ARIADNE

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2017 REVIEW

The Directors present the Annual Report and Accounts of Ariadne Australia Ltd ("Ariadne") for the period ended 30 June 2017.

For the 2017 financial year Ariadne reported a net profit after tax attributable to members of $79.0 million – a significant uplift on the $11.0 million profit last year and an excellent result for shareholders.

A positive contribution of $12.5 million was reported through the Statement of Comprehensive Income (largely arising from gains on the Group's strategic portfolio), increasing the net profit for the year including Comprehensive Income and attributable to members to $91.5 million (2016: $9.9 million).

The net tangible assets per share increased by 100.9% during the year from 43.09 cents per share to 86.58 cents per share at balance date.

Total comprehensive earnings per share were 45.50 cents compared to 4.90 for the previous year.

A number of factors contributed to the result:

Secure Parking Pty Ltd ("Secure")

The clear highlight of the FY17 result was the sale of our 50% interest in Secure to the Park24 Group of Japan for gross proceeds of $75.0 million, giving rise to a gain on book value of $67.1 million.

The sale of Secure signaled our virtual exit from the car parking industry in Australia in which Ariadne has been involved for over 20 years. (Ariadne still retains leases over car parks at 40 Tank Street and Queen's Plaza, both in Brisbane, Queensland).

Ariadne entered the sector in 1997 through the acquisition of Kings Car Parking, followed soon thereafter by the purchase of Go Parking.

Then, in November 2004, we acquired our 50% interest in Secure by vending in our parking interests and contributing cash, for a total investment at the time of $6.4 million.

Since completion of the merger with Secure, Ariadne has received cash distributions of approximately $45.9 million.

Taking such cash distributions into account, together with the sale proceeds received on settlement, Ariadne calculates that its investment in Secure generated an Internal Rate of Return of 48% per annum over its 12 year period of ownership.

On any measure, Secure has been an excellent investment for Ariadne and we acknowledge the contribution not only of our own team at Ariadne, but particularly the efforts on the part of everyone at Secure, in achieving such an outstanding outcome.

Hillgrove Resources Ltd ("HGO")

At the beginning of FY17, Ariadne had invested a total of $5.9 million in HGO, which – due to the poor performance of HGO over a number of years - had been written down to a carrying value of $1.0 million.

As set out in the Half-Year Review, Ariadne agreed during the year to underwrite a $5.0 million capital raising for HGO, taking up our full entitlement under the issue as well as subscribing for our share of the shortfall to the issue.

As a result, and with further modest purchases of HGO securities during the year, the total cost of Ariadne's investment in HGO as at balance date had increased to $9.1 million. The market value of our holdings in HGO at balance date was $11.2 million, so we have been quite successful in recouping the losses on our previous investments in HGO over prior years.

With the imminent completion of the cutback of the Giant Pit at HGO's Kanmantoo operations, HGO anticipates a steady improvement in liquidity with lower waste removal costs and the generation of positive cash flows, against the backdrop of an improving copper price. HGO has also announced opportunities for organic growth which prospectively will extend the utilisation of the copper processing facility on site, providing the potential for enhanced value above the current "life of mine" model.

During the financial year, our investment in HGO convertible notes and options contributed a revaluation gain of $5.6 million which was recognised in net profit and a gain of $1.4 million on our HGO shares was reflected net of tax through other comprehensive income in the full-year accounts.

Ardent Leisure Group ("Ardent")

During the second half of FY17 Ariadne, in conjunction with interests associated with Ariadne's Deputy Chairman, Kevin Seymour, acquired a substantial security holding in Ardent.

Ardent's operational and financial results, coupled with its governance issues over the last few years, have been poor which has resulted in a substantial decline in Ardent's market value.

We consider that Ardent has some valuable assets, with good potential under the right board and leadership team.

We have sought board representation in an attempt to strengthen the Ardent board to oversee the delivery of improved returns for all security holders.

This has been resisted by Ardent and a General Meeting of Ardent has been convened to be held on 4 September 2017 to consider resolutions to appoint the nominated candidates to the Ardent Board.

At balance date, we held 18,470,782 securities in Ardent at a cost of $32.4 million and market value of $34.7 million. The increase in mark-to-market value of $2.3 million is reflected net of tax through other comprehensive income in the full year accounts.

Subsequent to balance date, Ariadne has acquired a further 2,422,511 securities at a cost of $5.0 million.

40 Tank Street, Brisbane ("Tank Street")

On 31 May 2017 Ariadne announced that, again in joint venture with an entity associated with Kevin Seymour, it had completed the acquisition of the freehold interest in Tank Street for a net adjusted price of $56.1 million.

Tank Street is an 11-storey commercial office tower comprising five levels of car parking, ground floor foyer and retail together with five upper levels of office accommodation.

The property is currently 90% occupied with a weighted average lease expiry of approximately seven years.

Ariadne holds the lease over the five level car park at Tank Street ("the Lease") and the State Government of Queensland leases four of the five upper levels of office accommodation. Both leases terminate in 2024.

The joint venture, in which Ariadne holds a 50% interest, was funded via ~40% equity and ~60% bank debt. The interest rate payable on the bank debt is materially lower than the passing yield on the property, so Ariadne will benefit from the property's positive net rental income as well as the contribution from the Lease.

Ariadne believes that the joint venture's acquisition of Tank Street will provide options to create value for Ariadne shareholders.

Investments

The Investment division recorded a net profit before tax of $11.9 million (2016: $5.6 million).

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

The strategic portfolio recorded a net gain before deferred tax of $17.9 million (2016: $2.1 million net loss) during the period due to mark-to-market revaluations predominantly arising from Ariadne's investment in ClearView Wealth Limited. This gain is recorded through other comprehensive income and not included in the reported net profit.

We await future developments at ClearView as the terms of Sony Life's acquisition during the year of a substantial shareholding in ClearView presage the possibility of further corporate activity.

Ariadne's investment in Foundation Life NZ Ltd has been rewarding, returning NZ$0.4 million 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 the NatureSeal group, again contributed positively to the full year results.

Car Parking

The Group's car parking division recorded a profit before tax of $69.4 million (2016: $9.8 million).

As set out above, the sale of the 50% interest in Secure resulted in a net gain on book value of $67.1 million. The Group's share of profits from Secure for the period before its sale was $1.2 million (2016: $8.7 million), while trading activities from the Group's leased car parks contributed a net profit of $1.1 million (2016: $1.1 million).

Property

The Group's property division recorded a loss before tax of $0.6 million (2016: $1.0 million profit).

The division's result is derived from Ariadne's 50% share of profits from Orams Marine Village ("Orams") located in Auckland, New Zealand, and 50% share of net rental income from Tank Street.

The Group's share of profit from Orams of $0.6 million and interest on the loan to Orams of $0.4 million were offset during the period by the Group's share of losses from Tank Street. Tank Street's recorded loss was predominantly due to the expensing of acquisition costs (which included our $1.6 million share of the transfer duty) associated with settlement of the Tank Street property during the period.

The FY17 Half-Year Review noted that a consortium led by Ariadne Marinas Oceania Pty Ltd, and including Orams and Orams Marine Services, had been confirmed as the preferred tenderer for the Wynyard Marine site (Site 18), a major property adjoining Orams.

We were unable to reach agreement on acceptable commercial terms with Auckland Council on the proposal submitted and our status as preferred tenderer ended. However, discussions with Council are continuing as we seek to formulate a proposal acceptable both to Council and the consortium to achieve the necessary development approvals for the site.

Following the winning of the America's Cup by Team New Zealand in June 2017, there is a clear recognition of the urgent need to develop the necessary infrastructure to support the next competition for the Cup in four years' time and to capture the significant opportunities for New Zealand's internationally recognised marine industry which will flow as a result. The Ariadne consortium remains uniquely positioned to respond to this challenge through a comprehensive redevelopment of Site 18 to transform the site into a high-quality mixed use area, including a world-class marine centre.

As previously stated, Ariadne remains confident that our investment in Orams is well placed to capitalise on the current and future development of the Western Viaduct area and the growth impetus of the New Zealand marine industry.

Simplified Balance Sheet

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

Ariadne is in a strong financial position as shown in the following presentation of the Group's assets and liabilities as at 30 June 2017.

Assets	**$M**	**$M**
Cash		49.3
Investments		
ClearView	40.7	
Ardent Leisure Group	34.7	
Orams Marine Village	14.4	
Freshxtend	11.9	
40 Tank Street, Brisbane	10.4	
Hillgrove Resources	11.2	
Foundation Life	4.4	
Trading Portfolio	3.8	
Mercantile Investment	2.3	
Total Investments		133.8
Deferred Tax Asset		3.0
Fixed Assets and Receivables		3.5
Total Assets		**189.6**

Liabilities	**$M**
Debt	7.7
Minority Interests	5.7
Payables and Provisions	2.0
Total Liabilities	**15.4**
Shareholders' Funds	**174.2**
Total Liabilities & Shareholders' Funds	**189.6**

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

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Tax

Ariadne still has significant carry forward revenue and capital losses available to offset future taxable profits. At 30 June 2017 these are estimated to be $77.0 million (30 June 2016: $82.5 million) and $91.2 million (30 June 2016: $159.3 million) respectively.

Dividends and Capital Management

A final dividend of 1.0 cent per share has been declared by the directors. In recognition of the excellent FY17 results the Board has also declared a special dividend of 1.5 cents per share bringing the total dividends for FY17 to 3.5 cents per share (2016: 1.5 cents per share)

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