

# ARIADNE

**Ariadne Australia Limited**  
A.B.N. 50 010 474 067

## **Appendix 4E** **Financial Report** **For the period ended 30 June 2017**

<b>Results for announcement to the market</b>				<b>30 June 2017</b>	<b>30 June 2016</b>
Revenues from ordinary activities *	<b>\$'000's</b>	Down	14.6%	26,882	31,479
Profit from ordinary activities before tax	<b>\$'000's</b>	Down	13.4%	11,418	13,180
Profit from ordinary activities after tax attributable to members	<b>\$'000's</b>	Up	8.0%	11,926	11,042
Net profit for the period attributable to members	<b>\$'000's</b>	Up	615.4%	78,993	11,042
<i>The significant increase in net profit to members for the period predominantly relates to the \$67,067 gain recognised on the divestment of Secure Parking.</i>					
Total comprehensive income for the period attributable to members	<b>\$'000's</b>	Up	822.0%	91,522	9,927
<i>The significant increase in total comprehensive income for the period predominantly relates to the \$67,067 gain recognised on the divestment of Secure Parking.</i>					
Net tangible assets per security	<b>cents</b>	Up	100.9%	86.58	43.09

<b>Dividends (distributions)</b>	<b>Amount per security (cents)</b>	<b>Amount per security of conduit foreign income (cents)</b>	<b>Franked amount per security (cents)</b>	<b>Tax rate for franking credit</b>
FY17 Final dividend	1.0	0.6	0.0	30%
FY17 Special dividend	1.5	0.0	0.0	30%
FY17 Interim dividend	1.0	0.2	0.4	30%

The Directors have declared an unfranked final dividend of 1.0 cent per ordinary share in relation to the 30 June 2017 financial year, of which 60% is sourced from the Conduit Foreign Income Account. The Directors have also declared a special dividend of 1.5 cents per ordinary share in relation to the 30 June 2017 financial year. The record date applicable to both dividends will be Friday, 8 September 2017 with payment to be made on Friday, 29 September 2017.

### **Annual General Meeting**

The Ariadne Australia Limited Annual General Meeting for 2017 will be held at the Sofitel Sydney Wentworth (Hobart Room), 61-101 Phillip Street, Sydney at 11.00am on Monday, 16 October 2017. The 2017 Annual Report will be distributed to shareholders in September 2017.

### **Overview of financial results**

An operating and financial review of the Group's results for the 2017 financial year is included in the Directors' Report. The results reported are based on financial statements which have been audited.

\* Total revenues from ordinary activities as shown above include the Group's share of joint ventures' and associates' profits but excludes the \$67,067 gain recognised on the divestment of Secure Parking. Please refer to the directors' report and financial report for additional information.

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# ARIADNE

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**Ariadne Australia Limited**  
**Financial Report**  
**For the Year Ended 30 June 2017**

# Contents

Directors' Report	2
Auditor's Independence Declaration	12
Financial Statements	
Statement of Comprehensive Income	13
Balance Sheet	14
Statement of Changes in Equity	15
Statement of Cash Flows	16
Notes to Financial Statements	17
Directors' Declaration	40
Independent Auditor's Report	41

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).*

# Directors' Report

The Directors submit their report for the year ended 30 June 2017.

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.

On 7 December 2016, the Directors announced that Ariadne had entered into a conditional agreement to dispose its 50% interest in Secure Parking for \$75,000 ("the Sale Asset" and together "the Sale Transaction"). The Sale Transaction, completed on 11 January 2017, represented a significant premium to the Sale Asset's book value. On 7 April 2017, the Directors announced that Ariadne had entered into a conditional agreement to acquire a 50% freehold interest in 40 Tank Street, Brisbane, Queensland ("Tank Street") for a net adjusted price of \$56,100. The joint venture in which Ariadne holds a 50% interest completed the acquisition of Tank Street on 31 May 2017. Ariadne also acquired a direct relevant interest of 3.94%<sup>1</sup> in Ardent Leisure Group ("Ardent") for \$32,424 during the period and at period end held, together with its associates, a relevant interest of 9.86%<sup>1</sup>. There have been no other significant changes in the Group's state of affairs during the reporting period.

### Operating Results for the Year

The consolidated net profit before income tax, attributable to the Group, including discontinued operations, for the financial year was \$78,485 (2016: \$13,180) and the consolidated net profit before tax attributable to members, on the same basis, for the financial year was \$76,927 (2016: \$11,665). After tax, the net profit attributable to members including discontinued operations, for the financial year was \$78,993 (2016: \$11,042). Net tangible assets were 86.58 cents per share (2016: 43.09 cents). Total earnings per share were 39.28 cents (2016: 5.45 cents). Total comprehensive earnings per share were 45.50 cents (2016: 4.90 cents).

### Investments

The Investment division recorded a profit of \$11,913 (2016: \$5,555).

The division's result is derived from interest on cash reserves, share of profits from the Group's investments in associates, dividends, trading income from the trading portfolio and net gains on the strategic portfolio revalued through profit or loss.

Cash and cash equivalents as at 30 June 2017 were \$49,346 (2016: \$15,393). Ariadne continues to maintain a prudent approach to cash management.

The trading portfolio recorded a net gain of \$944 (2016: \$1,013) and the strategic portfolio revalued through profit or loss recorded a net gain of \$5,647 (2016: Nil) during the reporting period due to mark-to-market revaluations.

The strategic portfolio revalued through other comprehensive income recorded a mark-to-market gain during the period of \$17,902 (2016: loss \$2,075) to other comprehensive income, predominantly associated with the Group's investment in ClearView Wealth Limited. A deferred tax expense of \$5,371 (2016: benefit \$623) 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.

During the period the Group also added to its strategic portfolios initially by acquiring a further interest in Hillgrove Resources Limited of \$3,166, predominantly via a capital raising underwritten by Ariadne Capital Pty Limited, a wholly owned subsidiary of the Group. Ariadne, together with its associates have requisitioned a general meeting of Ardent security holders seeking the appointment of directors to the Ardent board. The general meeting of Ardent security holders is to be held 4 September 2017.

<sup>1</sup> At the date of the report, Ariadne held a direct relevant interest in Ardent of 4.45% and together with its associates a relevant interest of 10.9%.

# Directors' Report

## Investments (continued)

The Group's investment in Foundation Life has been rewarding. Ariadne received NZ\$381 (2016: NZ\$504) during the year comprised of loan note interest and loan note redemptions.

Ariadne'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 \$69,422 (2016: \$9,775).

The result comprises the Group's 50% share of profits from Secure Kings Unit Trust ("Secure Parking"), the gain recognised on disposal of Secure Parking and the operating results from the Group's two car park leases.

As mentioned above, the Secure Parking Sale Transaction was entered into on 7 December 2016 and completed on 11 January 2017 resulting in a net gain on sale of \$67,067. The Group's share of the profit from Secure Parking, until its divestment, was \$1,255 (2016: \$8,705). As the operating activities of this business were not discontinued or classified as held for sale as at 30 June 2016, the comparative statement of comprehensive income has been re-presented to show the discontinued operations separately from continuing operations.

Trading activities from Ariadne's leased car parks contributed a net profit of \$1,100 (2016: \$1,070).

## Property

The Group's Property division recorded a loss of \$581 (2016: profit \$982).

The division's result is derived from the Group's 50% share of profits from Orams Marine Village ("Orams") located in Auckland, New Zealand and from the Group's newly acquired investment in Tank Street.

The loss recorded during the period is predominantly due to the Group's 50% share of acquisition costs (which included its \$1,600 share of the transfer duty) associated with settlement of the property interest in Tank Street held in Seyaal Unit Trust.

The Group's share of the profit from Orams for the year was \$567 (2016: \$481) and the interest earned on the associated loan to Orams was \$385 (2016: \$420). The Board remains confident that this strategic investment is well placed to capitalise on the future development of the Western Viaduct area of Auckland and the growth impetus of the New Zealand marine industry, which enjoys an international reputation for product quality, skill base and competitiveness.

## Other Income

The Group received a lease surrender fee of \$1,500 on the relocation of its corporate office during the period.

## Taxation

Ariadne has significant carried forward revenue and capital losses available to offset future taxable profits. At 30 June 2017, these are estimated at \$76,986 (2016: \$82,543) and \$91,221 (2016: \$159,256) 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 a reduction of \$3,305 (2016: Nil) to the net asset value be recorded.

## Employees

The number of employees at balance date has remained at 13 (2016: 13), 62% male and 38% female (2016: 62%:38%).

## 2. DIVIDENDS

Dividends paid during the 2017 financial year	(cents per share)	(\$'000)
FY16 Final – paid 30 September 2016	0.5	1,005
FY16 Special – paid 30 September 2016	0.5	1,005
FY17 Interim – paid 30 March 2017	1.0	2,013
	2.0	4,023

The Directors have declared an unfranked final dividend of \$2,012 (1.0 cent per share) in relation to the 2017 financial year, of which 60% is sourced from the Conduit Foreign Income Account. The Directors have also declared an unfranked special dividend of \$3,018 (1.5 cents per share) in relation to the 2017 financial year. No liability is recognised in the 2017 financial statements as this dividend was declared after 30 June 2017.

# Directors' Report

## 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, The George Institute 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.

#### 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 five 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 currently the Managing Director of private equity firm Adexum Capital Limited. 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.

# Directors' Report

**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 having been a director since 21 June 2010) and Estia Health Ltd (appointed 1 January 2017, having been a director since 24 February 2016) and a director of several other listed companies including Premier Investments Limited (appointed 11 March 1994), The Straits Trading Company Limited (appointed 1 June 2014), and Thorney Opportunities Ltd (appointed 21 November 2013), Pro-Pac Packaging Limited (appointed 28 May 2012) and Tag Pacific Limited (appointed 1 October 1988), Dr Weiss acts as an Alternate Director of Mercantile Investment Company Limited (appointed 25 February 2015). He was also appointed a Commissioner of the Australian Rugby League Commission on 30 August 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), Secure Parking Pty Ltd (appointed 1 November 2004 and resigned 11 January 2017) and as a Director of Mercantile Investment Company Limited (appointed 6 March 2012 and resigned 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 2017 financial year. The total amount of the dividends is \$5,030 which represents an unfranked final dividend of 1.0 cent per share of which 60% is sourced from the Conduit Foreign Income Account and an unfranked special dividend of 1.5 cents per share.

## 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.

# Directors' Report

## 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.

### 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.



# Directors' Report

## 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.

## 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

# Directors' Report

## (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.

	Short Term Employee Benefits		Post-Employment Benefits	Share Based Payment	Total	% at Risk
	Salary & Fees	Cash Bonus	Non-Monetary Benefits <sup>(i)</sup>	Superannuation	Options <sup>(ii)</sup>	
<b>Table 1: Emoluments of Directors of Ariadne</b>						
D Baffsky, AO (Chairman) <sup>(iii)</sup>						
<b>2017</b>	<b>130,000</b>	—	<b>17,449</b>	<b>12,350</b>	—	<b>159,799</b>
2016	130,000	—	18,049	12,350	—	160,399
K Seymour, AM (Deputy Chairman)						
<b>2017</b>	<b>70,000</b>	—	—	<b>6,650</b>	—	<b>76,650</b>
2016	70,000	—	—	6,650	—	76,650
M Loomes						
<b>2017</b>	<b>70,000</b>	—	—	<b>6,650</b>	—	<b>76,650</b>
2016	70,000	—	—	6,650	—	76,650
J Murphy						
<b>2017</b>	<b>80,000</b>	—	—	<b>7,600</b>	—	<b>87,600</b>
2016	80,000	—	—	7,600	—	87,600
G Weiss (Executive Director)						
<b>2017</b>	<b>570,000</b>	—	<b>17,449</b>	<b>30,000</b>	—	<b>617,449</b>
2016	570,000	—	18,049	30,000	—	618,049
<b>Total Remuneration: Directors</b>						
<b>2017</b>	<b>920,000</b>	—	<b>34,898</b>	<b>63,250</b>	—	<b>1,018,148</b>
2016	920,000	—	36,098	63,250	—	1,019,348

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

N McMahon (Chief Financial Officer / Company Secretary)						
<b>2017</b>	<b>219,616</b>	<b>20,000</b>	—	<b>30,000</b>	<b>8,295</b>	<b>277,911</b>
2016	208,058	—	—	30,000	10,960	249,018
D Weiss (Investment Officer)						
<b>2017</b>	<b>300,000</b>	<b>70,000</b>	<b>17,449</b>	<b>19,616</b>	<b>20,616</b>	<b>427,681</b>
2016	300,000	—	18,049	19,308	17,317	354,674
<b>Total Remuneration: Executives</b>						
<b>2017</b>	<b>519,616</b>	<b>90,000</b>	<b>17,449</b>	<b>49,616</b>	<b>28,911</b>	<b>705,592</b>
2016	508,058	—	18,049	49,308	28,277	603,692

(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.

# Directors' Report

**Table 3: Option holdings of Directors and Executives**

	Balance 1 July 2016	Granted as Remuneration	Options Exercised	Options Expired	Balance 30 June 2017	Vested and Exercisable
<b>2017</b>						
<b>Executives</b>						
N McMahon	300,000	—	150,000	—	150,000	—
D Weiss	500,000	—	—	—	500,000	—
<b>Total</b>	<b>800,000</b>	<b>—</b>	<b>150,000</b>	<b>—</b>	<b>650,000</b>	<b>—</b>

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 Yield	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**

Ordinary shares held in Ariadne	Balance 1 July 2016	On Exercise of Options	Net Change Other	Balance 30 June 2017
<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	150,000	100,000	290,428
D Weiss	2,199	—	—	2,199
<b>Total</b>	<b>91,440,951</b>	<b>150,000</b>	<b>100,000</b>	<b>91,690,951</b>

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.

# Directors' Report

## (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 (2016: \$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 owned a 50% interest. Lease payments were negotiated on commercial terms and conditions. The total lease payments made during the year were \$738,699 (2016: \$1,926,856) including GST.

### Investments

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

Mercantile Investment Company Limited	Mr D Weiss	Non-Executive Director
Hillgrove Resources Limited	Mr M Loomes	Non-Executive Director
Thorney Opportunities Limited	Dr G Weiss	Non-Executive Director

## (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.

	2017	2016	2015	2014	2013
Total comprehensive income after tax attributable to members <sup>^</sup>	<b>91,522</b>	9,927	(1,921)	10,489	5,367
Return on equity (%) <sup>#</sup>	<b>70.2%</b>	11.9%	(2.3%)	13.2%	7.3%
Total comprehensive earnings per share (cents)	<b>45.50</b>	4.90	(0.94)	5.13	2.63
Dividends paid (cents)	<b>2.00</b>	1.00	1.00	1.00	1.00
Share price (cents at 30 June)	<b>76</b>	34	38	35	28
Net tangible assets per security (cents at 30 June)	<b>86.58</b>	43.09	39.11	39.59	33.13
Shares on issue (number at 30 June)	<b>201,227,785</b>	201,077,785	203,781,892	204,380,463	204,380,463

<sup>^</sup> Total comprehensive income after tax attributable to members includes a \$67,067 gain recognised on the divestment of Secure Parking.

<sup>#</sup> Return on equity is calculated as total comprehensive income for the period divided by average equity for the period.

## Remuneration Report (Audited) Ends

# Directors' Report

## 9. DIRECTORS' MEETINGS

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

	Directors' Meetings	Meetings of Committees Audit & Risk Management
<b>Number of meetings held:</b>	<b>4</b>	<b>4</b>
<b>Number of meetings attended:</b>		
D Baffsky, AO	4	4
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 thousand dollars (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 12 and forms part of the Directors' Report for the year ended 30 June 2017.

## 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  
Director  
21 August 2017

21 August 2017

The Board of Directors  
Ariadne Australia Limited  
Level 27, Chifley Tower  
2 Chifley Square  
Sydney NSW 2000  
Australia

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 2017, 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

# Statement of Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2017

		GROUP	
	Notes	2017 \$'000	2016 \$'000
<b>CONTINUING OPERATIONS</b>			
Rental income		11,566	12,027
Sale of goods		—	2,758
Interest income		1,879	1,171
Dividend income	4(a)	863	846
Other income	4(b)	8,568	1,857
Share of joint ventures' and associates' profits	14(d)	2,751	4,114
Rental expenses		(10,503)	(10,935)
Cost of goods sold		—	(3,287)
Employee benefits expense	4(c)	(2,433)	(2,431)
Depreciation		(163)	(40)
Administration expenses		(2,079)	(1,395)
Finance costs		(286)	(210)
<b>PROFIT BEFORE INCOME TAX</b>		<b>10,163</b>	<b>4,475</b>
Income tax benefit / (expense)	5(a)	2,066	(623)
<b>PROFIT FROM CONTINUING OPERATIONS</b>		<b>12,229</b>	<b>3,852</b>
<b>PROFIT FROM DISCONTINUED OPERATIONS</b>	<b>6</b>	<b>68,322</b>	<b>8,705</b>
<b>PROFIT AFTER TAX FOR THE PERIOD</b>		<b>80,551</b>	<b>12,557</b>
<i>Attributable to:</i>			
Non-controlling interests		1,558	1,515
<b>MEMBERS OF ARIADNE</b>		<b>78,993</b>	<b>11,042</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Net fair value movements on strategic portfolio revalued through other comprehensive income		12,531	(1,452)
<i>Items that may be reclassified subsequently to profit or loss</i>			
Net fair value gain / (loss) on equity accounted investment cash flow hedge	16(c)	94	(44)
Exchange difference on translation of foreign operations		(295)	504
<b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX</b>		<b>12,330</b>	<b>(992)</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>92,881</b>	<b>11,565</b>
<i>Attributable to:</i>			
Non-controlling interests		1,359	1,638
<b>MEMBERS OF ARIADNE</b>		<b>91,522</b>	<b>9,927</b>
<b>Earnings per share</b>			
<i>From continuing and discontinued operations</i>			
Basic earnings per share (cents)	7	39.28	5.45
Diluted earnings per share (cents)	7	39.15	5.43
<i>From continuing operations</i>			
Basic earnings per share (cents)		5.31	1.15
Diluted earnings per share (cents)		5.29	1.15

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

# Balance Sheet

AS AT 30 JUNE 2017

		GROUP	
	Notes	2017 \$'000	2016 \$'000
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	9	49,346	15,393
Trade and other receivables		843	845
Other current assets	10	7,334	2,010
<b>Total Current Assets</b>		<b>57,523</b>	<b>18,248</b>
<b>Non-Current Assets</b>			
Receivables	11	13,416	13,699
Other financial assets	12	86,333	30,258
Investments in joint ventures and associates	14(d)	28,327	28,781
Property, plant and equipment		1,056	38
Deferred tax assets	5(b)	3,000	6,305
<b>Total Non-Current Assets</b>		<b>132,132</b>	<b>79,081</b>
<b>TOTAL ASSETS</b>		<b>189,655</b>	<b>97,329</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables		1,473	272
Interest-bearing loans and borrowings	15	6,643	3,160
Provisions		331	289
<b>Total Current Liabilities</b>		<b>8,447</b>	<b>3,721</b>
<b>Non-Current Liabilities</b>			
Interest-bearing loans and borrowings	15	1,095	834
Provisions		145	253
<b>Total Non-Current Liabilities</b>		<b>1,240</b>	<b>1,087</b>
<b>TOTAL LIABILITIES</b>		<b>9,687</b>	<b>4,808</b>
<b>NET ASSETS</b>		<b>179,968</b>	<b>92,521</b>
<b>EQUITY</b>			
Issued capital	16(a)	381,697	381,631
Reserves	16(c)	161,656	35,325
Accumulated losses	16(d)	(369,129)	(330,314)
<b>EQUITY ATTRIBUTABLE TO MEMBERS OF ARIADNE AUSTRALIA LIMITED</b>		<b>174,224</b>	<b>86,642</b>
Non-controlling interests		5,744	5,879
<b>TOTAL EQUITY</b>		<b>179,968</b>	<b>92,521</b>

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



# Statement of Change in Equity

	Issued capital \$'000 Note 16(a)	Reserves \$'000 Note 16(c)	Accumulated losses \$'000 Note 16(d)	ARIADNE \$'000	Non-controlling interest \$'000	GROUP \$'000
<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 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>	<b>381,631</b>	<b>35,325</b>	<b>(330,314)</b>	<b>86,642</b>	<b>5,879</b>	<b>92,521</b>
<b>FOR THE YEAR ENDED 30 JUNE 2017</b>						
<b>At 1 July 2016</b>	<b>381,631</b>	<b>35,325</b>	<b>(330,314)</b>	<b>86,642</b>	<b>5,879</b>	<b>92,521</b>
Profit / (loss) for the period <sup>^</sup>	—	117,808	(38,815)	78,993	1,558	80,551
Other comprehensive income	—	12,529	—	12,529	(199)	12,330
Total comprehensive income for the period	—	130,337	(38,815)	91,522	1,359	92,881
Issue of shares under employee share scheme	66	(12)	—	54	—	54
Cost of share-based payment	—	29	—	29	—	29
Dividends	—	(4,023)	—	(4,023)	(1,494)	(5,517)
<b>At 30 June 2017</b>	<b>381,697</b>	<b>161,656</b>	<b>(369,129)</b>	<b>174,224</b>	<b>5,744</b>	<b>179,968</b>

<sup>^</sup> The current period's loss recognised in accumulated losses is predominantly a consequence of inter-group dividends paid during the period.

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 2017

		<b>GROUP</b>	
	<b>Notes</b>	<b>2017 \$'000</b>	<b>2016 \$'000</b>
<b>Cash flows from operating activities</b>			
Receipts from rental income		12,722	13,227
Receipts from sales of goods and other income		2,579	4,200
Payments to suppliers and employees		(16,243)	(16,875)
Dividends and trust distributions received		4,452	3,887
Dividends and trust distribution from discontinued operation	6	5,863	4,025
Receipts from trading portfolio sales		510	1,767
Payments for trading portfolio purchases		(1,598)	(243)
Interest received		1,515	973
Interest and borrowing costs paid		(278)	(196)
<b>Net cash flows from operating activities</b>	17	<b>9,522</b>	<b>10,765</b>
<b>Cash flows from investing activities</b>			
Payments for plant and equipment		(1,181)	—
Investments in joint ventures and associates		(11,903)	—
Divestment in joint ventures and associates		—	950
Divestment of discontinued operations	6	74,682	—
Payments for strategic portfolio purchases		(35,723)	(3,243)
Proceeds from loans repaid by other parties		277	293
Loans advanced to other parties		—	(1,500)
<b>Net cash flows from / (used in) investing activities</b>		<b>26,152</b>	<b>(3,500)</b>
<b>Cash flows from financing activities</b>			
Repayments of borrowings		(2,758)	(2,392)
Proceeds from borrowings		6,500	2,350
Proceeds from exercised employee share options	16(a)	54	—
Payments under share buy-back	16(a)	—	(983)
Payments under share buy-back in non-controlling interest		—	(10)
Dividends paid to members of the parent entity	8	(4,023)	(2,027)
Dividends paid to non-controlling interests		(1,494)	(1,323)
<b>Net cash flows used in financing activities</b>		<b>(1,721)</b>	<b>(4,385)</b>
Net increase in cash and cash equivalents		33,953	2,880
Cash and cash equivalents at beginning of period		15,393	12,513
<b>Cash and cash equivalents at end of period</b>	9	<b>49,346</b>	<b>15,393</b>

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

# Notes to Financial Statements

## FOR THE YEAR ENDED 30 JUNE 2017

### 1. CORPORATE INFORMATION

The consolidated financial statements of Ariadne Australia Limited (“Ariadne”) and its controlled entities (“the Group”) for the year ended 30 June 2017 were authorised for issue in accordance with a resolution of the Directors on 21 August 2017.

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 2 to 11.

### 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 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 2014-3 ‘Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations’
- AASB 2014-4 ‘Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation’
- AASB 2014-9 ‘Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements’
- AASB 2015-1 ‘Amendment to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle’
- AASB 2015-2 ‘Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101’
- AASB 2015-5 ‘Amendments to Australian Accounting Standards – Investment Entities : Applying the Consolidation Exception’

#### (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.



# Notes to Financial Statements (Continued)

FOR THE YEAR ENDED 30 JUNE 2017

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (c) Future changes (Continued)

Affected Standards and Interpretations	Application date (reporting period commences on or after)	Application date for Group
AASB 2016-2 'Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107'	1 January 2017	30 June 2018
AASB 2016-3 'Amendments to Australian Accounting Standards – Classifications to AASB 15'	1 January 2018	30 June 2019
AASB 2014-10 'Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture'	1 January 2018	30 June 2019
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 2017-1 'Amendments to Australian Accounting Standards – Transfers of Investment Property, Annual Improvements 2016-2016 Cycle and Other Amendments'	1 January 2018	30 June 2019
AASB 2017-2 'Amendments to Australian Accounting Standards – Further Annual Improvements 2014-2016 Cycle'	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.

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

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.

# Notes to Financial Statements (Continued)

FOR THE YEAR ENDED 30 JUNE 2017

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (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.

When a group entity transacts with an associate or a joint venture of the Group, profits or losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements on a gross basis. Related party transactions are disclosed in Note 20.

### (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.

# Notes to Financial Statements (Continued)

FOR THE YEAR ENDED 30 JUNE 2017

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (j) Investments

The Group has two separate and distinct investment portfolios and designates its investments as either trading or strategic. The strategic portfolio is further broken down into strategic portfolio revalued through profit and loss and strategic portfolio revalued through other comprehensive income, both held for long term capital appreciation but differentiated by their accounting treatment under the new accounting standard AASB 9 – Financial instruments.

Additions, for all portfolios, are initially recognised at cost, being the fair value of the consideration given and including acquisition charges associated with the investment.

Investments within all 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 in the trading portfolio and the strategic portfolio revalued through profit and loss are recognised in the profit or loss statement. In contrast, gains or losses on the strategic portfolio revalued through other comprehensive income 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.

Investments remeasured to fair value are disclosed in Note 10 and Note 12.

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) 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.

### (m) 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.

### (n) 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.

# Notes to Financial Statements (Continued)

FOR THE YEAR ENDED 30 JUNE 2017

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (o) 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.

### (p) Share-based payment transactions

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

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

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

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

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

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

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

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

### (q) Leases

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

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

Capitalised leased assets are depreciated over their estimated useful life.

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

# Notes to Financial Statements (Continued)

FOR THE YEAR ENDED 30 JUNE 2017

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (r) 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 income

Rental income, which includes 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.

### (s) 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.

### (t) 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.



# Notes to Financial Statements (Continued)

FOR THE YEAR ENDED 30 JUNE 2017

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (t) Income tax (Continued)

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.

### (u) 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.

### (v) 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.

### (w) 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.

# Notes to Financial Statements (Continued)

FOR THE YEAR ENDED 30 JUNE 2017

## 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 up to the date of disposal. The property division includes all results derived from property and marina 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 (Continued)

FOR THE YEAR ENDED 30 JUNE 2017

## 3. SEGMENT INFORMATION (Continued)

Reportable segment information	Notes	INVESTMENTS		CAR PARKING		PROPERTY		UNALLOCATED <sup>^</sup>		GROUP	
		2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
<b>Revenue and Result</b>											
Revenue from external customers		—	—	11,566	11,459	—	3,327	—	—	11,566	14,786
Interest income		1,448	696	—	—	431	475	—	—	1,879	1,171
Dividend income		863	846	—	—	—	—	—	—	863	846
Other income		312	17	46	45	—	—	1,619	184	1,977	246
Net gain on trading portfolio		944	1,013	—	—	—	—	—	—	944	1,013
Net gain on strategic portfolio revalued through profit or loss		5,647	—	—	—	—	—	—	—	5,647	—
Net gain on disposal of non-current assets		—	—	—	—	—	598	—	—	—	598
Share of profit / (loss) of joint ventures and associates		3,720	3,600	—	—	(969)	514	—	—	2,751	4,114
<b>Total segment revenue *</b>		<b>12,934</b>	<b>6,172</b>	<b>11,612</b>	<b>11,504</b>	<b>(538)</b>	<b>4,914</b>	<b>1,619</b>	<b>184</b>	<b>25,627</b>	<b>22,774</b>
<b>Net profit / (loss) for the year before income tax</b>		<b>11,913</b>	<b>5,555</b>	<b>1,100</b>	<b>1,070</b>	<b>(581)</b>	<b>982</b>	<b>(2,269)</b>	<b>(3,132)</b>	<b>10,163</b>	<b>4,475</b>
<b>Income tax benefit / (expense)</b>	5(a)									<b>2,066</b>	<b>(623)</b>
<b>Profit from continuing operations</b>										<b>12,229</b>	<b>3,852</b>
<b>Profit from discontinued operations</b>	6									<b>68,322</b>	<b>8,705</b>
<b>Profit after income tax for the period</b>										<b>80,551</b>	<b>12,557</b>
<b>Assets</b>											
Equity accounted investments included in segment assets		11,938	12,227	—	11,186	16,389	5,368	—	—	28,327	28,781
Other assets		147,307	48,738	81	119	8,691	9,289	5,249	10,402	161,328	68,548
<b>Total assets</b>		<b>159,245</b>	<b>60,965</b>	<b>81</b>	<b>11,305</b>	<b>25,080</b>	<b>14,657</b>	<b>5,249</b>	<b>10,402</b>	<b>189,655</b>	<b>97,329</b>
<b>Other segment information</b>											
Depreciation		—	—	8	11	—	9	155	20	163	40
Finance costs		271	144	—	—	—	57	15	9	286	210
Net movement in fair value of strategic portfolio through OCI		12,531	(1,452)	—	—	—	—	—	—	12,531	(1,452)
Segment liabilities		7,763	4,008	946	47	—	13	978	740	9,687	4,808

<sup>^</sup> Unallocated segment includes management income, and a lease surrender fee of \$1,500, 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.

# Notes to Financial Statements (Continued)

FOR THE YEAR ENDED 30 JUNE 2017

## 4. REVENUES AND EXPENSES

<i>Revenue and Expenses from Continuing Operations</i>	Notes	GROUP	
		2017 \$'000	2016 \$'000
<b>(a) Dividend income</b>			
Received from trading portfolio		164	312
Received from strategic portfolio revalued through other comprehensive income		699	534
		<b>863</b>	<b>846</b>
<b>(b) Other income</b>			
Net gain on trading portfolio	(i)	944	1,013
Net gain on strategic portfolio revalued through profit or loss	(i)	5,647	—
Net gain on disposal of non-current assets		—	598
Other income	(ii)	1,977	246
		<b>8,568</b>	<b>1,857</b>
<p>(i) The trading portfolio and strategic portfolio revalued through profit or loss, 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 investments in the trading portfolio and strategic portfolio revalued through profit or loss were remeasured to fair value based on Level 1 inputs at the end of the reporting period. The carrying values of these portfolios are disclosed at Note 10 and Note 12.</p> <p>(ii) The Group received a lease surrender fee of \$1,500 on the relocation of its corporate office during the period.</p>			
<b>(c) Employee benefits expense</b>			
Salaries, wages and on costs		2,234	2,154
Leave provisions		23	102
Superannuation		147	147
Share-based payment expense		29	28
		<b>2,433</b>	<b>2,431</b>

## 5. INCOME TAX

### (a) Income tax (benefit) / expense 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 accounting profit after tax reported in the Statement of Comprehensive Income	80,551	12,557
Income tax (benefit) / expense reported in the Statement of Comprehensive Income	(2,066)	623
Group accounting profit before income tax	78,485	13,180
At the Group's statutory income tax rate of 30% (2016: 30%)	23,546	3,954
Permanent differences	337	(1,869)
Other movements	(111)	(604)
Prior year over provision	240	167
Tax losses recouped	(22,318)	(1,648)
Movement in recognised deferred tax asset	(3,760)	623
Income tax (benefit) / expense reported in the Statement of Comprehensive Income	(2,066)	623

# Notes to Financial Statements (Continued)

## FOR THE YEAR ENDED 30 JUNE 2017

### 5. INCOME TAX (Continued)

#### (b) Recognised deferred tax balances

	Notes	GROUP	
		2017 \$'000	2016 \$'000
<i>Recognised deferred tax assets / (liabilities) comprises:</i>			
Tax losses - revenue		3,000	6,305
Tax losses - capital		9,282	2,217
Temporary differences		(9,282)	(2,217)
<b>Net deferred tax asset</b>		<b>3,000</b>	<b>6,305</b>
<i>Movement in recognised deferred tax balances:</i>			
Tax losses - revenue		(3,305)	—
Tax losses - capital		7,065	623
Temporary differences			
Strategic portfolio revalued through profit or loss		(1,694)	—
Strategic portfolio revalued through other comprehensive income	16(c)	(5,371)	623
<b>Net movement in deferred tax</b>		<b>(3,305)</b>	<b>—</b>

#### (c) Unrecognised deferred tax balances

<i>Unrecognised deferred tax assets comprises:</i>			
Tax losses - revenue		20,096	18,458
Tax losses - capital		18,085	45,560
<b>Net deferred tax asset unrecognised</b>		<b>38,181</b>	<b>64,018</b>

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 2017, these are estimated at \$76,986 (2016: \$82,543) and \$91,221 (2016: \$159,256) 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 \$3,000 (2016: \$6,305), equal to the tax payable on this base level taxable profit, has been recorded on the Balance Sheet.

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 \$20,096 (2016: \$18,458). The value of this deferred tax asset will only be realised if:

- future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised; and
- the conditions for deductibility imposed by tax legislation continue to be complied with; and
- 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 \$9,282 (2016: \$2,217), equal to the deferred tax liability on the temporary differences of each of the strategic portfolios, has also been recorded on the Balance Sheet.

# Notes to Financial Statements (Continued)

## FOR THE YEAR ENDED 30 JUNE 2017

### 6. DISCONTINUED OPERATIONS

On 7 December 2016, the Directors announced that Ariadne had entered into a conditional agreement to dispose its 50% interest in Secure Parking for approximately \$75,000 ("the Sale Asset" and together "the Sale Transaction"). The Sale Transaction, completed on 11 January 2017, represented a significant premium to the Sale Asset's book value.

Financial performance and cash flow information	Notes	GROUP	
		2017 \$'000	2016 \$'000
Share of joint ventures' profits	14(d)	1,255	8,705
Gain recognised on disposal of interest in Secure Parking		67,067	—
Profit from discontinued operations		68,322	8,705
Net cash from operating activities	14(d)	5,863	4,025
Net cash from investing activities		74,682	—
Net cash receipts from discontinued operations		80,545	4,025

As the operating activities of this business were not discontinued or classified as held for sale as at 30 June 2016, the comparative statement of comprehensive income has been re-presented to show the discontinued operations separately from continuing operations.

### 7. 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 as outlined in Note 2(v).

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.

Earnings and share data used in the calculations of basic and diluted earnings per share:	ARIADNE	
	2017	2016
Net profit attributable to members (\$'000)	78,993	11,042
Earnings used in calculating basic and diluted earnings per share (\$'000)	78,993	11,042
Total comprehensive income attributable to members (\$'000)	91,522	9,927
Total comprehensive earnings used in calculating basic and diluted earnings per share (\$'000)	91,522	9,927
Weighted average number of ordinary shares used in calculating basic earnings per share	201,126,689	202,459,608
<i>Effect of dilutive securities:</i>		
Employee share options	650,000	800,000
Weighted average number of ordinary shares used in calculating diluted earnings per share	201,776,689	203,259,608
Basic earnings per share (cents per share)	39.28	5.45
Diluted earnings per share (cents per share)	39.15	5.43
Total comprehensive earnings per share (cents per share)	45.50	4.90
Total comprehensive diluted earnings per share (cents per share)	45.36	4.88

# Notes to Financial Statements (Continued)

FOR THE YEAR ENDED 30 JUNE 2017

## 8. DIVIDENDS PAID AND PROPOSED ON ORDINARY SHARES

	ARIADNE	
	2017 \$'000	2016 \$'000
<b>Dividends paid during the year:</b>		
Final unfranked dividend of 0.5 cents per share (2015: 40% franked 0.5 cents)	1,005	1,019
Special partially franked (60%) dividend of 0.5 cents per share (2015: n/a)	1,005	—
Interim partially franked (40%) dividend of 1.0 cents per share (2016: 20% franked 0.5 cents)	2,013	1,008
	<b>4,023</b>	<b>2,027</b>
<b>Dividends proposed:</b>		
Final unfranked dividend of 1.0 cent per share (2016: unfranked 0.5 cents)	2,012	1,005
Special unfranked dividend of 1.5 cents per share (2016: 60% franked 0.5 cents)	3,018	1,005
	<b>5,030</b>	<b>2,010</b>

As the final and special dividends for 2017 were declared after balance date, no liability was recognised at balance date.

### Franking Account

The amount of franking credits available for distribution from the franking account at year end was \$51 (2016: \$284). The final dividend for 2017 is unfranked (2016: unfranked). The 2017 special dividend is also unfranked (2016: 60% franked).

### Conduit Foreign Income Account

60% of the 2017 final dividend is sourced from Ariadne's Conduit Foreign Income Account (2016: 100%). As a result, 60% of the final dividend paid to a non-resident shareholder will not be subject to Australian withholding tax. The 2017 special dividend contains no Conduit Foreign Income (2016: 20%).

## 9. CASH AND CASH EQUIVALENTS

	GROUP	
	2017 \$'000	2016 \$'000
Cash at call	34,083	15,150
Cash on term deposit	15,263	243
	<b>49,346</b>	<b>15,393</b>

## 10. OTHER CURRENT ASSETS

Trading portfolio	3,802	1,770
Strategic portfolio revalued through profit or loss	3,198	—
Prepayments and other assets	334	240
	<b>7,334</b>	<b>2,010</b>

The trading portfolio and strategic portfolio revalued through profit or loss, are remeasured to fair value based on the appropriate level inputs at the end of the reporting period as outlined in Note 2(j) and disclosed in Note 4(b). All investments in the trading portfolio and strategic portfolio revalued through profit or loss were remeasured to fair value based on Level 1 inputs at the end of the reporting period.

## 11. RECEIVABLES (NON-CURRENT)

Related entity loans and advances	8,400	8,400
Other loans and advances	5,016	5,299
	<b>13,416</b>	<b>13,699</b>

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\$30 in loan notes, issued by Foundation Life, were redeemed at face value and \$250 of the 3 year fixed rate vendor financing loan, issued in the prior period as part of the Group's divestment of the Port Macquarie and Batemans Bay marinas, was repaid.

# Notes to Financial Statements (Continued)

FOR THE YEAR ENDED 30 JUNE 2017

## 12. OTHER FINANCIAL ASSETS

		GROUP	
		2017 \$'000	2016 \$'000
Cost		58,512	22,867
Accumulated fair value adjustments		27,821	7,391
Net carrying amount	(i)	86,333	30,258
<i>Reconciliations</i>			
Opening balance		30,258	29,090
Additions	(ii)	35,645	3,243
Fair value adjustments	(iii)	20,430	(2,075)
At 30 June, net of mark-to market revaluation		86,333	30,258

- (i) The net carrying amount is made up of two portfolios, the non-current portion of the strategic portfolio revalued through profit and loss and strategic portfolio revalued through other comprehensive income, both portfolios are held for long term capital appreciation but differentiated by their accounting treatment under AASB 9 – Financial instruments and as outlined in Note 2(j).
- (ii) Additions during the period include; Ardent Leisure Group - \$32,424 and Hillgrove Recourses Limited (shares and convertible notes) - \$3,088.
- (iii) The investments in the portfolios are remeasured to fair value based on the appropriate level inputs at the end of the reporting period as outlined in Note 2(j). The Foundation Life investment was remeasured using Level 3 inputs at the end of the reporting period to \$622 (2016: \$537) resulting in a fair value adjustment of \$85 (2016: \$192) recorded during the period. All other investments in the portfolio were remeasured to fair value based on Level 1 inputs at the end of the reporting period.

## 13. CONTROLLED ENTITIES

NAME	Place of incorporation	PERCENTAGE OF EQUITY HELD BY ARIADNE	
		2017	2016
Ariadne Administration Pty Ltd	QLD	100	100
Ariadne Capital Pty Ltd	QLD	100	100
Ariadne Freehold Pty Ltd *	NSW	100	—
Ariadne Holdings Pty Ltd	ACT	100	100
Ariadne Insurance Pty Ltd *	NSW	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
Portfolio Services Pty Ltd	QLD	100	100
Valjul Pty Ltd	QLD	100	100
*Entities incorporated during the period			
<b>Entities divested during the reporting period</b>			
Periman Pty Ltd	QLD	—	100
<b>Entities deregistered during the reporting period</b>			
Mekmere Pty Ltd	QLD	—	100
Pacific Rim Foods Inc	CAD	—	53



# Notes to Financial Statements (Continued)

FOR THE YEAR ENDED 30 JUNE 2017

## 14. 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	
			2017	2016
Seyaal Unit Trust *	Property investment	QLD	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	Mineral exploration	QLD	50%	50%
*Joint ventures entered into during the period				
<b>Entities divested during the reporting period</b>				
Secure Kings Unit Trust	Car parking	NSW	—	50%

### (b) Share of joint ventures' and associates' revenue and profit

	Notes	GROUP	
		2017 \$'000	2016 \$'000
Revenue		71,862	150,164
Profit		4,006	12,819

### (c) Share of joint ventures' and associates' statement of financial position

Total assets	56,441	72,263
Total liabilities	37,043	52,909
Net assets	19,398	19,354

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

Balance at the beginning of the reporting period		28,781	22,938
Share of joint ventures' and associates' profits		2,751	4,114
Share of profits from divested interest in joint ventures and associates	6	1,255	8,705
Share of joint ventures' and associates' reserves		(198)	339
Investment in joint venture and associates	(i)	11,903	—
Divestment of interest in joint ventures and associates	(ii)	(6,714)	(249)
Distributions received from joint ventures and associates		(3,588)	(3,041)
Distributions received from divested interest in joint ventures and associates	6	(5,863)	(4,025)
Carrying amount of investment in joint ventures and associates at reporting period end		28,327	28,781

- (i) Ariadne acquired a 50% interest in the Seyaal Unit Trust (40 Tank Street, Brisbane Queensland) during the period.  
(ii) Ariadne's 50% interest in Secure Kings Unit Trust (Secure Parking) was divested during the period as disclosed in Note 6.

The Group's share of joint ventures' and associates' commitments and contingent liabilities is disclosed in Note 19.

## 15. INTEREST-BEARING LOANS AND BORROWINGS

<b>Current and non-current</b>		
Interest bearing facilities – current	6,643	3,160
Interest bearing facilities – non current	1,095	834
	7,738	3,994

The Group's interest-bearing facilities includes a New Zealand Dollar ("NZD") loan facility guaranteed by Ariadne. The Group repaid and reduced the NZD loan facility by NZ\$425 during the reporting period to NZ\$1,300. Also during the period, an interest bearing loan of \$2,350 was repaid and replaced with a new \$6,500 loan facility on similar terms and secured against financial assets included in Note 12.

# Notes to Financial Statements (Continued)

FOR THE YEAR ENDED 30 JUNE 2017

## 15. INTEREST-BEARING LOANS AND BORROWINGS (Continued)

Financing facilities available	GROUP	
	2017 \$'000	2016 \$'000
<b>Total facilities</b>		
Bank loans and lease facilities	7,738	3,994
Other facilities not recorded on the Group's Balance Sheet	575	525
<b>Facilities used at reporting date</b>		
Bank loans and lease facilities	7,738	3,994
Other facilities not recorded on the Group's Balance Sheet	471	229
<b>Facilities unused at reporting date</b>		
Bank loans and lease facilities	—	—
Other facilities not recorded on the Group's Balance Sheet	104	296

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

## 16. CONTRIBUTED EQUITY AND RESERVES

### (a) Ordinary Ariadne shares on issue

	2017		2016	
	Number of shares	\$'000	Number of shares	\$'000
At beginning of the reporting period	201,077,785	381,631	203,781,892	382,614
Movements during the reporting period	150,000	66	(2,704,107)	(983)
Balance at reporting period end	201,227,785	381,697	201,077,785	381,631

On 24 January 2017, Ariadne reinstated 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 prices below the Board's opinion of the intrinsic value of the shares. During the period Ariadne did not buy back any shares (2016: 2,704,107 shares at a cost of \$983). During the period 150,000 (2016: Nil) employee share options, originally issued at a cost of \$12, were exercised for \$54 (2016: Nil) and the corresponding amount of ordinary shares issued.

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

### (b) Share Options

Employee options over Ariadne ordinary shares	ARIADNE	
	2017 Number of options	2016 Number of options
At beginning of the reporting period	800,000	1,650,000
Movements during the reporting period	(150,000)	(850,000)
Balance at reporting period end	650,000	800,000

No employee share options were issued during the period (2016: 650,000). 150,000 employee share options were exercised during the period (2016: Nil).

Each option entitles the holder to purchase one ordinary share. Further details of the terms and conditions of the options are set out in the Remuneration Report.

# Notes to Financial Statements (Continued)

FOR THE YEAR ENDED 30 JUNE 2017

## 16. CONTRIBUTED EQUITY AND RESERVES (Continued)

### (c) Reserves

	Share options reserve	Financial asset revaluation reserve	Cash flow hedge reserve	Foreign currency translation reserve	Profits reserve	Capital profits reserve	ARIADNE
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>At 1 July 2015</b>	117	6,627	(167)	1,145	21,501	2,955	32,178
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>
Current year profits carried to profit reserve	—	—	—	—	50,741	67,067	117,808
Dividends	—	—	—	—	(4,023)	—	(4,023)
Deferred tax liability	—	(5,371)	—	—	—	—	(5,371)
Transfer to share capital	(12)	—	—	—	—	—	(12)
Other movements	29	17,902	94	(96)	—	—	17,929
<b>At 30 June 2017</b>	<b>49</b>	<b>17,706</b>	<b>(117)</b>	<b>1,430</b>	<b>72,566</b>	<b>70,022</b>	<b>161,656</b>

### 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 the strategic portfolio revalued through other comprehensive income 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 2017 amount carried to profits reserve (in accordance with director resolutions) of \$50,741 (2016: \$6,374) includes an amount of \$16,372 (2016: \$4,399) relating to subsidiary entities and is not available for distribution as frankable dividends to the equity holders of Ariadne at 30 June 2017.

#### 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. The 30 June 2017 amount carried to capital profits reserve (in accordance with director resolutions) of \$67,067 (2016: Nil).

# Notes to Financial Statements (Continued)

FOR THE YEAR ENDED 30 JUNE 2017

## 16. CONTRIBUTED EQUITY AND RESERVES (Continued)

### (d) Accumulated losses

	Notes	GROUP	
		2017 \$'000	2016 \$'000
Opening balance		(330,314)	(335,096)
Profit / (loss) not carried to profit reserve	(i)	(38,815)	4,668
Transfers from reserves		—	113
Equity transactions with non-controlling interests		—	1
Closing balance		(369,129)	(330,314)

(i) The current period's loss not carried to profit reserve is predominantly a consequence of inter-group dividends paid during the period.

## 17. CASH FLOW STATEMENT RECONCILIATION

*Reconciliation of the net profit after tax to the net cash flows from operations*

		2017 \$'000	2016 \$'000
Net profit after tax		80,551	12,557
<i>Adjustments for:</i>			
Gain recognised on disposal of interest in Secure Parking	6	(67,067)	—
Net gain on disposal of non-current assets	4(b)	—	(598)
Share options expense	4(c)	29	28
Depreciation and amortisation of non-current assets		163	40
Share of joint ventures' and associates' profits	14(d)	(2,751)	(4,114)
Share of profits from divested interest in joint ventures and associates	6	(1,255)	(8,705)
Distributions received from joint ventures and associates	14(d)	3,588	3,041
Distributions received from divested interest in joint ventures and associates	6	5,863	4,025
Income tax (benefit) / expense	5(a)	(2,066)	623
<i>Transfers to / (from) provisions:</i>			
Lease liabilities		(89)	19
Employee entitlements		23	102
<i>Changes in assets and liabilities:</i>			
(Increase) / decrease in trade and other receivables		2	610
(Increase) / decrease in inventory		—	3,059
(Increase) / decrease in trading portfolios		(2,032)	510
(Increase) / decrease in strategic portfolio revalued through profit or loss	4	(5,647)	—
(Increase) / decrease in prepayments		(94)	(101)
(Decrease) / increase in payables and accruals		301	(335)
Effects of exchange rate changes on cash held in foreign currencies		3	4
Net cash from operating activities		9,522	10,765

# Notes to Financial Statements (Continued)

FOR THE YEAR ENDED 30 JUNE 2017

## 18. 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 18(d) and Note 18(e) below. 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.

### (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	
	2017 \$'000	2016 \$'000
<b>Financial Assets</b>		
Cash and cash equivalents	49,346	15,393
Related party loans	8,400	8,400
Other loans	—	—
Total financial assets exposed to interest rate risk	57,746	23,793
<b>Financial Liabilities</b>		
Advanced facilities and commercial bills	1,238	3,994
Total financial liabilities exposed to interest rate risk	1,238	3,994
Net exposure	56,508	19,799

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)	
	2017 \$'000	2016 \$'000
<b>Group</b>		
+1% (100 basis points)	484	189
-1% (100 basis points)	(484)	(189)

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.

# Notes to Financial Statements (Continued)

## FOR THE YEAR ENDED 30 JUNE 2017

### 18. FINANCIAL INSTRUMENTS (Continued)

#### (c) Foreign currency risk

As at 30 June 2017, 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.

#### (d) Price risk

The Group may at times be exposed to price risk arising from holding listed securities. Listed 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 securities was \$92,710 (2016: \$31,491). If the price of listed securities had been 10% higher or lower at balance date, the Group would be impacted through income or equity by \$9,271 higher or lower (2016: \$3,149). The Group's sensitivity to price risk has increased during the year, as a result of an increase in the size of the listed strategic and trading 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 11.

#### (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	
	2017 \$'000	2016 \$'000
<b>Financial liabilities due within</b>		
6 months or less	8,096	651
6 – 12 months	20	2,781
1 – 5 years	1,095	834
<b>Total financial liabilities exposed to liquidity risk</b>	<b>9,211</b>	<b>4,266</b>

#### (g) Fair values

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

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

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

#### Cash

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

# Notes to Financial Statements (Continued)

## FOR THE YEAR ENDED 30 JUNE 2017

### 18. FINANCIAL INSTRUMENTS (Continued)

#### Investments

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

#### Trade and sundry debtors

The carrying amount approximates fair value.

#### Accounts payable

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

#### Loans to and from related parties

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

#### Advance facilities

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

### 19. COMMITMENTS AND CONTINGENCIES

#### (a) Lease commitments

	GROUP	
	2017 \$'000	2016 \$'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	10,425	77,712
Later than one year and not later than five years	26,676	183,002
Later than five years	4,793	81,902
<b>Aggregate lease expenditure contracted for at reporting date</b>	<b>41,894</b>	<b>342,616</b>

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 \$2,781 (2016: \$292,927), the substantial reduction due to the divestment of Secure Parking during the period.

<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	3,036	767
Later than one year and not later than five years	11,085	1,171
Later than five years	5,986	11
<b>Aggregate lease income contracted for at reporting date</b>	<b>20,107</b>	<b>1,949</b>

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 \$20,107 (2016: \$1,927).

# Notes to Financial Statements (Continued)

## FOR THE YEAR ENDED 30 JUNE 2017

### 19. COMMITMENTS AND CONTINGENCIES (Continued)

#### (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 entities under agreements entered into by those entities.

Details of finance facilities for the controlled entities are included in Note 15. Ariadne has guaranteed \$1,813 (2016: \$2,169) of the borrowing obligations under these facilities.

Ariadne has provided guarantees for development works. Ariadne's liability is capped at \$1,000 (2016: \$4,000), and of this amount, Ariadne's has received an external party indemnity for \$500 (2016: \$2,000).

### 20. 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	
			2017 \$'000	2016 \$'000
<b>Loans to other related parties</b>				
Loans advanced / payables	Equity accounted investment		11,903	—
<b>Other transactions</b>				
Interest received or receivable	Equity accounted investment		427	471
Management fees paid or payable	Equity accounted investment		199	315
Rent paid or payable	Equity accounted investment		152	—

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

### 21. 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 2017 financial year. The total amount of the dividends is \$5,030 which represents an unfranked final dividend of 1.0 cent per share of which 60% is sourced from the Conduit Foreign Income Account and an unfranked special dividend of 1.5 cents per share.

### 22. REMUNERATION OF AUDITORS

	2017 \$	2016 \$
<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	100,000	110,000
Services in relation to the entity and any other entity in the Group	—	—
	<b>100,000</b>	<b>110,000</b>



# Notes to Financial Statements (Continued)

FOR THE YEAR ENDED 30 JUNE 2017

## 23. PARENT ENTITY INFORMATION

	ARIADNE	
	2017 \$'000	2016 \$'000
<b>Information relating to Ariadne Australia Limited</b>		
Current assets	30,638	2,626
Total assets	60,418	29,989
Current liabilities	—	—
Total liabilities	—	—
Issued capital	381,697	381,631
Reserve – capital profits	2,954	2,954
Reserve – profits	39,177	8,831
Reserve – options	49	32
Accumulated losses	(363,459)	(363,459)
Total shareholders' equity	60,418	29,989
Profit of the parent entity	34,369	1,975
Total comprehensive income of the parent entity	34,369	1,975

The profits for the year ended 30 June 2017 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 16(c).

Details of guarantees given are recorded in Note 19(b).

## 24. DIRECTOR AND EXECUTIVE DISCLOSURES

	GROUP	
	2017 \$'000	2016 \$'000
<b>Remuneration of Key Management Personnel</b>		
Short term employee benefits	1,582	1,482
Post-employment benefits	113	113
Share based payments	29	28
Total remuneration	1,724	1,623

# Directors' Declaration

## FOR THE YEAR ENDED 30 JUNE 2017

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

1. 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 2017 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 2017.

On behalf of the Board

D Baffsky, AO  
Director  
Sydney  
21 August 2017

# Independent Auditor's Report to the members of Ariadne Australia Limited

## Report on the Audit of the Financial Report

### Opinion

We have audited the financial report of Ariadne Australia Limited (the "Company") and its subsidiaries (the "Group"), which comprises the balance sheet as at 30 June 2017, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

### Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

### Key Audit Matters

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

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
<p><b>Recoverability of deferred tax assets</b></p> <p>The group has recognised and unrecognised deferred income tax assets of \$3.0 million and \$38.2 million respectively, relating to previous tax losses available for utilisation in future periods as disclosed in Note 5(b).</p> <p>The availability of these deferred income tax assets in the future is contingent on:</p> <ul style="list-style-type: none"> <li>the company continuing to satisfy the Continuity of Ownership Test (COT) or failing that, the Same Business Test (SBT) under Australian tax legislation; and</li> <li>the company deriving sufficient future taxable income, the estimation of which requires significant management judgement. The projections of taxable income contain estimates of and tax adjustments for future taxable income. Changes in the company's business, its investments and regulations may impact these projections.</li> </ul> <p>The above matter gives rise to uncertainty in relation to the calculation of deferred income taxes.</p>	<p>In conjunction with our tax specialists, our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> <li>Challenging the appropriateness of management's assumptions and estimates in relation to the probability of generating future taxable income to support the recognition of deferred income tax assets with reference to forecast taxable income;</li> <li>Assessing the historical accuracy of management's estimation of forecast taxable income;</li> <li>Evaluating management's assessment of the company's ability to satisfy the COT; and</li> <li>Assessing the appropriateness of the related disclosures in (Note 5(b)) to the financial statements.</li> </ul>
<p><b>Classification and accounting treatment of the interest in Hillgrove Resources (HGO)</b></p> <p>The Group's strategic investments are disclosed within Other Current Assets (refer note 10) and Other Financial Assets (refer note 12) and include Ariadne's investment in Hillgrove Resources (HGO). This investment comprises ordinary shares, notes and options. The notes and options were issued by HGO under a rights issue in late 2016.</p> <p>Ariadne has classified the investment in HGO's ordinary shares as fair value through other comprehensive income (FVTOCI) and the investment in HGO's notes and options as fair value through profit and loss (FVTPL).</p> <p>Significant judgment is required due to the complexities associated with the classification and accounting treatment for the ordinary shares, notes and options.</p>	<p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> <li>Reviewing the rights issue prospectus issued by HGO including the terms of the notes and options;</li> <li>Challenging management's assessment of the appropriate classification and accounting treatment in relation to the HGO ordinary shares, notes and options;</li> <li>Agreeing Ariadne's holdings in ordinary shares, notes and options to supporting documentation;</li> <li>Recalculating the fair value and associated change in fair value of HGO's ordinary shares, notes and options held by Ariadne; and</li> <li>Assessing the appropriateness of the related disclosures in note 12 to the financial statements.</li> </ul>

## **Other Information**

The directors are responsible for the other information. The other information comprises the Director's Report and Executive Director's Review, which we obtained prior to the date of this auditor's report, and also includes the following information which will be included in the Group's annual report (but does not include the financial report and our auditor's report thereon): the Chairman's Letter, which is expected to be made available to us after that date.

Our opinion on the financial report does not cover the other information and accordingly we do note and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Chairman's Letter, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and use our professional judgement to determine the appropriate action.

## **Directors' Responsibilities 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 preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

## **Auditor's Responsibilities for the Audit of the Financial Report**

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

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Report on the Remuneration Report

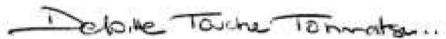
### *Opinion on the Remuneration Report*

We have audited the Remuneration Report included in pages 6 to 10 of the directors' report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of Ariadne Australian Limited, for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

### *Responsibilities*

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.



DELOITTE TOUCHE TOHMATSU



J A Leotta  
Partner  
Chartered Accountants  
Sydney, 21 August 2017