost and net realisable value	3,039	3,458
Other inventories	20	53
Total inventories at the lower of cost and net realisable value	3,059	3,511

Development inventory with a carrying value of \$3,039 (2014: \$3,458), forming part of the total inventory balance above has been pledged as direct security for borrowings. Borrowings are for property activities to which the inventories specifically relate. Total Group borrowings for which inventories have been pledged as security amounts to \$1,590 (2014: \$1,590).

11. OTHER CURRENT ASSETS

Held-for-trading financial assets	2,280	1,672
Prepayments and other assets	139	744
	2,419	2,416

12. RECEIVABLES (NON-CURRENT)

Related entity loans and advances	8,400	8,400
Other loans and advances	3,805	—
	12,205	8,400

The loan to a related entity is directly supported by the assets of the borrower and is secured behind the borrower's primary lender. During the period, the Group advanced NZ\$4,488 for fixed interest redeemable preference notes issued by Foundation Life (NZ) Holdings Ltd. The notes form part of a transaction which included a 12% equity interest in the underlying New Zealand business. Notes to the value of NZ\$191 were redeemed by the issuer during the period.

13. OTHER FINANCIAL ASSETS

Available-for-sale financial assets	29,090	25,554
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Notes to Financial Statements for the year ended 30 June 2015

14. CONTROLLED ENTITIES

NAME	Place of incorporation	PERCENTAGE OF EQUITY HELD BY THE GROUP	
		2015	2014
Ariadne Administration Pty Ltd	QLD	100	100
Ariadne Capital Pty Ltd	QLD	100	100
Ariadne Holdings Pty Ltd	ACT	100	100
Ariadne Investment Holdings Pty Ltd	QLD	100	100
Ariadne Marinas Oceania Pty Ltd	QLD	100	100
Ariadne Properties Pty Ltd	QLD	100	100
Ariadne Property Investments Pty Ltd	QLD	100	100
Batemans Bay Marina Developments Pty Ltd	QLD	100	100
Freshxtend International Pty Ltd	QLD	53	53
Freshxtend Technologies Corp	CAD	53	53
Kings Parking (NSW) Pty Ltd	QLD	100	100
Kings Parking Corporate Pty Ltd	QLD	100	100
Kings Queensland Pty Ltd	QLD	100	100
Mekmere Pty Ltd	QLD	100	100
Pacific Rim Foods Inc	CAD	53	53
Periman Pty Ltd	QLD	100	100
Portfolio Services Pty Ltd	QLD	100	100
Valjul Pty Ltd	QLD	100	100
Entities deregistered during the reporting period			
AS Strata Services Unit Trust	QLD	—	100
Australian Calcium Industries Pty Ltd	QLD	—	100
Impala Pacific Corporation Ltd	HK	—	100
Memvale Pty Ltd	QLD	—	100
Pacific Rim Marketing Limited	AIA	—	53
Peramist Pty Ltd	QLD	—	100
StayMint Pty Ltd	QLD	—	100

Notes to Financial Statements for the year ended 30 June 2015

15. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

(a) Details of the Group's investment in joint ventures and associates

Name	Principal activity	Place of incorporation	Proportion of ownership interest and voting power held by the Group	
			2015	2014
Secure Kings Unit Trust	Car parking	NSW	50%	50%
Orams NZ Unit Trust	Marina management	QLD	50%	50%
NatureSeal Inc	Food life extension technology	US	17%	17%
AgriCoat NatureSeal Ltd	Food life extension technology	UK	17%	17%
Batemans Bay Marina Unit Trust	Marina management and development	NSW	50%	50%
Lake Gold Pty Ltd	Dormant	QLD	50%	50%
Entities divested during the reporting period				
Mamre Road Unit Trust	Logistic infrastructure development	NSW	—	50%
Entities deregistered during the reporting period				
Modular Hotels Unit Trust	Property development	NSW	—	50%

(b) Summary financial information of material joint ventures and associates

	GROUP	
	2015 \$'000	2014 \$'000
Secure Kings Unit Trust		
Revenue	248,628	249,923
Profit	(2,378)	8,234
Share of profit at 50%	(1,189)	4,117
Current assets	42,869	46,675
Non-current assets	31,633	32,459
Current liabilities	(42,587)	(41,952)
Non-current liabilities	(18,903)	(17,302)
Net assets	13,012	19,880

(c) Aggregate information of joint ventures and associates

Balance at the beginning of the reporting period	23,971	22,326
Share of joint ventures' and associates' profits for the reporting period	2,185	7,525
Share of joint ventures' and associates' reserves	1,743	641
Investment in joint ventures and associates	—	135
Distributions received	(4,961)	(6,656)
Carrying amount of investment in joint ventures and associates at reporting period end	22,938	23,971

The Group's share of joint ventures' and associates' commitments and contingent liabilities is disclosed in Note 24.

Notes to Financial Statements for the year ended 30 June 2015

16. PROPERTY, PLANT AND EQUIPMENT

	GROUP	
	2015 \$'000	2014 \$'000
<i>Buildings</i>		
Cost	—	1,485
Accumulated depreciation and impairment	—	(141)
Net carrying amount	—	1,344
<i>Plant and equipment</i>		
Cost	1,561	1,623
Accumulated depreciation and impairment	(1,387)	(1,251)
Net carrying amount	174	372
<i>Leasehold improvements</i>		
Cost	810	817
Accumulated depreciation and impairment	(799)	(740)
Net carrying amount	11	77
Total property, plant and equipment - net carrying amount	185	1,793
Reconciliations		
<i>Buildings</i>		
At 1 July, net of accumulated depreciation and impairment	1,344	2,192
Additions	—	—
Impairment	—	(50)
Disposals [^]	(1,327)	(732)
Depreciation	(17)	(66)
At 30 June, net of accumulated depreciation and impairment	—	1,344
<i>Plant and equipment</i>		
At 1 July, net of accumulated depreciation and impairment	372	1,848
Additions	14	99
Disposals [^]	(13)	(1,122)
Depreciation	(199)	(453)
At 30 June, net of accumulated depreciation and impairment	174	372
<i>Leasehold Improvements</i>		
At 1 July, net of accumulated depreciation and impairment	77	429
Additions	—	—
Disposals	(1)	(234)
Depreciation	(65)	(118)
At 30 June, net of accumulated depreciation and impairment	11	77

[^] During the period the Group completed the sale of StayMint's remaining accommodation assets receiving net proceeds of \$4,181 and recording a net loss on disposal of \$197. The proceeds were, in part, used to extinguish the associated loan facility of \$1,250 as disclosed in Note 19.

Notes to Financial Statements for the year ended 30 June 2015

17. INTANGIBLE ASSETS

	GROUP	
	2015 \$'000	2014 \$'000
<i>Investment in management letting rights</i>		
Cost	—	3,815
Accumulated amortisation and impairment	—	(844)
Net carrying amount	—	2,971
Total intangibles - net carrying amount	—	2,971

Reconciliations

<i>Investment in management letting rights</i>		
At 1 July, net of accumulated amortisation and impairment	2,971	7,786
Additions	91	233
Impairment	—	(259)
Disposal	(3,035)	(4,210)
Amortisation	(27)	(579)
At 30 June, net of accumulated amortisation and impairment	—	2,971

During the period the Group completed the sale of StayMint's remaining accommodation assets receiving net proceeds of \$4,181 and recording a net loss on disposal of \$197. The proceeds were, in part, used to extinguish the associated loan facility of \$1,250 as disclosed in Note 19.

18. TRADE AND OTHER PAYABLES

Current		
Trade creditors and accruals	37	46
Other creditors	570	1,201
	607	1,247

19. INTEREST BEARING LOANS AND BORROWINGS

Current and non-current		
Interest bearing facilities – current	2,343	2,590
Interest bearing facilities – non current	1,527	250
	3,870	2,840

Interest bearing facilities are provided by external financial institutions. Of these facilities, \$1,590 is secured against the assets to which it relates and all are guaranteed by Ariadne. During the period, the Group repaid in full the \$1,250 loan facility relating to StayMint's accommodation business. The Group also established a NZ\$3,000 loan facility during the period to fund a New Zealand dollar investment as disclosed in Note 12, of which NZ\$425 had been repaid by period end.

Notes to Financial Statements for the year ended 30 June 2015

19. INTEREST BEARING LOANS AND BORROWINGS CONTINUED

Financing facilities available

	GROUP	
	2015 \$'000	2014 \$'000
Total facilities		
Bank loans and lease facilities	3,870	2,840
Other facilities not recorded on the Group's Balance Sheet	525	1,060
Facilities used at reporting date		
Bank loans and lease facilities	3,870	2,840
Other facilities not recorded on the Group's Balance Sheet	339	461
Facilities unused at reporting date		
Bank loans and lease facilities	—	—
Other facilities not recorded on the Group's Balance Sheet	186	599

Other facilities not recorded on the Group's Balance Sheet predominately relate to a bank guarantee facility. The Group has issued bank guarantees to lessors as security for operating leases.

20. PROVISIONS

	Lease liabilities \$'000	Employee benefits \$'000	GROUP \$'000
As at 1 July 2014	61	464	525
Arising during the reporting period	39	142	181
Utilised or reversed	—	(285)	(285)
At 30 June 2015	100	321	421
Current 2015	—	218	218
Non-current 2015	100	103	203
	100	321	421
Current 2014	—	389	389
Non-current 2014	61	75	136
	61	464	525

Notes to Financial Statements for the year ended 30 June 2015

21. CONTRIBUTED EQUITY AND RESERVES

(a) Ordinary Ariadne shares on issue

	2015		2014	
	Number of shares	\$'000	Number of shares	\$'000
At beginning of the reporting period	204,380,463	382,842	204,380,463	382,842
Movements during the reporting period	(598,571)	(228)	—	—
Balance at reporting period end	203,781,892	382,614	204,380,463	382,842

On 21 August 2014, Ariadne announced an on-market share buy-back as part of ongoing capital management initiatives. The buy-back is for the purpose of acquiring shares where they are trading at values below the Board's opinion of the intrinsic value of the shares, such acquisitions benefiting all shareholders. During the period Ariadne re-purchased and cancelled 598,571 shares at a cost of \$228. Ariadne has extended the on-market buy back facility for a further twelve months.

Ordinary shares have the right to receive dividends as declared and, in the event of winding up Ariadne, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held.

Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of Ariadne.

(b) Share Options

	GROUP	
	2015 Number of options	2014 Number of options
<i>Employee options over Ariadne ordinary shares</i>		
At beginning of the reporting period	1,500,000	1,500,000
Movements during the reporting period	150,000	—
Balance at reporting period end	1,650,000	1,500,000

Each option entitles the holder to purchase one ordinary share. In accordance with the terms and conditions, options either lapse, expire on cessation of employment in the event where vesting conditions have not yet been met. Details of terms and conditions of the options are set out in the Remuneration Report.

(c) Reserves

	Share options reserve \$'000	Available for sale reserve \$'000	Cash Flow hedge reserve \$'000	Foreign currency translation reserve \$'000	Profits reserve \$'000	Capital profits reserve \$'000	ARIADNE \$'000
At 1 July 2013	113	1,910	—	(233)	12,280	2,955	17,025
Current year profits carried to profit reserve	—	—	—	—	7,405	—	7,405
Dividends	—	—	—	—	(2,044)	—	(2,044)
Deferred tax liability	—	(2,436)	—	—	—	—	(2,436)
Other movements	—	6,210	(38)	493	—	—	6,665
At 30 June 2014	113	5,684	(38)	260	17,641	2,955	26,615
Current year profits carried to profit reserve	—	—	—	—	5,901	—	5,901
Dividends	—	—	—	—	(2,041)	—	(2,041)
Deferred tax liability	—	(404)	—	—	—	—	(404)
Other movements	4	1,347	(129)	885	—	—	2,107
At 30 June 2015	117	6,627	(167)	1,145	21,501	2,955	32,178

Notes to Financial Statements for the year ended 30 June 2015

21. CONTRIBUTED EQUITY AND RESERVES CONTINUED

Nature and purpose of reserves

Share options reserve

The share options reserve records the value of equity benefits outstanding, provided to employees and Directors as part of their remuneration.

Available for sale reserve

The available for sale reserve records the Group's share of movements in the fair value of available-for-sale financial assets net of tax.

Cash flow hedge reserve

The cash flow hedge reserve records the share of the Group's effective hedging strategy on hedging instruments against hedged risks.

Foreign currency translation reserve

The foreign currency translation reserve records exchange differences arising from the translation of the financial statements of foreign subsidiaries, joint ventures and associates with a non-Australian dollar functional currency.

Profit reserve

The profit reserve is used to accumulate distributable profits, preserving the characteristics of profit by not appropriating against prior year accumulated losses. The reserve can be used to pay taxable dividends.

The 30 June 2015 amount carried to profit reserve (in accordance with director resolutions) of \$5,901 (2014: \$7,405) includes an amount of \$2,468 (2014: \$3,369) relating to subsidiary entities and is not available for distribution as frankable dividends to the equity holders of Ariadne at 30 June 2015.

Capital profits reserve

The capital profits reserve is used to accumulate realised capital profits. The reserve can be used to pay dividends or issue bonus shares.

(d) Accumulated losses

	GROUP	
	2015 \$'000	2014 \$'000
Opening balance	(325,575)	(324,363)
Profit / (loss) not carried to profit reserve	(9,521)	(1,145)
Equity transactions with non-controlling interests	—	(67)
Closing balance	(335,096)	(325,575)

Notes to Financial Statements for the year ended 30 June 2015

22. CASH FLOW STATEMENT RECONCILIATION

<i>Reconciliation of the net profit / (loss) after tax to the net cash flows from operations</i>	Notes	GROUP	
		2015 \$'000	2014 \$'000
Net profit / (loss) after tax		(2,481)	7,248
<i>Adjustments for:</i>			
Net loss / (gain) on disposal of non-current assets	4(a)	193	(1,611)
Share options expense	4(b)	4	—
Depreciation and amortisation of non-current assets	4(c)	308	1,216
Impairments		—	677
Share of profits of joint ventures and associates	15(c)	(2,185)	(7,525)
Distributions from joint ventures and associates	15(c)	4,961	6,656
Income tax benefit	5(a)	(404)	(2,436)
<i>Transfers to / (from) provisions:</i>			
Lease liabilities	20	39	58
Employee entitlements	20	(142)	(28)
<i>Changes in assets and liabilities:</i>			
(Increase) / decrease in trade and other receivables		163	(124)
(Increase) / decrease in inventory	10	452	18
(Increase) / decrease in held-for-trading financial assets	11	(608)	1,862
(Increase) / decrease in prepayments	11	605	451
(Decrease) / increase in payables and accruals	18	(640)	(1,483)
Net cash from operating activities		265	4,979

23. FINANCIAL INSTRUMENTS

(a) Financial risk management objectives and policies

The Group's principal financial instruments include cash and short-term deposits, bank loans and receivables. These financial instruments are maintained to ensure the Group's operations are appropriately and efficiently financed through a combination of debt and equity, and to enable future investment activities to be undertaken in accordance with the strategic directives of management and the Board.

The Group also has a number of other financial assets and liabilities, such as trade receivables and trade payables. These arise directly from operating activities and comprise working capital balances.

The main risks arising from the Group's financial instruments are price risk and credit risk. The Group's price risk and credit risk policies are included in Note 23(d) and Note 23(e). Policies for managing these risks are issued by the Board.

Details of the significant accounting policies and methods adopted, including criteria for recognition, the basis for measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 2.

Notes to Financial Statements for the year ended 30 June 2015

23. FINANCIAL INSTRUMENTS CONTINUED

(b) Interest rate risk

The Group's exposure to the risk of changes in interest rates primarily affects cash on deposit and receivables. The Group's policy with respect to controlling this risk is to utilise a mix of fixed and variable deposits with terms matched to known cash flows, taking into consideration rates offered at various financial institutions. Reviews of cash deposits, future cash needs and rates offered on various financial products take place regularly. Consideration is given to potential renewals of existing positions, alternative products and investment options, substitute financing arrangements, alternative hedging positions, terms of deposits/borrowings and interest rate exposure. Where appropriate, fixed rate interest instruments are negotiated to mitigate any significant rate movement.

At balance date, the Group had the following mix of financial assets and liabilities exposed to Australian variable interest rate risk:

	GROUP	
	2015 \$'000	2014 \$'000
Financial Assets		
Cash and cash equivalents	12,513	16,302
Related party loans	8,400	8,400
Other loans	—	158
Total financial assets exposed to interest rate risk	20,913	24,860
Financial Liabilities		
Advanced facilities and commercial bills	3,870	2,840
Total financial liabilities exposed to interest rate risk	3,870	2,840
Net exposure	17,043	22,020

The following sensitivity analysis is based on the interest rate risk exposures in existence throughout the period. If interest rates had been higher or lower as illustrated in the table below, with all other variables held constant, post tax profit would have been affected as follows (there would be no other effect on equity):

	Post tax profit higher / (lower)	
	2015 \$'000	2014 \$'000
Group		
+1% (100 basis points)	181	156
- 1% (100 basis points)	(181)	(156)

The movement in profit is due to higher / lower interest rates from variable rate cash deposits, receivables and debt.

The estimated effect on Group profit that would arise as a result of a change to variable rates as disclosed above reflects the net cash position of the Group throughout the year.

(c) Foreign currency risk

As at 30 June 2015, the Group did not have any significant exposure to movements in foreign exchange rates on any of its financial instruments.

Throughout the year the Group conducted business with international associates and suppliers involving transactions in foreign currencies. The Group's exposure to movements in exchange rates is minimal due to the small number, size and nature of these operational transactions.

Notes to Financial Statements for the year ended 30 June 2015

(d) Price risk

The Group may at times be exposed to price risk arising from holding equity securities. Equity securities are held for both strategic and trading purposes. All listed securities are remeasured to fair values using Level 1 inputs as determined by reference to the quoted market close price at balance date.

At reporting date, the exposure to listed equity securities was \$31,026 (2014: \$27,225). If the price of listed equity securities had been 10% higher or lower at balance date, the Group would be impacted through income or equity by \$3,103 higher or lower (2014: \$2,723). The Group's sensitivity to price risk has increased during the year, as a result of an increase in the size of the equity portfolios.

(e) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables and cash on deposit.

Management has credit policies in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all counterparties and customers requiring material credit amounts. Credit risk is spread across counterparties when possible, and where appropriate collateral and other guarantees in respect of financial assets are required.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the Balance Sheet.

There are no receivables as at the reporting date that management considered unlikely to be recoverable and no material receivables are past due that have not already been provided for in Note 9 and Note 12.

(f) Liquidity risk

The Group manages liquidity risk by maintaining adequate cash reserves and banking facilities. Forecast and actual cash flows are continuously monitored with the maturity profiles of the majority of financial assets and liabilities matched.

The liquidity analysis below has been determined based on contracted maturity dates and circumstances existing at reporting date. The expected timing of actual cash flows from these financial instruments may differ:

	GROUP	
	2015 \$'000	2014 \$'000
Financial liabilities due within		
6 months or less	2,550	3,274
6 – 12 months	400	502
1 – 5 years	1,527	250
Total financial liabilities exposed to liquidity risk	4,477	4,026

(g) Fair values

The carrying amounts and estimated fair values of financial assets and financial liabilities for the Group held at balance date are determined as disclosed below. The fair value of a financial asset or a financial liability is the amount at which the asset could be exchanged, or liability settled in a current transaction between willing parties after allowing for transaction costs.

The fair values of the financial instruments of the Group approximates carrying values.

The following methods and assumptions are used to determine the net fair value of each class of financial instrument:

Cash

The carrying amount approximates fair value because of its short-term to maturity.

Notes to Financial Statements for the year ended 30 June 2015

23. FINANCIAL INSTRUMENTS CONTINUED

(g) Fair values continued

Investments

For financial instruments traded in organised financial markets, fair value is the current quoted market bid price for an asset or offer price for a liability, adjusted for transaction costs necessary to realise the asset or settle the liability. For investments where there is no quoted market price, a reasonable estimate of the fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows or the underlying net asset base of the investment.

Trade and sundry debtors

The carrying amount approximates fair value.

Accounts payable

The net fair value of accounts payable is based on the expected future cash out flows required to settle liabilities. As such carrying value approximates fair value.

Loans to and from related parties

The net fair value of loans receivable and payable is based on expected future cash flows.

Advance facilities

The net fair value of advance facilities is equal to the face value of these facilities at balance date net of borrowing costs.

24. COMMITMENTS AND CONTINGENCIES

(a) Lease commitments

	GROUP	
	2015 \$'000	2014 \$'000
(i) Operating leases (non-cancellable)		
The Group, its joint ventures and its associates as lessee:		
<i>Minimum lease payments</i>		
Not later than one year	70,632	60,732
Later than one year and not later than five years	171,429	116,297
Later than five years	63,503	53,389
Aggregate lease expenditure contracted for at reporting date	305,564	230,418

The Group, its joint ventures and its associates enter into operating leases as a means of acquiring access to property assets. The Group and its associates also enter into commercial leases for certain items of plant and equipment. The Group's share of lease commitments of its combined interests in joint ventures and associates included above is \$244,542 (2014: \$198,855).

(ii) Operating leases (non-cancellable)		
The Group, its joint ventures and its associates as lessor:		
<i>Minimum lease receipts</i>		
Not later than one year	1,290	1,316
Later than one year and not later than five years	2,357	1,953
Later than five years	833	133
Aggregate lease income contracted for at reporting date	4,480	3,402

The Group, its joint ventures and its associates enters into operating leases as a means of securing long term commercial tenants. The Group's share of lease commitments of its combined interests in joint ventures and associates included above is \$2,536 (2014: \$1,925).

Notes to Financial Statements for the year ended 30 June 2015

(b) Contingent liabilities and guarantees

Controlled entities, associates and joint ventures

Ariadne has given guarantees and indemnities in relation to the borrowings and performance of several of its controlled, associated and joint venture entities under agreements entered into by those entities.

Details of finance facilities for the controlled entities are included in Note 19. Ariadne has guaranteed the borrowing obligation under these facilities.

The guarantees provided on behalf of Secure Kings Unit Trust for finance facilities total \$29,073 as at 30 June 2015 (2014: \$29,073). The assets provided by Secure Kings Unit Trust as security in relation to its finance facilities are sufficient to meet its obligations and include cash on deposit with a facility provider that totalled \$5,786 as at 30 June 2015 (2014: \$9,470).

A guarantee relating to a \$3,275 joint venture financing facility has also been provided by an Ariadne subsidiary.

In addition to guarantees relating to financing, Ariadne has provided guarantees on behalf of a joint venture for development works. Ariadne's liability is capped at \$4,500 (2014: \$4,500), and of this amount, Ariadne's joint venture partner has provided an indemnity for \$2,250.

Certain entities related to the Group are party to various legal actions and claims which have arisen in the ordinary course of business. Any liabilities arising from such legal actions and claims are not expected to have a material adverse effect on Ariadne. Provisions are not required in respect of these matters, as it is either not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement. During the reporting period there was a judgment against Secure Parking Pty Ltd as trustee for the Secure Kings Unit Trust. The Group's proportionate share of the amount of the judgment and related costs has been expensed within equity accounted profit for the period. An appeal against this judgment has been lodged.

25. RELATED PARTY DISCLOSURES

Ultimate parent

Ariadne Australia Limited is the ultimate parent company.

Related parties within the Group

Balances and transactions between Ariadne's controlled entities have been eliminated on consolidation and are not disclosed in this note.

Details of transactions between the Group and other related parties are disclosed below.

Other related party transactions

Transaction type	Class of related party	Notes	GROUP	
			2015 \$'000	2014 \$'000
Loans to other related parties				
Loans advanced / payables	Equity accounted investment		7	545
Other transactions				
Interest received or receivable	Equity accounted investment		510	811
Management fees paid or payable	Equity accounted investment		244	300
Receivable (impairments) / reversals	Equity accounted investment	9	821	(368)

All transactions with related parties are conducted on normal commercial terms and conditions.

Notes to Financial Statements for the year ended 30 June 2015

26. EVENTS AFTER THE BALANCE DATE

After the Balance Sheet date, the Directors declared a dividend on ordinary shares in respect of the 2015 financial year. The total amount of the dividend is \$1,019 which represents a partially franked (40%) dividend of 0.5 cents per share of which 40% is sourced from the Conduit Foreign Income Account.

As part of ongoing capital management initiatives, Ariadne has extended its on-market buy back facility for a further twelve months. The buy-back is for the purpose of acquiring shares where they are trading at values below the Board's opinion of the intrinsic value of the shares, such acquisitions benefiting all shareholders.

27. REMUNERATION OF AUDITORS

	GROUP	
	2015 \$	2014 \$
Amounts received or due and receivable by Deloitte Touche Tohmatsu		
An audit or review of the financial report of the entity and any other entity in the Group	133,000	133,000
Services in relation to the entity and any other entity in the Group	—	6,022
	133,000	139,022

28. PARENT ENTITY INFORMATION

	ARIADNE	
	2015 \$'000	2014 \$'000
Information relating to Ariadne Australia Limited		
Current assets	3,032	6,074
Total assets	30,997	29,868
Current liabilities	—	(39)
Total liabilities	—	(39)
Issued capital	382,614	382,842
Reserve – capital profits	2,954	2,954
Reserve – profits	8,883	7,491
Reserve – options	117	113
Accumulated losses	(363,571)	(363,571)
Total shareholders' equity	30,997	29,829
Profit of the parent entity	3,433	4,036
Total comprehensive income of the parent entity	3,433	4,036

The profits for the year ended 30 June 2015 were resolved by the Directors to be carried to the Profit Reserve and to remain available for distribution as frankable dividends to the members. The nature and purpose of each reserve is disclosed in Note 21(c).

Details of guarantees given are recorded in Note 24(b).

29. DIRECTOR AND EXECUTIVE DISCLOSURES

	GROUP	
	2015 \$'000	2014 \$'000
Remuneration of Key Management Personnel		
Short term employee benefits	1,811	1,888
Post-employment benefits	138	140
Share-based payments	4	—
Benefits paid on termination	489	—
Total remuneration	2,442	2,028

Directors' Declaration for the year ended 30 June 2015

In accordance with a resolution of the Directors of Ariadne Australia Limited, I state that:

- I. In the opinion of the Directors:
 - (a) the financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the year ended on that date; and
 - (ii) complying with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
 - (b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 2; and
 - (c) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.
2. This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ending 30 June 2015.

On behalf of the Board



D Z Baffsky, AO

Chairman

Sydney

28 August 2015

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

Grosvenor Place
225 George Street
Sydney NSW 2000
PO Box N250 Grosvenor Place
Sydney NSW 1220 Australia

Tel: +61 2 9322 7000
Fax: +61 9322 7001
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Independent Auditor's Report to the Members of Ariadne Australia Limited

Report on the Financial Report

We have audited the accompanying financial report of Ariadne Australia Limited, which comprises the balance sheet as at 30 June 2015, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity, comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 18 to 51.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the consolidated financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control, relevant to the company's preparation of the financial report that gives a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

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Member of Deloitte Touche Tohmatsu Limited

Deloitte.

Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Ariadne Australia Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

- (a) the financial report of Ariadne Australia Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the consolidated financial statements also comply with International Financial Reporting Standards as disclosed in Note 2.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 9 to 15 of the directors' report for the year ended 30 June 2015. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion the Remuneration Report of Ariadne Australia Limited for the year ended 30 June 2015, complies with section 300A of the *Corporations Act 2001*.



DELOITTE TOUCHE TOHMATSU



J A Leotta
Partner
Chartered Accountants
Sydney, 28 August 2015

Shareholder Information

Additional information required by the Australian Securities Exchange Ltd and not shown elsewhere in this report is detailed below. The information is current as at 31 August 2015.

(a) Distribution of equity securities

The number of shareholders by size of holding are:	Ordinary shares	
	Number of holders	Number of shares
1–1,000	244	74,161
1,001–5,000	700	2,139,907
5,001–10,000	251	1,802,083
10,001–100,000	345	11,261,427
100,001 and over	100	188,504,314
	1,640	203,781,892
Holding less than a marketable parcel	281	115,434

(b) Twenty largest shareholders

The names of the twenty largest holders of shares are:	Ordinary shares	
	Number of shares	% of shares
1 Bivaru Pty Ltd	76,566,395	37.57%
2 HSBC Custody Nominees (Australia) Limited	22,325,202	10.96%
3 SLV Investments Pty Ltd	21,043,100	10.33%
4 J P Morgan Nominees Australia Limited	11,305,663	5.55%
5 McNeil Nominees Pty Limited	7,150,000	3.51%
6 W B K Pty Ltd	5,485,100	2.69%
7 Seymour Group Pty Ltd	4,580,000	2.25%
8 Con Zempilas	3,664,000	1.80%
9 LVF Nominees Pty Ltd	1,627,173	0.80%
10 GKK Group Holdings Pty Ltd	1,615,546	0.79%
11 BT Portfolio Services Limited <Yazad Super A/C>	1,600,000	0.79%
12 Kayaal Pty Ltd	1,569,074	0.77%
13 Mr Ross Alexander Macpherson	1,213,700	0.60%
14 UBS Nominees Pty Ltd	1,206,706	0.59%
15 Croll Nominees Pty Limited <Croll Family A/C>	941,040	0.46%
16 Harlow Farm Pty Ltd	937,939	0.46%
17 Epirus Pty Ltd	853,086	0.42%
18 Moat Investments Pty Ltd <Moat Investments A/C>	804,418	0.39%
19 Chillen Pty Limited (Tallen)	785,142	0.39%
20 Mr Robert Duncan Mcrae + Mr John Richard Palairt <Boyte Investment No 1 A/C>	757,252	0.37%
	166,030,536	81.49%

(c) Substantial shareholders

The names of substantial shareholders who have notified the Company in accordance with section 671B of the *Corporations Act 2001* are:

	Number of shares
Bivaru Pty Ltd and associated entities	77,655,619
Thorney Holdings Pty Ltd and Thorney Pty Ltd and associated entities	21,720,617
Leigh Vanessa Seymour and associated entities	21,181,898
Kayaal Pty Ltd and associated entities	11,634,220

(d) Voting rights

All ordinary shares carry one vote per share without restriction.

Notes

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