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# ARIADNE

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ARIADNE AUSTRALIA LIMITED

2016 Annual Report

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# Corporate Information

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**Directors**

Mr David Baffsky, AO  
(Independent Non-Executive Chairman)

Mr Kevin Seymour, AM  
(Independent Non-Executive Deputy Chairman)

Mr Maurice Loomes  
(Independent Non-Executive Director)

Mr John Murphy  
(Independent Non-Executive 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](http://www.computershare.com.au)

**Bankers**

ANZ Banking Group Limited

**Auditors**

Deloitte Touche Tohmatsu

**Website**

[www.ariadne.com.au](http://www.ariadne.com.au)

**ABN**

50 010 474 067

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ABN 50 010 474 067

*This report covers the consolidated entity comprising Ariadne Australia Limited ("Ariadne") and its controlled entities ("the Group").  
The Group's functional and presentation currency is Australian dollars (AUD).*

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# Chairman's Letter

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Dear Shareholders

During the past financial year, the consolidation of the group has continued and the Company is well placed on all key metrics.

I would draw your attention to our Executive Director's review which provides an explanation of the results and an overview of our investments.

We continue to believe that our major investments remain strong and that we are in a good position to take advantage of realistic opportunities as they may arise.

The achievements have encouraged your Directors to pay a special dividend in recognition of your support as a shareholder.

We are grateful to our highly focused and dedicated team, who are strongly committed to the Company.

I would like to place on record my thanks to our Directors for their input and contribution to the Company.

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

**David Baffsky, AO**  
**Chairman**

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# Executive Director's Review

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The Directors present the Annual Report and Accounts of Ariadne Australia Ltd ("Ariadne") for the period ended 30 June 2016.

For the 2016 financial year Ariadne reported a net profit after tax attributable to members of \$11.0 million – a significant turnaround from the \$3.6 million loss last year.

The result was assisted by the write-back of a provision of \$4.3 million relating to a judgment against Secure Kings Unit Trust ("Secure Parking") during the 2015 financial year. The judgment was successfully overturned on appeal as announced to the market on 6 July 2016.

A negative contribution of \$1.1 million was reported through the Statement of Comprehensive Income (largely arising from losses on the Group's strategic portfolio and partially offset by forex gains on the Group's investment in foreign assets), reducing the net profit for the year including Comprehensive Income and attributable to members to \$9.9 million (2015: loss \$1.9 million).

The net tangible assets per share increased by 10.2% during the year from 39.11 cents per share to 43.09 cents per share at balance date.

Total comprehensive earnings per share were 4.90 cents compared to (0.94 cents) for the previous year.

## Investments

The Investment division recorded a net profit before tax of \$5.6 million (2015: \$2.3 million).

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.

The strategic portfolio recorded a net loss before deferred tax of \$2.1 million (2015: \$1.3 million net gain) during the period due to mark-to-market revaluations. This loss is recorded through other comprehensive income and not included in the reported net profit.

During the period the Group added to its strategic portfolio. A further interest in Hillgrove Resources Limited of \$1.1 million was acquired on market. The Group also increased its investment in ClearView Wealth Limited by \$2.1 million. The Group's investment in Foundation Life NZ Ltd has been rewarding, returning NZ\$0.5 million during the year comprised of loan note interest and loan note redemptions.

The Group's 53% interest in Freshxtend International Pty Ltd, with its 17% investment in the NatureSeal group, also contributed positively.

## Car Parking

The Group's car parking division recorded a profit before tax of \$9.8 million (2015: \$0.8 million loss).

The Group's share of profits from Secure Parking for the year was \$8.7 million (2015: \$1.2 million loss), while trading activities from the Group's leased car parks contributed a net profit of \$1.1 million (2015: \$0.4 million).

The large swing in the car parking division's result is primarily due to the reversal of the \$4.3 million provision previously mentioned. On a normalised basis the Group's share of profits from Secure Parking for the year was \$4.4 million, compared with \$3.1 million on the same basis for the previous year.

During the 2016 financial year Secure Parking's portfolio continued to expand, achieving 20% growth in the number of car parks operated (to over 500 sites), including the recently won management contract for the Westmead Hospital car parks (largest hospital redevelopment in Australia with more than 6,000 bays). The 2016 financial year also saw good earnings growth in Secure Parking's New Zealand and United Kingdom businesses, with promising signs for the future in those markets.

# Executive Director's Review

## Property

The Group's property division recorded a profit before tax of \$1.0 million (2015: \$0.2 million).

The division's profit is derived from the Group's 50% share of results from Orams Marine Village ("Orams") located in Auckland, New Zealand, and the marinas located at Port Macquarie and Batemans Bay which were divested during the period.

The Board remains confident that the Group's investment in Orams 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.

On 24 March 2016 the Company announced that it had completed the sale of its interests in the Port Macquarie and Batemans Bay marinas for \$3.5 million. The bank debt associated with the Port Macquarie marina was repaid on the sale of the marinas.

## Simplified Balance Sheet

The Group's investment portfolio has been considerably refined over the last few years through the sale of non-core assets.

Ariadne is in a strong financial position as shown in the following presentation of the Group's assets and liabilities.

### SIMPLIFIED BALANCE SHEET AS AT 30 JUNE 2016

Assets	\$M	Liabilities	\$M
ClearView	\$26.5	Minority Interests	\$5.9
Cash	\$15.4	Debt	\$4.0
Orams Marine Village	\$13.8	Payables and Provisions	\$0.8
Freshxtend	\$12.2	<b>Total Liabilities</b>	<b>\$10.7</b>
Car Parking	\$11.2		
Deferred Tax Asset	\$6.3		
Foundation Life	\$4.3		
Other Investments	\$3.3		
Mercantile Investment	\$2.2		
Prepayments and Receivables	\$1.1		
Hillgrove	\$1.0		
<b>Total Assets</b>	<b>\$97.3</b>	<b>Shareholders Funds</b>	<b>\$86.6</b>

The Board believes that this presentation will assist shareholders in better understanding the composition of the Group's investments and liabilities.

## Dividends and Capital Management

A final dividend of 0.5 cents per share has been declared by the directors. The Board has also declared a special dividend of 0.5 cents per share bringing the total dividends in relation to the 30 June 2016 financial year to 1.5 cents per share.

On 28 August 2015, Ariadne announced a twelve month extension to its on-market share buy-back facility as part of ongoing capital management initiatives. During the period Ariadne bought back and cancelled 2,704,107 shares at a cost of \$1.0 million.



**Gary Weiss**  
Executive Director

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# Directors' Report

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The Directors submit their report for the year ended 30 June 2016.

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 its interests in both Port Macquarie and Batemans Bay marinas. There have been no other significant changes in the nature of activities during the reporting period.

### Operating Results for the Year

The consolidated net profit before income tax, attributable to the Group for the financial year was \$13,180 (2015: loss \$2,885) and the consolidated net profit before tax attributable to members for the financial year was \$11,665 (2015: loss \$4,024). After tax, the net profit attributable to members for the financial year was \$11,042 (2015: loss \$3,620). Net tangible assets were 43.09 cents per share (2015: 39.11 cents). Earnings per share were 5.45 cents (2015: -1.77 cents). Total comprehensive earnings per share were 4.90 cents (2015: -0.94 cents).

### Normalised Operating Results for the Year

The 2016 financial year result was positively and significantly impacted by the write back of a \$4,300 provision relating to the Group's proportionate share of a judgment against Secure Kings Unit Trust last financial year. The judgment was successfully set aside on appeal as announced to the market on 6 July 2016. On a normalised basis the consolidated net profit before income tax, attributable to the Group was \$8,880 (2015: \$1,415) and the consolidated net profit before tax attributable to members for the financial year was \$7,365 (2015: \$276). After tax, the normalised net profit attributable to members for the financial year was \$6,742 (2015: \$680).

### Investments

The Investment division recorded a profit of \$5,555 (2015: \$2,255).

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 2016 were \$15,393 (2015: \$12,513). Ariadne continues to maintain a prudent approach to cash management.

The division's result was positively impacted by the Group's gains on its trading portfolio. The trading portfolio's net gain on mark-to-market revaluations during the period was \$1,013 (2015: loss of \$1,344).

The strategic portfolio recorded mark-to-market losses during the period of \$2,075 (2015: gain \$1,347) to other comprehensive income. The losses were mainly attributed to the revaluation of the Group's investment in Hillgrove Resources Limited ("Hillgrove"). A deferred tax benefit of \$623 (2015: expense \$404) relating to the strategic portfolio's mark-to-market losses has also been recognised in other comprehensive income during the reporting period. Both the mark-to-market loss and deferred tax benefit attributable to the strategic portfolio are not included in the reported net profit.

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# Directors' Report

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During the period the Group added to its strategic portfolio. A further interest in Hillgrove of \$1,122 was acquired on market during the period. The Group also increased its holding in ClearView Wealth Limited ("ClearView") by \$2,121 through acceptance of an entitlement offer during the period. The Group's investment in Foundation Life has been rewarding, receiving NZ\$504 during the year comprised of loan note interest and loan note redemptions. 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.

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.

## Car Parking

The Group's Car Parking division recorded a profit of \$9,775 (2015: loss \$837).

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 car park leases which are held by the Group.

The Group's share of the profit from Secure Parking for the year was \$8,705 (2015: loss \$1,189). Trading activities from the Group's leased car parks contributed a net profit of \$1,070 (2015: \$352).

The Secure Parking result was positively and significantly impacted by the write back of a \$4,300 provision relating to the Group's proportionate share of a judgment against Secure Kings Unit Trust last financial year. The judgment was successfully set aside on appeal as announced to the market on 6 July 2016. As a result, the Group's proportionate share of the amount of the judgment and related costs, which had been provided for in the 2015 financial year, have been reversed within equity accounted profit during the period. On a normalised basis the Group's share of the profit from Secure Parking for the year was \$4,405 (2015: \$3,111).

## Property

The Group's Property division recorded a profit of \$982 (2015: \$195).

The division's profit is derived from the Group's 50% share of results from Orams Marine Village ("Orams") located in Auckland, New Zealand, and the marinas located at Port Macquarie and Batemans Bay which were divested during the period.

The Group's share of the profit from Orams for the year was \$481 (2015: \$592) and the interest earned on the associated loan to Orams was \$420 (2015: \$450). 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.

Port Macquarie Marina operated at a loss of \$554 (2015: loss \$522) up to the date of disposal. The cash proceeds of \$2,550 received on the disposal of Port Macquarie Marina was used in part, to extinguish the associated loan facility of \$1,590. As part of the sale agreement, the Group provided a vendor loan of \$1,500 to the purchaser at a fixed interest rate for 3 years.

Batemans Bay Marina operated at a profit of \$635 (2015: profit \$55) up to the date of disposal. The completion of the sale of the Group's interests in Batemans Bay Marina resulted in receiving net proceeds of \$950 and a net gain on disposal of \$598.

## Taxation

Ariadne has significant carried forward revenue and capital losses available to offset future taxable profits. At 30 June 2016, these are estimated at \$82,543 (2015: \$87,481) and \$159,256 (2015: \$157,766) 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 (2015: Nil) to the net asset value be recorded.

## Employees

The number of employees at balance date has decreased to 13 (2015: 14), 62% male and 38% female (2015: 64%: 36%).



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# Directors' Report

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## 2. DIVIDENDS

Dividends paid during the 2016 financial year	(cents per share)	(\$'000)
FY15 Final – paid 29 September 2015	0.5	1,019
FY16 Interim – paid 31 March 2016	0.5	1,008
	1.0	2,027

The Directors have declared an unfranked final dividend of \$1,005 (0.5 cents per share) in relation to the 2016 financial year, of which 100% is sourced from the Conduit Foreign Income Account. The Directors have also declared a partially franked special dividend of \$1,005 (0.5 cents per share) in relation to the 2016 financial year, of which 20% is sourced from the Conduit Foreign Income Account. No liability is recognised in the 2016 financial statements as this dividend was declared after 30 June 2016.

## 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 Baffsky, AO, LLB**

##### **Independent Non-Executive 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 holds a law degree from the University of Sydney and was the founder, and until 1991, the senior partner of a Sydney legal firm specialising in commercial and fiscal law. Mr Baffsky is Honorary Chairman (formerly Executive Chairman between 1993 and 2008) of Accor Asia Pacific, which is the largest hotel management company in the Asia Pacific region. He is Chairman of Investa Property Group, a board member of Sydney Olympic Park Authority, Destination NSW and the Australian Brandenburg Orchestra.

Amongst previous roles, Mr Baffsky was a Director of SATS Limited, Chairman of Food & Allied Support Services Corporation Ltd, a Trustee of the Art Gallery of NSW, chairman of Voyages Indigenous Tourism Ltd and a director of the Indigenous Land Corporation. He was a member of the Business Government Advisory Group on National Security and a member of the federal government's Northern Australia Land and Water Taskforce.

In 2001 Mr Baffsky was made an Officer in the General Division of the Order of Australia and in 2003 he received the Centenary Medal. In 2004 he was recognised as the Asia Pacific Hotelier of the Year. In 2012 he was awarded the Chevalier in the Order of National Légion d'Honneur of France.

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

#### **Kevin Seymour, AM**

##### **Independent Non-Executive 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.

Mr Seymour 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 and 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.

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# Directors' Report

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

**Independent Non-Executive Director**

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 Murphy**, B Com, M Com, CA, FCPA

**Independent Non-Executive Director**

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 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), Vocus Communications Limited (appointed 7 March 2003 and resigned 22 February 2016) 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 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 Ridley Corporation Limited (appointed 1 July 2015) and Secure Parking Pty Ltd (appointed 1 November 2004). He is a Director of Premier Investments Limited (appointed 11 March 1994), The Straits Trading Company Limited (appointed 1 June 2014), Pro-Pac Packaging Limited (appointed 28 May 2012), Tag Pacific Limited (appointed 1 October 1988), Thorney Opportunities Ltd (appointed 21 November 2013) and Estia Health Ltd (appointed 24 February 2016).

During the past three years, Dr Weiss has also served as the Chairman of ClearView Wealth Limited (appointed 22 October 2012 and resigned 17 May 2016) 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, FGIA, FCIS

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 final dividend and a special dividend on ordinary shares in respect of the 2016 financial year. The total amount of the dividends is \$2,010 which represents an unfranked final dividend of 0.5 cents per share of which 100% is sourced from the Conduit Foreign Income Account and a partially franked special dividend of 0.5 cents per share of which 20% is sourced from the Conduit Foreign Income Account.

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# Directors' Report

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## 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.

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# Directors' Report

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## 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 ("CEPS"), Return on Equity ("ROE"), and project Internal Rate of Return ("IRR") 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.

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# Directors' Report

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## Details of Key Management Personnel Remuneration

### (a) Details of Key Management Personnel

#### (i) Directors

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

#### (ii) Executives

N McMahon	Chief Financial Officer / Company Secretary
D 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 Executive Directors' 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(c).

# Directors' Report

	Short Term Employee Benefits			Post-Employment Benefits	Share Based Payment	Other	Total	% at Risk
	Salary & Fees	Cash Bonus	Non-Monetary Benefits <sup>(i)</sup>	Super-annuation	Options <sup>(ii)</sup>			
<b>Table 1: Emoluments of Directors of Ariadne</b>								
D Baffsky, AO (Chairman) <sup>(iii)</sup>								
<b>2016</b>	<b>130,000</b>	—	<b>18,049</b>	<b>12,350</b>	—	—	<b>160,399</b>	—
2015	130,000	—	17,748	12,350	—	—	160,098	—
K Seymour, AM (Deputy Chairman)								
<b>2016</b>	<b>70,000</b>	—	—	<b>6,650</b>	—	—	<b>76,650</b>	—
2015	70,000	—	—	6,650	—	—	76,650	—
M Loomes								
<b>2016</b>	<b>70,000</b>	—	—	<b>6,650</b>	—	—	<b>76,650</b>	—
2015	70,000	—	—	6,650	—	—	76,650	—
J Murphy								
<b>2016</b>	<b>80,000</b>	—	—	<b>7,600</b>	—	—	<b>87,600</b>	—
2015	80,000	—	—	7,600	—	—	87,600	—
G Weiss (Executive Director)								
<b>2016</b>	<b>570,000</b>	—	<b>18,049</b>	<b>30,000</b>	—	—	<b>618,049</b>	—
2015	570,000	—	17,748	30,000	—	—	617,748	—
Total Remuneration: Directors								
<b>2016</b>	<b>920,000</b>	—	<b>36,098</b>	<b>63,250</b>	—	—	<b>1,019,348</b>	—
2015	920,000	—	35,496	63,250	—	—	1,018,746	—

**Table 2: Emoluments of the Executive Officers of the Group**

M Boyte (Chief Executive Officer – ceased 31 March 2015)								
<b>2016</b>	—	—	—	—	—	—	—	—
2015 <sup>(iv)</sup>	348,750	—	—	26,250	—	489,063	864,063	—
N McMahon (Chief Financial Officer / Company Secretary)								
<b>2016</b>	<b>208,058</b>	—	—	<b>30,000</b>	<b>10,960</b>	—	<b>249,018</b>	<b>4.40%</b>
2015	188,783	—	—	30,000	3,638	—	222,421	1.64%
D Weiss (Investment Officer)								
<b>2016</b>	<b>300,000</b>	—	<b>18,049</b>	<b>19,308</b>	<b>17,317</b>	—	<b>354,674</b>	<b>4.88%</b>
2015	300,000	—	17,748	18,783	—	—	336,531	—
Total Remuneration: Executives								
<b>2016</b>	<b>508,058</b>	—	<b>18,049</b>	<b>49,308</b>	<b>28,277</b>	—	<b>603,692</b>	<b>4.68%</b>
2015	837,533	—	17,748	75,033	3,638	489,063	1,423,015	0.26%

(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 (Chairman) 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
<b>2016 Executives</b>						
M Boyte <sup>^</sup>	1,000,000	—	—	(1,000,000)	—	—
N McMahon	150,000	150,000	—	—	300,000	—
D Weiss	500,000	500,000	—	(500,000)	500,000	—
<b>Total</b>	<b>1,650,000</b>	<b>650,000</b>	<b>—</b>	<b>(1,500,000)</b>	<b>800,000</b>	<b>—</b>

<sup>^</sup> M 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 or 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. The amortised cost to the Group 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:

Grant 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)	Fair Value of Option at Grant Date (cents)
11/11/2014	10/11/2019	2.6%	26.9%	2.7%	3.5	36.0	38.0	7.7
28/08/2015	27/08/2020	2.5%	26.5%	2.0%	3.5	35.0	39.5	8.2

**Table 4: Shareholdings of Directors and Executives**

<i>Ordinary shares held in Ariadne</i>	Balance 1 July 2015	Granted as Remuneration	On Exercise of Options	Net Change Other	Balance 30 June 2016
<b>Directors</b>					
D Baffsky, AO	1,000,000	—	—	—	1,000,000
K Seymour, AM	11,634,174	—	—	—	11,634,174
M Loomes	538,111	—	—	—	538,111
J Murphy	586,296	—	—	—	586,296
G Weiss	77,639,743	—	—	—	77,639,743
<b>Executives</b>					
N McMahon	40,428	—	—	—	40,428
D Weiss	2,199	—	—	—	2,199
<b>Total</b>	<b>91,440,951</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>91,440,951</b>

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# Directors' Report

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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 Baffsky 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 (2015: \$43,800). 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 Seymour 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 \$1,926,856 (2015: \$2,407,392) including GST.
- (iii) Director related entities of Mr K Seymour 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 \$82,556 (2015: \$87,111) including GST.

### Investments

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

ClearView Wealth Limited	G Weiss	Non-Executive Chairman (resigned 18 May 2016)
Mercantile Investment Company Limited	D Weiss	Non-Executive Director
Hillgrove Resources Limited	M 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.

	2016	2015	2014	2013	2012
Total revenues *	<b>31,479</b>	15,055	35,088	38,492	29,496
Total comprehensive income after tax attributable to members	<b>9,927</b>	(1,921)	10,489	5,367	5,289
Return on equity (%) #	<b>11.9%</b>	(2.3)%	13.2%	7.3%	7.4%
Total comprehensive earnings per share (cents)	<b>4.90</b>	(0.94)	5.13	2.63	2.59
Dividends declared (cents)	<b>1.00</b>	1.00	1.00	1.00	1.00
Share price (cents at 30 June)	<b>34</b>	38	35	28	34
Net tangible assets per security (cents at 30 June)	<b>43.09</b>	39.11	39.59	33.13	29.27
Shares on issue (number at 30 June) ^	<b>201,077,785</b>	203,781,892	204,380,463	204,380,463	204,380,463

\* Total revenues include the Group's share of joint ventures' and associates' profits as shown on the Statement of Comprehensive Income and Note 15(c).

# 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 2,704,107 shares (2015: 598,571 shares were re-purchased and cancelled).

*Remuneration Report (Audited) Ends*

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# Directors' Report

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## 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
<b>Number of meetings held:</b>	<b>4</b>	<b>4</b>
<b>Number of meetings attended:</b>		
D Baffsky, AO	4	3
K Seymour, AM	4	n/a
M Loomes	4	4
J Murphy	4	4
G Weiss	4	n/a

### 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 Murphy (Chairman)  
D Baffsky, AO  
M 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.

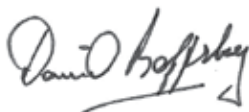
## 11. AUDITOR'S INDEPENDENCE DECLARATION TO THE DIRECTORS

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 2016.

## 12. NON-AUDIT SERVICES

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

Signed in accordance with a resolution of the Directors.



**D Baffsky, AO**  
**Chairman**

19 August 2016

# Auditor's Independence Declaration

# Deloitte.

19 August 2016

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

Deloitte Touche Tohmatsu  
A.C.N. 74 490 121 060

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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 2016, 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 faithfully



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 2016

		GROUP	
	Notes	2016 \$'000	2015 \$'000
<b>CONTINUING OPERATIONS</b>			
Rental and letting income		12,027	11,674
Sale of goods		2,758	436
Interest income		1,171	1,250
Dividend income	4(a)	846	639
Other income / (loss)	4(b)	1,857	(1,129)
Share of joint ventures' and associates' profits	15(c)	12,819	2,185
Rental and letting expenses		(10,935)	(11,089)
Cost of goods sold		(3,287)	(364)
Employee benefits expense	4(c)	(2,431)	(3,471)
Depreciation and amortisation		(40)	(308)
Administration expenses		(1,395)	(1,953)
Finance costs		(210)	(305)
Impairment provisions	4(d)	—	(450)
<b>PROFIT / (LOSS) BEFORE INCOME TAX</b>		<b>13,180</b>	<b>(2,885)</b>
Income tax (expense) / benefit	5(a)	(623)	404
<b>PROFIT / (LOSS) AFTER TAX FROM CONTINUING OPERATIONS</b>		<b>12,557</b>	<b>(2,481)</b>
<i>Attributable to:</i>			
Non-controlling interests		1,515	1,139
<b>MEMBERS OF ARIADNE AUSTRALIA LIMITED</b>		<b>11,042</b>	<b>(3,620)</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Net fair value movements on other financial assets		(1,452)	943
<i>Items that may be reclassified subsequently to profit or loss</i>			
Net fair value loss on cash flow hedge	18(c)	(44)	(129)
Exchange difference on translation of foreign operations		504	1,829
<b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX</b>		<b>(992)</b>	<b>2,643</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX</b>		<b>11,565</b>	<b>162</b>
<i>Attributable to:</i>			
Non-controlling interests		1,638	2,083
<b>MEMBERS OF ARIADNE AUSTRALIA LIMITED</b>		<b>9,927</b>	<b>(1,921)</b>
Basic earnings per share (cents per share)	6	5.45	(1.77)
Diluted earnings per share (cents per share)	6	5.43	(1.76)

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

# Balance Sheet as at 30 June 2016

		GROUP	
	Notes	2016 \$'000	2015 \$'000
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	8	15,393	12,513
Trade and other receivables	9	845	1,455
Inventories	10	—	3,059
Other current assets	11	2,010	2,419
<b>Total Current Assets</b>		<b>18,248</b>	19,446
<b>Non-Current Assets</b>			
Receivables	12	13,699	12,205
Other financial assets	13	30,258	29,090
Investments in joint ventures and associates	15(c)	28,781	22,938
Property, plant and equipment		38	185
Deferred tax assets	5(b)	6,305	6,305
<b>Total Non-Current Assets</b>		<b>79,081</b>	70,723
<b>TOTAL ASSETS</b>		<b>97,329</b>	90,169
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables		272	607
Interest-bearing loans and borrowings	16	3,160	2,343
Provisions	17	289	218
<b>Total Current Liabilities</b>		<b>3,721</b>	3,168
<b>Non-Current Liabilities</b>			
Interest-bearing loans and borrowings	16	834	1,527
Provisions	17	253	203
<b>Total Non-Current Liabilities</b>		<b>1,087</b>	1,730
<b>TOTAL LIABILITIES</b>		<b>4,808</b>	4,898
<b>NET ASSETS</b>		<b>92,521</b>	85,271
<b>EQUITY</b>			
Issued capital	18(a)	381,631	382,614
Reserves	18(c)	35,325	32,178
Accumulated losses	18(d)	(330,314)	(335,096)
<b>EQUITY ATTRIBUTABLE TO MEMBERS OF ARIADNE AUSTRALIA LIMITED</b>		<b>86,642</b>	79,696
Non-controlling interests		5,879	5,575
<b>TOTAL EQUITY</b>		<b>92,521</b>	85,271

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

# Statement of Changes in Equity

	Issued capital \$'000 Note 18(a)	Reserves \$'000 Note 18(c)	Accumulated losses \$'000 Note 18(d)	ARIADNE \$'000	Non- controlling interest \$'000	GROUP \$'000
<b>FOR THE YEAR ENDED 30 JUNE 2015</b>						
<b>At 1 July 2014</b>	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
Dividends	—	(2,041)	—	(2,041)	(1,023)	(3,064)
<b>At 30 June 2015</b>	382,614	32,178	(335,096)	79,696	5,575	85,271
<b>FOR THE YEAR ENDED 30 JUNE 2016</b>						
<b>At 1 July 2015</b>	382,614	32,178	(335,096)	79,696	5,575	85,271
Profit / (loss) for the period	—	6,374	4,668	11,042	1,515	12,557
Other comprehensive income	—	(1,115)	—	(1,115)	123	(992)
Total comprehensive income for the period	—	5,259	4,668	9,927	1,638	11,565
Cost of shares bought back	(983)	—	—	(983)	(10)	(993)
Cost of share-based payment	—	28	—	28	—	28
Transfer of reserves to accumulated losses	—	(113)	113	—	—	—
Equity transactions with equity holders	—	—	1	1	(1)	—
Dividends	—	(2,027)	—	(2,027)	(1,323)	(3,350)
<b>At 30 June 2016</b>	381,631	35,325	(330,314)	86,642	5,879	92,521

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 2016

		GROUP	
	Notes	2016 \$'000	2015 \$'000
<b>Cash flows from operating activities</b>			
Receipts from rental and letting income		13,227	12,823
Receipts from sales of goods and other income		4,200	1,178
Payments to suppliers and employees		(16,875)	(18,277)
Dividends and trust distributions received		7,912	5,600
Receipts from trading portfolio sales		1,767	293
Payments for trading portfolio purchases		(243)	(2,244)
Interest received		973	1,224
Interest and borrowing costs paid		(196)	(301)
Payments to acquire development inventory	10	—	(31)
<b>Net cash flows from operating activities</b>	19	<b>10,765</b>	265
<b>Cash flows from investing activities</b>			
Payments for plant and equipment and intangibles		—	(105)
Proceeds from sale of property and intangibles		—	4,186
Divestment in joint ventures and associates		950	—
Payments for other financial assets	13	(3,243)	(2,189)
Proceeds from loans repaid by other parties		293	329
Loans advanced to other parties		(1,500)	(4,018)
<b>Net cash flows used in investing activities</b>		<b>(3,500)</b>	(1,797)
<b>Cash flows from financing activities</b>			
Repayments of borrowings		(2,392)	(1,651)
Proceeds from borrowings		2,350	2,686
Payments under share buy-back	18(a)	(983)	(228)
Payments under share buy-back in non-controlling interest		(10)	—
Dividends paid to members of the parent entity	7	(2,027)	(2,041)
Dividends paid to non-controlling interests		(1,323)	(1,023)
<b>Net cash flows used in financing activities</b>		<b>(4,385)</b>	(2,257)
Net increase / (decrease) in cash and cash equivalents		2,880	(3,789)
Cash and cash equivalents at beginning of period		12,513	16,302
<b>Cash and cash equivalents at end of period</b>	8	<b>15,393</b>	12,513

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

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# Notes to Financial Statements for the year ended 30 June 2016

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## I. CORPORATE INFORMATION

The consolidated financial statements of Ariadne Australia Limited ("Ariadne") and its controlled entities ("the Group") for the year ended 30 June 2016 were authorised for issue in accordance with a resolution of the Directors on 19 August 2016.

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 ("AASB").

The financial report has been prepared on a historical cost basis, except for investments equity instruments 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 early adopted AASB 9 Financial Instruments with the effect from 1 July 2015. The Group has voluntarily adopted this standard, as it is considered to result in a presentation that better reflects the performance and operations of the Group.

The adoption of AASB 9 Financial Instruments has no impact on the way in which the Group's investments are measured, and hence no impact on net assets or total comprehensive income.

Investments in equity instruments are designated either held-for-trading or other financial assets. Held-for-trading assets designated by the Group are normally not held long term, in contrast with equity instruments designated as other financial assets (strategic investments). The changes that arise through the adoption of AASB 9 are noted below;

- (i) Previous accounting treatment under AASB 139 Financial Instruments; Recognition and Measurement

<u>Type of financial asset</u>	<u>Treatment under AASB 139</u>
Held-for-trading assets	Fair valued through profit and loss
Other financial assets	* Fair valued through comprehensive income

*\*On sale of investments classified as available-for-sale financial assets, the cumulative gain or loss from initial recognition to the sale of the investment would be reclassified from the asset revaluation reserve to the income statement, and reported as profit. Any impairments on available-for-sale financial assets are recognised in the income statement, even when no loss is realised.*

- (ii) New accounting treatment under AASB 9 Financial Instruments

<u>Type of financial asset</u>	<u>Treatment under AASB 9</u>
Held-for-trading assets	Fair valued through profit and loss
Other financial assets	** Fair valued through comprehensive income

*\*\*All gains, both realised and unrealised, on other financial assets which are recognised in an asset revaluation reserve will not be reclassified from other comprehensive income to the profit and loss and do not form part of the Group's profits. Any impairments on other financial assets are recognised in other comprehensive income.*

The adoption of AASB 9 has had no impact on the Group's Statement of Comprehensive Income or Balance Sheet and therefore no re-statements are required on adoption of this standard.

The Group has also adopted all of the new and revised Standards and Interpretations issued by the 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 2015-3 'Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality'



# Notes to Financial Statements for the year ended 30 June 2016

## (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 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 2016-1 'Amendments to Australian Accounting Standards – Recognition of Deferred Taxes for Unrealised Losses'	1 January 2017	30 June 2018
AASB 2016-2 'Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107'	1 January 2017	30 June 2018
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 16 'Leases'	1 January 2019	30 June 2020

## (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.

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(f) and in Note 2(i).

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

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(r).

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.

### (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) 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.

## (j) Investments

The Group has two separate and distinct investment portfolios. The Group designates its investment portfolios as either held-for-trading or strategic. Additions to the portfolios are initially recognised at cost, being the fair value of the consideration given and including acquisition charges associated with the investment.

Investments within the portfolios are remeasured to fair value based on the appropriate level inputs at the end of the reporting period. Gains or losses on investments held-for-trading are recognised in the profit or loss statement. In contrast, gains or losses on other strategic financial assets are recognised as a separate component of equity and are not reclassified to the profit or loss statement on either its disposal or on recognition of an impairment charge.

The Australian accounting standards set out the following hierarchy for fair value measurement for investments in financial instruments which are set out as below:

Level 1: – Quoted prices in active markets for identical assets or liabilities.

Level 2: – Inputs other than quoted prices, which can be observed either directly (as prices) or indirectly (derived from prices).

Level 3: – Inputs that are not based on observable market data.

Financial assets remeasured to fair value are disclosed in Note 11 and Note 13.

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.

## (k) 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.

## (l) 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.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

### (m) 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 for expected credit losses. Bad debts are written off when identified.

### (n) 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.

### (o) 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.

### (p) 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.

### (q) 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.

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# Notes to Financial Statements for the year ended 30 June 2016

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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.

## **(r) 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.

## **(s) 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 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.

## **(t) 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

### (u) 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.

### (v) 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.

### (w) 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.

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# Notes to Financial Statements for the year ended 30 June 2016

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## **(x) 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 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 2016

## 3. SEGMENT INFORMATION CONTINUED

	INVESTMENTS		CAR PARKING		PROPERTY		UNALLOCATED <sup>^</sup>		ELIMINATIONS		GROUP	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
<b>Reportable segment information</b>												
<b>Revenue and Result</b>												
Revenue from external customers	—	—	11,459	10,597	3,327	1,513	—	—	—	—	14,786	12,110
Interest income	696	739	—	—	475	511	—	—	—	—	1,171	1,250
Dividend income	846	639	—	—	—	—	—	—	—	—	846	639
Other income	17	82	45	3	—	—	184	323	—	—	246	408
Inter-segment	—	—	—	—	—	—	200	200	(200)	(200)	—	—
Net gain / (loss) on trading financial assets	1,013	(1,344)	—	—	—	—	—	—	—	—	1,013	(1,344)
Net gain / (loss) on disposal of non-current assets	—	—	—	—	598	(197)	—	4	—	—	598	(193)
Share of profit / (loss) of joint ventures and associates	3,600	2,727	8,705	(1,189)	514	647	—	—	—	—	12,819	2,185
Total segment revenue *	6,172	2,843	20,209	9,411	4,914	2,474	384	527	(200)	(200)	31,479	15,055
Net profit / (loss) for the year before income tax	5,555	2,255	9,775	(837)	982	195	(3,132)	(4,498)	—	—	13,180	(2,865)
Income tax benefit / (expense)	—	—	—	—	—	—	—	—	—	—	(623)	404
Profit after tax	—	—	—	—	—	—	—	—	—	—	12,557	(2,481)
<b>Assets</b>												
Equity accounted investments included in segment assets	12,227	11,405	11,186	6,772	5,368	4,761	—	—	—	—	28,781	22,938
Other assets	48,738	46,648	119	135	9,289	12,194	10,402	8,254	—	—	68,548	67,231
Total assets	60,965	58,053	11,305	6,907	14,657	16,955	10,402	8,254	—	—	97,329	90,169
<b>Other segment information</b>												
Depreciation and amortisation	—	—	11	128	9	84	20	96	—	—	40	308
Finance costs	144	175	—	1	57	117	9	12	—	—	210	305
Impairment provisions	—	—	—	—	—	450	—	—	—	—	—	450
Net movement in fair value of other financial assets	(1,452)	943	—	—	—	—	—	—	—	—	(1,452)	943
Segment liabilities	4,008	2,303	47	45	13	1,766	740	784	—	—	4,808	4,898

<sup>^</sup> 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 joint ventures' and associates' profits as shown on the Statement of Comprehensive Income and Note 15(c).



# Notes to Financial Statements for the year ended 30 June 2016

## 4. REVENUES AND EXPENSES

<i>Revenue and Expenses from Continuing Operations</i>	GROUP	
	2016 \$'000	2015 \$'000
<b>(a) Dividend income</b>		
Received from held-for-trading financial assets	312	142
Received from other financial assets	534	497
	<b>846</b>	<b>639</b>
<b>(b) Other income / (loss)</b>		
Net gain / (loss) on held-for-trading financial assets	1,013	(1,344)
Net gain / (loss) on disposal of non-current assets	598	(193)
Other income	246	408
	<b>1,857</b>	<b>(1,129)</b>
<b>(c) Employee benefits expense</b>		
Salaries, wages and on costs	2,154	3,412
Leave provisions	102	(124)
Superannuation	147	179
Share-based payment expense	28	4
	<b>2,431</b>	<b>3,471</b>
<b>(d) Impairment provisions</b>		
Development inventory	—	450
	<b>—</b>	<b>450</b>

# Notes to Financial Statements for the year ended 30 June 2016

## 5. INCOME TAX

### (a) Income tax expense / (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	
	2016 \$'000	2015 \$'000
Group accounting profit / (loss) before income tax	13,180	(2,885)
At the Group's statutory income tax rate of 30% (2015: 30%)	3,954	(865)
Permanent differences	(1,869)	(1,078)
Other movements	(604)	(286)
Prior year over provision	167	590
Tax losses (recouped) / recognised	(1,648)	1,639
Movement in recognised deferred tax asset	623	(404)
Income tax expense / (benefit) reported in the Statement of Comprehensive Income	623	(404)

### (b) Recognised deferred tax balances

*Deferred tax assets / (liabilities) comprises:*

Tax losses – revenue	6,305	6,305
Tax losses – capital	2,217	2,840
Temporary differences	(2,217)	(2,840)
Net deferred tax asset	6,305	6,305
Opening temporary differences	(2,840)	(2,436)
<i>Movement in temporary differences:</i>		
Other financial assets	623	(404)
Closing temporary differences	(2,217)	(2,840)

### (c) Unrecognised deferred tax balances

*Deferred tax assets comprises:*

Tax losses – revenue	18,458	19,939
Tax losses – capital	45,560	44,490
Net deferred tax asset unrecognised	64,018	64,429

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 2016, these are estimated at \$82,543 (2015: \$87,481) and \$159,256 (2015: \$157,766) 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, 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 (2015: \$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 2016

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 \$18,458 (2015: \$19,939). 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 \$2,217 (2015: \$2,840), equal to the deferred tax liability on the temporary differences of other 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.

	ARIADNE	
	2016	2015
<b><i>Earnings and share data used in the calculations of basic and diluted earnings per share:</i></b>		
Net profit attributable to members (\$'000)	11,042	(3,620)
Earnings used in calculating basic and diluted earnings per share (\$'000)	11,042	(3,620)
Weighted average number of ordinary shares used in calculating basic earnings per share	202,459,608	204,027,779
<i>Effect of dilutive securities:</i>		
Share options	800,000	1,500,000
Weighted average number of ordinary shares used in calculating diluted earnings per share	203,259,608	205,527,779
Basic earnings per share (cents per share)	5.45	(1.77)
Diluted earnings per share (cents per share)	5.43	(1.76)

## 7. DIVIDENDS PAID AND PROPOSED ON ORDINARY SHARES

	\$'000	\$'000
<b><i>Dividends paid during the year:</i></b>		
Final partially franked (40%) dividend of 0.5 cents per share (2014: 40% franked 0.5 cents)	1,019	1,022
Interim partially franked (20%) dividend of 0.5 cents per share (2015: 40% franked 0.5 cents)	1,008	1,019
	2,027	2,041
<b><i>Dividends proposed:</i></b>		
Final unfranked dividend of 0.5 cents per share (2015: 40% franked 0.5 cents)	1,005	1,019
Special unfranked dividend of 0.5 cents per share (2015: n/a)	1,005	—
	2,010	1,019

As the final and special dividends for 2016 were declared after balance date, no liability was recognised at balance date.

# Notes to Financial Statements for the year ended 30 June 2016

## 7. DIVIDENDS PAID AND PROPOSED ON ORDINARY SHARES CONTINUED

### Franking Account

The amount of franking credits available for distribution from the franking account at year end was \$284 (2015: \$183). The final dividend for 2016 is unfranked (2015: 40% franked). The 2016 special dividend is 60% franked (2015: n/a) utilising \$258 from the Franking Account.

### Conduit Foreign Income Account

For the 2016 final dividend, 100% of the dividend is sourced from Ariadne's Conduit Foreign Income Account (2015: 40%). As a result, 100% of the final dividend paid to a non-resident shareholder will not be subject to Australian withholding tax.

For the 2016 special dividend, 20% of the dividend is sourced from Ariadne's Conduit Foreign Income Account (2015: n/a). As a result, 20% of the final dividend paid to a non-resident shareholder will not be subject to Australian withholding tax.

## 8. CASH AND CASH EQUIVALENTS

	Notes	GROUP	
		2016 \$'000	2015 \$'000
Cash at call		15,150	12,280
Cash on term deposit		243	233
		<b>15,393</b>	12,513

## 9. TRADE AND OTHER RECEIVABLES (CURRENT)

Trade receivables	(i)	593	484
<i>Related party receivables</i>			
Associates		145	864
Provisions		—	—
Other receivables		107	107
		<b>845</b>	1,455
<i>Reconciliation of amounts provided against related party receivables</i>			
Opening balance		—	(821)
Arising during the year		—	—
Utilised or reversed	(ii)	—	821
Closing balance		—	—

(i) Trade receivables are non-interest bearing and are generally on 30-day terms. An estimate for doubtful debts is made for expected credit losses. There was no allowance for doubtful debts recognised in the current year (2015: Nil).

There are no significant receivables individually or in aggregate past due but not impaired.

(ii) During the prior 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 2016

## 10. INVENTORIES

	Notes	GROUP	
		2016 \$'000	2015 \$'000
<i>Interest in development properties</i>			
Opening property development inventories		3,059	3,458
Development costs capitalised		—	31
Impairment		—	(450)
Divestment of marina development property		(3,059)	—
Total property development inventories at the lower of cost and net realisable value		—	3,039
Other inventories		—	20
Total inventories at the lower of cost and net realisable value		—	3,059

During the period the Group sold its development inventory, as part of the divestment of the Group's interest in Port Macquarie and Batemans Bay marinas, and repaid in full the associated \$1,590 loan facility as disclosed in Note 16.

## 11. OTHER CURRENT ASSETS

Held-for-trading financial assets	(i)	1,770	2,280
Prepayments and other assets		240	139
		2,010	2,419

(i) Financial assets are remeasured to fair value based on the appropriate level inputs at the end of the reporting period as outlined in Note 2(j). All held-for-trading financial assets were remeasured to fair value based on Level 1 inputs at the end of the reporting period.

## 12. RECEIVABLES (NON-CURRENT)

Related entity loans and advances		8,400	8,400
Other loans and advances		5,299	3,805
		13,699	12,205

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 NZ\$313 of loan notes, issued by Foundation Life, were redeemed at face value. Also during the period and as part of the divestment of the Group's interest in Port Macquarie and Batemans Bay marinas, the Group advanced \$1,500 under a 3 year fixed rate vendor financing loan.

# Notes to Financial Statements for the year ended 30 June 2016

## 13. OTHER FINANCIAL ASSETS

	Notes	GROUP	
		2016 \$'000	2015 \$'000
Other financial assets			
Cost		22,867	19,624
Accumulated fair value adjustments		7,391	9,466
Net carrying amount		30,258	29,090
<i>Reconciliations</i>			
Opening balance		29,090	25,554
Additions		3,243	2,189
Fair value adjustments	(i)	(2,075)	1,347
At 30 June, net of mark-to market revaluation		30,258	29,090

- (i) Financial assets are remeasured to fair value based on the appropriate level inputs at the end of the reporting period as outlined in Note 2(j). Financial assets were remeasured to fair value based on Level 1 inputs where available at the end of the reporting period. Fair value adjustments relating to Level 3 inputs at the end of the reporting period were \$193 (2015: \$344).

## 14. CONTROLLED ENTITIES

NAME	Place of incorporation	PERCENTAGE OF EQUITY HELD BY THE GROUP	
		2016	2015
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

# Notes to Financial Statements for the year ended 30 June 2016

## 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	
			2016	2015
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%
Lake Gold Pty Ltd	Dormant	QLD	50%	50%

#### Entities divested during the reporting period

Batemans Bay Marina Unit Trust	Marina management and development	NSW	—	50%
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### (b) Summary financial information of material joint ventures and associates

Secure Kings Unit Trust	GROUP	
	2016 \$'000	2015 \$'000
Revenue	274,846	248,628
Profit	17,410	(2,378)
Share of profit at 50%	8,705	(1,189)

During the period a provision relating to a \$6,900 judgment plus costs against Secure Kings Unit Trust last financial year was written back in full following a successful court appeal which had the judgment set aside.

Current assets	59,083	42,869
Non-Current assets	33,080	31,633
Current liabilities	(47,085)	(42,587)
Non-Current liabilities	(23,238)	(18,903)
Net assets	21,840	13,012

### (c) Aggregate information of joint ventures and associates

Balance at the beginning of the reporting period	22,938	23,971
Share of joint ventures' and associates' profits	12,819	2,185
Share of joint ventures' and associates' reserves	339	1,743
Divestment of interest in joint ventures and associates	(249)	—
Distributions received	(7,066)	(4,961)
Carrying amount of investment in joint ventures and associates at reporting period end	28,781	22,938

The Group's share of joint ventures' and associates' commitments and contingent liabilities is disclosed in Note 21.

# Notes to Financial Statements for the year ended 30 June 2016

## 16. INTEREST-BEARING LOANS AND BORROWINGS

	GROUP	
	2016 \$'000	2015 \$'000
<b>Current and non-current</b>		
Interest bearing facilities – current	3,160	2,343
Interest bearing facilities – non current	834	1,527
	<b>3,994</b>	3,870

The Group's interest-bearing facilities includes a New Zealand Dollar ("NZD") loan facility provided by a financial institution and guaranteed by Ariadne. The Group repaid and reduced the NZD loan facility by NZ\$850 during the reporting period to NZ\$1,725. Also during the period and as part of the divestment of the Group's interest in Port Macquarie and Batemans Bay marinas, the Group repaid in full the associated \$1,590 loan facility. A new \$2,350 interest-bearing loan agreement, secured against financial assets disclosed in Note 13, was entered into during the reporting period.

### Financing facilities available

<b>Total facilities</b>		
Bank loans and lease facilities	3,994	3,870
Other facilities not recorded on the Group's Balance Sheet	525	525
<b>Facilities used at reporting date</b>		
Bank loans and lease facilities	3,994	3,870
Other facilities not recorded on the Group's Balance Sheet	229	339
<b>Facilities unused at reporting date</b>		
Bank loans and lease facilities	—	—
Other facilities not recorded on the Group's Balance Sheet	296	186

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.

## 17. PROVISIONS

	Lease liabilities \$'000	Employee benefits \$'000	Total for the Group \$'000
As at 1 July 2015	100	321	421
Arising during the reporting period	19	168	187
Utilised or reversed	—	(66)	(66)
At 30 June 2016	119	423	542
Current 2016	3	286	289
Non-current 2016	116	137	253
	119	423	542
Current 2015	—	218	218
Non-current 2015	100	103	203
	100	321	421



# Notes to Financial Statements for the year ended 30 June 2016

## 18. CONTRIBUTED EQUITY AND RESERVES

### (a) Ordinary Ariadne shares on issue

	2016		2015	
	Number of shares	\$'000	Number of shares	\$'000
At beginning of the reporting period	203,781,892	382,614	204,380,463	382,842
Movements during the reporting period	(2,704,107)	(983)	(598,571)	(228)
Balance at reporting period end	201,077,785	381,631	203,781,892	382,614

On 28 August 2015, Ariadne announced a twelve month extension of its on-market buy-back facility 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. During the period Ariadne re-purchased and cancelled 2,704,107 (2015: 598,571) shares at a cost of \$983 (2015: \$228).

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

### (b) Share Options

	ARIADNE	
	2016 Number of options	2015 Number of options
<i>Employee options over Ariadne ordinary shares</i>		
At beginning of the reporting period	1,650,000	1,500,000
Movements during the reporting period	(850,000)	150,000
Balance at reporting period end	800,000	1,650,000

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	Financial asset revaluation reserve \$'000	Cash flow hedge reserve \$'000	Foreign currency translation reserve \$'000	Profits reserve \$'000	Capital profits reserve \$'000	ARIADNE \$'000
<b>At 1 July 2014</b>	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
<b>At 30 June 2015</b>	<b>117</b>	<b>6,627</b>	<b>(167)</b>	<b>1,145</b>	<b>21,501</b>	<b>2,955</b>	<b>32,178</b>
Current year profits carried to profit reserve	—	—	—	—	6,374	—	6,374
Dividends	—	—	—	—	(2,027)	—	(2,027)
Deferred tax liability	—	623	—	—	—	—	623
Transfer to accumulated losses	(113)	—	—	—	—	—	(113)
Other movements	28	(2,075)	(44)	381	—	—	(1,710)
<b>At 30 June 2016</b>	<b>32</b>	<b>5,175</b>	<b>(211)</b>	<b>1,526</b>	<b>25,848</b>	<b>2,955</b>	<b>35,325</b>

# Notes to Financial Statements for the year ended 30 June 2016

## 18. 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.

#### Financial asset revaluation reserve

The financial asset revaluation reserve records the Group's share of movements in the fair value of other financial assets net of tax as recognised in other comprehensive income.

#### Cash flow hedge reserve

The cash flow hedge reserve records the Group's share of movements in the fair value of effective hedging instruments against hedged risks as recognised in other comprehensive income.

#### 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 as recognised in other comprehensive income.

#### 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 2016 amount carried to profit reserve (in accordance with director resolutions) of \$6,374 (2015: \$5,901) includes an amount of \$4,399 (2015: \$2,468) relating to subsidiary entities and is not available for distribution as frankable dividends to the equity holders of Ariadne at 30 June 2016.

#### 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

	Notes	GROUP	
		2016 \$'000	2015 \$'000
Opening balance		(335,096)	(325,575)
Profit / (loss) not carried to profit reserve		4,668	(9,521)
Transfers from reserves	18(c)	113	—
Equity transactions with non-controlling interests		1	—
Closing balance		(330,314)	(335,096)

# Notes to Financial Statements for the year ended 30 June 2016

## 19. CASH FLOW STATEMENT RECONCILIATION

<i>Reconciliation of the net profit / (loss) after tax to the net cash flows from operations</i>	Notes	GROUP	
		2016 \$'000	2015 \$'000
Net profit / (loss) after tax		12,557	(2,481)
<i>Adjustments for:</i>			
Net loss / (gain) on disposal of non-current assets	4(b)	(598)	193
Share options expense	4(c)	28	4
Depreciation and amortisation of non-current assets		40	308
Share of profits of joint ventures and associates	15(c)	(12,819)	(2,185)
Distributions from joint ventures and associates	15(c)	7,066	4,961
Income tax expense / (benefit)	5(a)	623	(404)
<i>Transfers to / (from) provisions:</i>			
Lease liabilities	17	19	39
Employee entitlements	17	102	(142)
<i>Changes in assets and liabilities:</i>			
(Increase) / decrease in trade and other receivables	9	610	163
(Increase) / decrease in inventory	10	3,059	452
(Increase) / decrease in held-for-trading financial assets	11	510	(608)
(Increase) / decrease in prepayments	11	(101)	605
(Decrease) / increase in payables and accruals		(335)	(640)
Effects of exchange rate changes on cash held in foreign currencies		4	—
Net cash from operating activities		10,765	265

## 20. 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 20(d) and Note 20(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 2016

## 20. 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	
	2016 \$'000	2015 \$'000
<b>Financial Assets</b>		
Cash and cash equivalents	15,393	12,513
Related party loans	8,400	8,400
Other loans	—	—
Total financial assets exposed to interest rate risk	23,793	20,913
<b>Financial Liabilities</b>		
Advanced facilities and commercial bills	3,994	3,870
Total financial liabilities exposed to interest rate risk	3,994	3,870
Net exposure	19,799	17,043

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)	
	2016 \$'000	2015 \$'000
<b>Group</b>		
+1% (100 basis points)	189	181
- 1% (100 basis points)	(189)	(181)

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 2016, 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 2016

## (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 \$31,491 (2015: \$31,026). 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 \$3,149 higher or lower (2015: \$3,103). 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	
	2016 \$'000	2015 \$'000
<b>Financial liabilities due within</b>		
6 months or less	651	2,550
6 – 12 months	2,781	400
1 – 5 years	834	1,527
Total financial liabilities exposed to liquidity risk	4,266	4,477

## (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.

### 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.

# Notes to Financial Statements for the year ended 30 June 2016

## 20. FINANCIAL INSTRUMENTS CONTINUED

### (g) Fair values continued

#### 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.

## 21. COMMITMENTS AND CONTINGENCIES

### (a) Lease commitments

	GROUP	
	2016 \$'000	2015 \$'000
<b>(i) Operating leases (non-cancellable)</b>		
The Group, its joint ventures and its associates as lessee:		
<i>Minimum lease payments</i>		
Not later than one year	77,712	70,632
Later than one year and not later than five years	183,002	171,429
Later than five years	81,902	63,503
Aggregate lease expenditure contracted for at reporting date	<b>342,616</b>	305,564

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 \$292,927 (2015: \$244,542).

<b>(ii) Operating leases (non-cancellable)</b>		
The Group, its joint ventures and its associates as lessor:		
<i>Minimum lease receipts</i>		
Not later than one year	767	1,290
Later than one year and not later than five years	1,171	2,357
Later than five years	11	833
Aggregate lease income contracted for at reporting date	<b>1,949</b>	4,480

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 \$1,927 (2015: \$2,536).

# Notes to Financial Statements for the year ended 30 June 2016

## (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 16. 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 2016 (2015: \$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 \$12,330 as at 30 June 2016 (2015: \$5,786).

A \$3,355 guarantee, provided by an Ariadne subsidiary relating to a joint venture financing facility, is due to expire in September 2016 being 7 months after the Group's divestment from the joint venture.

In addition to guarantees relating to financing, Ariadne has provided guarantees for development works. Ariadne's liability is capped at \$4,000 (2015: \$4,500), and of this amount, Ariadne's has received an external party indemnity for \$2,000 (2015: \$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.

## 22. 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	
			2016 \$'000	2015 \$'000
<b>Loans to other related parties</b>				
Loans advanced / payables	Equity accounted investment		—	7
<b>Other transactions</b>				
Interest received or receivable	Equity accounted investment		471	510
Management fees paid or payable	Equity accounted investment		315	244
Receivable (impairments) / reversals	Equity accounted investment	9	—	821

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

## 23. EVENTS AFTER THE BALANCE DATE

After the Balance Sheet date, the Directors declared a final dividend and a special dividend on ordinary shares in respect of the 2016 financial year. The total amount of the dividends is \$2,010 which represents an unfranked final dividend of 0.5 cents per share of which 100% is sourced from the Conduit Foreign Income Account and a partially franked special dividend of 0.5 cents per share of which 20% is sourced from the Conduit Foreign Income Account.

# Notes to Financial Statements for the year ended 30 June 2016

## 24. REMUNERATION OF AUDITORS

	GROUP	
	2016 \$	2015 \$
<b>Amounts received or due and receivable by Deloitte Touche Tohmatsu</b>		
An audit or review of the financial report of the entity and any other entity in the Group	<b>110,000</b>	133,000
Services in relation to the entity and any other entity in the Group	—	—
	<b>110,000</b>	133,000

## 25. PARENT ENTITY INFORMATION

	ARIADNE	
	2016 \$'000	2015 \$'000
<b>Information relating to Ariadne Australia Limited</b>		
Current assets	<b>2,626</b>	3,032
Total assets	<b>29,989</b>	30,997
Current liabilities	—	—
Total liabilities	—	—
Issued capital	<b>381,631</b>	382,614
Reserve – capital profits	<b>2,954</b>	2,954
Reserve – profits	<b>8,831</b>	8,883
Reserve – options	<b>32</b>	117
Accumulated losses	<b>(363,459)</b>	(363,571)
Total shareholders' equity	<b>29,989</b>	30,997
Profit of the parent entity	<b>1,975</b>	3,433
Total comprehensive income of the parent entity	<b>1,975</b>	3,433

The profits for the year ended 30 June 2016 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 18(c).

Details of guarantees given are recorded in Note 21(b).

## 26. DIRECTOR AND EXECUTIVE DISCLOSURES

	GROUP	
	2016 \$'000	2015 \$'000
<b>Remuneration of Key Management Personnel</b>		
Short term employee benefits	<b>1,482</b>	1,811
Post-employment benefits	<b>113</b>	138
Share based payments	<b>28</b>	4
Benefits paid on termination	—	489
Total remuneration	<b>1,623</b>	2,442



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## Directors' Declaration for the year ended 30 June 2016

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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 2016 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 2016.

On behalf of the Board



**D Baffsky, AO**

**Chairman**

Sydney

19 August 2016

# Deloitte.

Deloitte Touche Tohmatsu  
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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 2016, 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 47.

#### *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.

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Member of Deloitte Touche Tohmatsu Limited

# Independent Auditor's Report

## Deloitte.

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

### *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 2016 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 2016. 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 2016, complies with section 300A of the *Corporations Act 2001*.



DELOITTE TOUCHE TOHMATSU



J A Leotta  
Partner  
Chartered Accountants  
Sydney, 19 August 2016

# Shareholder Information

Additional information required by the Australian Securities Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 31 August 2016.

## (a) Distribution of equity securities

The number of shareholders, by size of holding, in each class of share are:	Ordinary shares	
	Number of holders	Number of shares
1–1,000	243	72,452
1,001–5,000	668	2,043,139
5,001–10,000	233	1,665,389
10,001–100,000	319	10,268,985
100,001 and over	90	187,027,820
	1,553	201,077,785
Holding less than a marketable parcel	280	113,941

## (b) Twenty largest shareholders

The names of the twenty largest holders of quoted shares are:	Listed ordinary shares	
	Number of shares	% of shares
1 Bivaru Pty Ltd	76,566,395	38.08%
2 HSBC Custody Nominees (Australia) Limited	22,558,745	11.22%
3 SLV Investments Pty Ltd	21,043,100	10.47%
4 J P Morgan Nominees Australia Limited	14,269,193	7.10%
5 McNeil Nominees Pty Limited	7,150,000	3.56%
6 W B K Pty Ltd	5,485,100	2.73%
7 Seymour Group Pty Ltd	4,580,000	2.28%
8 Mr Con Zempilas	3,664,000	1.82%
9 LVF Nominees Pty Ltd	1,627,173	0.81%
10 GKK Group Holdings Pty Ltd	1,615,546	0.80%
11 Kayaal Pty Ltd	1,569,074	0.78%
12 Mr Ross Alexander Macpherson	1,213,700	0.60%
13 UBS Nominees Pty Ltd	1,206,706	0.60%
14 BFSF Pty Ltd <Breedon Family S/F A/C>	1,000,000	0.50%
15 Croll Nominees Pty Limited <Croll Family A/C>	941,040	0.47%
16 Harlow Farm Pty Ltd	937,939	0.47%
17 Epirus Pty Ltd	853,086	0.42%
18 Chillen Pty Limited (Tallen)	785,142	0.39%
19 Mr Robert Duncan Mcrae + Mr John Richard Palairt <Boyte Investment No 1 A/C>	757,252	0.38%
20 Gallium Pty Ltd	736,071	0.37%
	168,559,262	83.85%

## (c) Substantial shareholders

The names of substantial shareholders who have notified the Company in accordance with section 671B of the <i>Corporations Act 2001</i> are:	Number of shares as per notice
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.

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# Notes

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