

ARIADNE

Ariadne Australia Limited

A.B.N. 50 010 474 067

Appendix 4E Financial Report For the period ended 30 June 2018

Results for announcement to the market				30 June 2018	30 June 2017
Revenues from ordinary activities *	\$'000's	Up	33.4%	35,855	26,882
Profit from ordinary activities before tax	\$'000's	Up	76.1%	20,103	11,418
Profit from ordinary activities after tax attributable to members	\$'000's	Up	28.2%	15,293	11,926
Net profit for the period attributable to members	\$'000's	Down	80.6%	15,293	78,993
<i>The significant decrease in net profit to members for the period predominantly relates to the \$67,067 gain recognised on the divestment of Secure Parking in FY17.</i>					
Total comprehensive income for the period attributable to members	\$'000's	Down	88.8%	10,209	91,522
<i>The significant decrease in total comprehensive income for the period predominantly relates to the \$67,067 gain recognised on the divestment of Secure Parking in FY17.</i>					
Net tangible assets per security	cents	Up	1.9%	88.25	86.58

Dividends (distributions)	Amount per security (cents)	Amount per security of conduit foreign income (cents)	Franked amount per security (cents)	Tax rate for franking credit
FY18 Final dividend	1.0	0.3	0.6	27.5%
FY18 Interim dividend	1.0	0.1	0.0	N/A

The Directors have declared a partially franked (60%) final dividend of 1.0 cent per ordinary share in relation to the 30 June 2018 financial year, of which 30% is sourced from the Conduit Foreign Income Account. The record date will be Friday, 7 September 2018 with payment to be made on Friday, 28 September 2018.

Annual General Meeting

The Ariadne Australia Limited Annual General Meeting for 2018 will be held at the Computershare Offices Level 4, 60 Carrington Street, Sydney at 11.00am on Friday, 19 October 2018. The 2018 Annual Report will be distributed to shareholders in September 2018.

Overview of financial results

An operating and financial review of the Group's results for the 2018 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 in FY17. Please refer to the directors' report and financial report for additional information.



ARIADNE

Ariadne Australia Limited
Financial Report
For the Year Ended 30 June 2018

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	39
Independent Auditor's Report	40

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 2018.

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 ("Board") and management have extensive experience investing in securities, financial services, property, merchant banking and operating businesses.

Ariadne's principal activities include investing in securities; car parking; financial services; property and maritime operations.

On 1 June 2018, the Directors announced that Ariadne had surrendered its five level car park lease interest ("Lease") at 40 Tank Street, Brisbane ("Property") for a net gain of \$2,000. The surrender value was assessed by the Board and was considered to be both fair and reasonable. Following this surrender, the car park was leased to a third party car park operator. The Property was purchased by the Group in joint venture ("Tank Street JV") with an entity associated with Ariadne's Deputy Chairman, Mr Seymour. On 19 July 2018, the Directors announced that the Tank Street JV, had entered into an agreement with entities associated with Charter Hall Limited to sell the Property for \$93,000. The Tank Street JV's carrying value of the Property before the agreement was \$60,700. In accordance with accounting standards, the Property was revalued to the contracted sale price on balance date. The Group's 50% share of the uplift, net of completion costs, was \$14,792 and has been included in the Group's FY18 financial results. The completion costs included a management fee and shared selling agent's fee of \$1,680 net of GST paid by the Tank Street JV to Ariadne's Deputy Chairman, Mr Seymour on settlement. The completion cost fees were assessed by the Board and were considered to be both fair and reasonable. Settlement occurred on 20 August 2018.

During the period, the Group also increased its investment in Hillgrove Resources Limited ("Hillgrove") via the exercise of options and conversion of loan notes. The increase in the Group's relevant interest during the period led to Hillgrove becoming an associate of Ariadne on 18 September 2017, which resulted in a change in accounting treatment for the Group's investment as outlined in Note 13(b). 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 from continuing operations for the financial year was \$20,103 (2017: \$10,163) and the consolidated net profit before tax attributable to members, on the same basis, for the financial year was \$19,359 (2017: \$8,605). After tax, the net profit attributable to members for the financial year was \$15,293 (2017: \$78,993, which included a \$67,067 gain on disposal of the Group's 50% interest in Secure Parking Pty Ltd ("Secure Parking")). Net tangible assets at the end of the reporting period were 88.25 cents per share (2017: 86.58 cents). Total earnings per share were 7.64 cents (2017: 39.28 cents). Total comprehensive earnings per share were 5.10 cents (2017: 45.50 cents).

Investments

The Investment division recorded a profit of \$3,621 (2017: \$11,913).

The division's result is derived from interest on cash reserves, share of profits from the Group's investments in associates, dividends received, 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 2018 were \$23,025 (2017: \$49,346). Ariadne continues to maintain a prudent approach to cash management.

The trading portfolio recorded a net loss of \$646 (2017: gain \$944) and the strategic portfolio revalued through profit or loss recorded a net gain of \$101 (2017: \$5,647) during the reporting period.

The strategic portfolio revalued through other comprehensive income recorded a mark-to-market loss during the period of \$6,886 (2017: gain \$17,902), predominantly associated with the Group's investment in ClearView Wealth Limited ("ClearView"). A deferred tax benefit of \$2,066 (2017: expense \$5,371) 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 acquiring a further interests in Ardent Leisure Group, Hillgrove (as noted above) and ClearView.

Directors' Report

Investments (continued)

The Group received NZ\$366 (2017: NZ\$381) from Foundation Life (NZ) Ltd during the year comprised of loan note interest.

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 \$2,800 (2017: \$69,422).

The division's result comprises the Group's operating results from the Group's two car park leases before the surrender of one of the leases for \$2,000 (as noted above). The 2017 result also includes the Group's \$67,067 gain on divestment of its 50% interest in Secure Parking and the Group's share of profits before the divestment in January 2017.

Property

The Group's Property division recorded a profit of \$17,788 (2017: loss of \$581).

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

The Group's share of profit from the Tank Street JV during the period was \$15,742 (2017: loss \$1,533), which includes \$14,792 representing the Group's share of the uplift in valuation of the Property.

The Group's share of the profit from Orams for the period was \$1,673 (2017: \$567), which includes \$1,036 representing the Group's share of the uplift in valuation of the marina, and the interest earned on the associated loan to Orams was \$382 (2017: \$385).

On 1 June 2018 Ariadne announced that its subsidiary, Ariadne Marinas Oceania Pty Ltd, together with Orams and Orams Marine Services, have entered into a non-binding heads of agreement with Auckland city's regeneration agency, Panuku Development Auckland, to develop a new marine refit facility on the property known as Site 18 adjoining Orams. The proposed development will feature a marine haul out and refit facility, commercial buildings and a residential component on the northern end. The facility will target marine vessels (including superyachts) up to 600 tonnes. The development will also provide increased maintenance facilities for Auckland's ferries, fishing vessels and commercial vessels. The majority of existing marine businesses within Orams will also be accommodated in the new development. Exclusive negotiations to complete a Development Agreement for the site have commenced. The Board remains confident that the Group's investment in Orams is well placed to capitalise on future development of the Wynyard Quarter area and the growth impetus of the New Zealand marine industry, which enjoys an international reputation for product quality, skill base and competitiveness.

Taxation

Ariadne has significant carried forward revenue and capital losses available to offset future taxable profits. At 30 June 2018, these are estimated at \$77,625 (2017: \$76,986) and \$92,818 (2017: \$91,221) 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 \$2,000 (2017: reduction of \$3,305) to the net deferred tax asset be recorded.

Employees

The number of employees, including directors, at balance date is 14 (2017: 13), 64% male and 36% female (2017: 62%:38%).

2. DIVIDENDS

Dividends paid during the 2018 financial year	(cents per share)	(\$'000)
FY17 Final – paid 29 September 2017	1.0	2,014
FY17 Special – paid 29 September 2017	1.5	3,020
FY18 Interim – paid 29 March 2018	1.0	1,997
	3.5	7,031

The Directors have declared a partially franked (60%) final dividend of \$1,997 (1.0 cent per share) in relation to the 2018 financial year, of which 30% is sourced from the Conduit Foreign Income Account. No liability is recognised in the 2018 financial statements as this dividend was declared after 30 June 2018.

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

Non-Executive Deputy Chairman

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

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. Mr Seymour was previously a Director of UNITAB and then Tatts Group Limited. When the merger was completed between Tatts Group and Tabcorp Limited he completed his term as Director on 22 December 2017. Mr Seymour was also previously the Chairman of Watpac Limited, 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. 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.

Christopher Barter, BSc Phy, MSc Phy

Independent Non-Executive Director

Mr Barter was appointed as a Director of Ariadne on 22 February 2018.

Mr Barter is a managing partner of CKA Capital, a global technology investment platform based in London. He was previously at Goldman Sachs for 19 years, based in Frankfurt, London and Moscow where he was the CEO of Russia and CIS from 2007 to 2012 responsible for the securities, investment banking and private equity investing activities. In that role, Mr Barter built out the firm's bank and broker-dealer operations, established many key business and political relationships, and led many of its landmark investments in the region. Prior to this, his roles at Goldman Sachs included co-Head of the European Financial Institutions Group (2003-2007) and Head of the European Insurance and Pension Fund Industry Group (1998- 2003). He was named a Managing Director in 2000 and was made Partner in 2004, and served on the Firmwide Growth Markets Operating Committee. Mr Barter currently serves on the boards of CNG Fuels (UK energy infrastructure), FinClear (Australian financial services), and on the advisory board of GreenSync (Australian energy SaaS). He also serves on the President's Leadership Council at Brown University. Mr Barter obtained a BSc in Physics from Brown University (1990) and an MSc in Physics from Harvard University (1993).

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) and has previously served as Chairman of CIC Australia Limited and Calliden Group Limited.

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.

Directors' Report

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 Vocus Communications Limited (appointed 7 March 2003 and resigned 22 February 2016).

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

Dr Gary Weiss, LLB (Hons), LLM, JSD

Executive Director

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

Dr Weiss is Chairman of Ardent Leisure Limited (appointed 29 September 2017, having been appointed director on 3 September 2017), 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, The Straits Trading Company Limited (appointed 1 June 2014), and Thorney Opportunities Ltd (appointed 21 November 2013). 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 Tag Pacific Limited (appointed 1 October 1998 and resigned 31 August 2017), Pro-Pac Packaging Limited (appointed 28 May 2012 and resigned 27 November 2017) and Premier Investments Limited (appointed 11 March 1994 and resigned 28 July 2018).

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

As noted above, the Tank Street JV completed the sale of 40 Tank Street, Brisbane, Queensland on 20 August 2018.

Also after the balance date, the Directors declared a final dividend on ordinary shares in respect of the 2018 financial year. The total amount of the dividend is \$1,997 which represents a partially franked (60%) dividend of 1.0 cents per share, of which 30% is sourced from the Conduit Foreign Income Account.

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.

Directors' Report

7. ENVIRONMENTAL REGULATION AND PERFORMANCE

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

8. REMUNERATION REPORT (AUDITED)

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

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

Remuneration Philosophy

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

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

Remuneration Structure

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

Non-executive Remuneration

Objective

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

Structure

Ariadne's Constitution and the ASX Listing Rules specify that the aggregate remuneration of Non-Executive Directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the Directors as agreed. The latest determination, approved by shareholders on 24 November 2011, provided for an aggregate limit of Non-Executive Directors' remuneration (including superannuation) of \$500,000 per annum.

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	Non-Executive Deputy Chairman
C Barter	Independent Non-Executive Director
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 Salary & Fees	Cash Bonus	Non-Monetary Benefits ⁽ⁱ⁾	Post-Employment Benefits Superannuation	Share Based Payment Options ⁽ⁱⁱ⁾	Total	% at Risk
Table 1: Emoluments of Directors of Ariadne							
D Baffsky, AO (Chairman) ⁽ⁱⁱⁱ⁾							
2018	130,000	—	14,970	12,350	—	157,320	—
2017	130,000	—	17,449	12,350	—	159,799	—
K Seymour, AM (Deputy Chairman)							
2018	70,000	—	—	6,650	—	76,650	—
2017	70,000	—	—	6,650	—	76,650	—
C Barter ^(iv)							
2018	24,791	—	—	—	—	24,791	—
2017	—	—	—	—	—	—	—
M Loomes							
2018	70,000	—	—	6,650	—	76,650	—
2017	70,000	—	—	6,650	—	76,650	—
J Murphy							
2018	80,000	—	—	7,600	—	87,600	—
2017	80,000	—	—	7,600	—	87,600	—
G Weiss (Executive Director)							
2018	695,000	48,365	14,970	31,635	—	789,970	—
2017	570,000	—	17,749	30,000	—	617,449	—
Total Remuneration: Directors							
2018	1,069,791	48,365	29,940	64,885	—	1,212,981	—
2017	920,000	—	34,898	63,250	—	1,018,148	—

Table 2: Emoluments of the Executive Officers of the Group

N McMahon (Chief Financial Officer / Company Secretary)							
2018	276,684	19,166	—	25,000	15,563	336,413	4.62%
2017	219,616	20,000	—	30,000	8,295	277,911	2.98%
D Weiss (Investment Officer)							
2018	340,000	25,000	14,970	21,683	17,872	419,525	4.26%
2017	300,000	70,000	17,449	19,616	20,616	427,681	4.82%
Total Remuneration: Executives							
2018	616,684	44,166	14,970	46,683	33,435	755,938	4.42%
2017	519,616	90,000	17,449	49,616	28,911	705,592	4.10%

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

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

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

(iv) Mr Barter was appointed as a Director of Ariadne on 22 February 2018.

Directors' Report

Table 3: Option holdings of Directors and Executives

	Balance 1 July 2017	Granted as Remuneration	Options Exercised	Options Expired	Balance 30 June 2018	Vested and Exercisable
2018						
Executives						
N McMahon	150,000	250,000	150,000	—	250,000	—
D Weiss	500,000	250,000	—	—	750,000	500,000
Total	650,000	500,000	150,000	—	1,000,000	500,000

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)
28/08/2015	27/08/2020	2.5%	26.5%	2.0%	3.5	35.0	39.5	8.2
18/08/2017	17/08/2022	2.6%	25.2%	2.2%	3.5	73.0	76.0	13.4

Table 4: Shareholdings of Directors and Executives

Ordinary shares held in Ariadne	Balance 1 July 2017	On Exercise of Options	Net Change Other	Balance 30 June 2018
Directors				
D Baffsky, AO	1,000,000	—	—	1,000,000
K Seymour, AM	11,634,174	—	—	11,634,174
C Barter	—	—	—	—
M Loomes	538,111	—	—	538,111
J Murphy	586,296	—	—	586,296
G Weiss	77,639,743	—	—	77,639,743
Executives				
N McMahon	290,428	150,000	—	440,428
D Weiss	2,199	—	—	2,199
Total	91,690,951	150,000	—	91,840,951

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

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 (2017: \$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.

Investments

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

Ardent Leisure Group	Dr G Weiss	Chairman
FinClear Pty Ltd	Mr C Barter	Non-Executive Director
Hillgrove Resources Limited	Mr M Loomes	Non-Executive Director
Mercantile Investment Company Limited	Mr D Weiss	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.

	2018	2017	2016	2015	2014
Total comprehensive income after tax attributable to members	10,209	91,522	9,927	(1,921)	10,489
Return on equity (%) #	5.8%	70.2%	11.9%	(2.3%)	13.2%
Total comprehensive earnings per share (cents)	5.10	45.50	4.90	(0.94)	5.13
Dividends paid (cents)	3.50	2.00	1.00	1.00	1.00
Share price (cents at 30 June)	65	76	34	38	35
Net tangible assets per security (cents at 30 June)	88.25	86.58	43.09	39.11	39.59
Shares on issue (number at 30 June)	199,669,088	201,227,785	201,077,785	203,781,892	204,380,463

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
Number of meetings held:	5	4
Number of meetings attended:		
D Baffsky, AO	4	3
K Seymour, AM	5	n/a
C Barter	1	n/a
M Loomes	4	3
J Murphy	5	4
G Weiss	5	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 2018.

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
23 August 2018

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

23 August 2018

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 2018, 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



Taralyn Elliott
Partner
Chartered Accountants

Statement of Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2018

		GROUP	
	Notes	2018 \$'000	2017 \$'000
CONTINUING OPERATIONS			
Rental income		10,850	11,566
Interest income		1,627	1,879
Dividend income	4(a)	1,731	863
Other income	4(b)	1,581	8,568
Share of joint ventures' and associates' profits	13(c)	20,066	2,751
Rental expenses		(10,097)	(10,503)
Employee benefits expense	4(c)	(2,950)	(2,433)
Depreciation		(245)	(163)
Administration expenses		(1,987)	(2,079)
Finance costs		(473)	(286)
PROFIT BEFORE INCOME TAX		20,103	10,163
Income tax (expense) / benefit	5(a)	(4,066)	2,066
PROFIT FROM CONTINUING OPERATIONS		16,037	12,229
PROFIT FROM DISCONTINUED OPERATIONS		—	68,322
PROFIT AFTER TAX FOR THE PERIOD		16,037	80,551
<i>Attributable to:</i>			
Non-controlling interests		744	1,558
MEMBERS OF ARIADNE		15,293	78,993
OTHER COMPREHENSIVE INCOME			
<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		(4,820)	12,531
<i>Items that may be reclassified subsequently to profit or loss</i>			
Net fair value movement on cash flow hedge	15(c)	(193)	94
Exchange difference on translation of foreign operations		154	(295)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		(4,859)	12,330
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		11,178	92,881
<i>Attributable to:</i>			
Non-controlling interests		969	1,359
MEMBERS OF ARIADNE		10,209	91,522
Earnings per share			
<i>From continuing and discontinued operations</i>			
Basic earnings per share (cents)	6	7.64	39.28
Diluted earnings per share (cents)	6	7.60	39.15
<i>From continuing operations</i>			
Basic earnings per share (cents)		7.64	5.31
Diluted earnings per share (cents)		7.60	5.29

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

Balance Sheet

AS AT 30 JUNE 2018

		GROUP	
	Notes	2018 \$'000	2017 \$'000
ASSETS			
Current Assets			
Cash and cash equivalents	8	23,025	49,346
Trade and other receivables		2,705	843
Other current assets	9	5,428	7,334
Total Current Assets		31,158	57,523
Non-Current Assets			
Receivables	10	13,320	13,416
Other financial assets	11	83,697	86,333
Investments in joint ventures and associates	13(c)	61,269	28,327
Property, plant and equipment		815	1,056
Deferred tax assets	5(b)	1,000	3,000
Total Non-Current Assets		160,101	132,132
TOTAL ASSETS		191,259	189,655
LIABILITIES			
Current Liabilities			
Trade and other payables		1,171	1,473
Interest-bearing loans and borrowings	14	7,027	6,643
Provisions		393	331
Total Current Liabilities		8,591	8,447
Non-Current Liabilities			
Interest-bearing loans and borrowings	14	527	1,095
Provisions		223	145
Total Non-Current Liabilities		750	1,240
TOTAL LIABILITIES		9,341	9,687
NET ASSETS		181,918	179,968
EQUITY			
Issued capital	15(a)	380,476	381,697
Reserves	15(c)	170,033	161,656
Accumulated losses	15(d)	(374,308)	(369,129)
EQUITY ATTRIBUTABLE TO MEMBERS OF ARIADNE AUSTRALIA LIMITED		176,201	174,224
Non-controlling interests		5,717	5,744
TOTAL EQUITY		181,918	179,968

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

Statement of Change in Equity

	Issued capital \$'000 Note 15(a)	Reserves \$'000 Note 15(c)	Accumulated losses \$'000 Note 15(d)	ARIADNE \$'000	Non- controlling interest \$'000	GROUP \$'000
FOR THE YEAR ENDED 30 JUNE 2017						
At 1 July 2016	381,631	35,325	(330,314)	86,642	5,879	92,521
Profit / (loss) for the period ^	—	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)
At 30 June 2017	381,697	161,656	(369,129)	174,224	5,744	179,968
FOR THE YEAR ENDED 30 JUNE 2018						
At 1 July 2017	381,697	161,656	(369,129)	174,224	5,744	179,968
Profit / (loss) for the period ^	—	18,164	(2,871)	15,293	744	16,037
Other comprehensive income	—	(5,084)	—	(5,084)	225	(4,859)
Total comprehensive income for the period	—	13,080	(2,871)	10,209	969	11,178
Transfers of reserves to accumulated losses	—	2,308	(2,308)	—	—	—
Cost of shares bought back	(1,286)	—	—	(1,286)	—	(1,286)
Issue of shares under employee share scheme	65	(13)	—	52	—	52
Cost of share-based payment	—	33	—	33	—	33
Dividends	—	(7,031)	—	(7,031)	(996)	(8,027)
At 30 June 2018	380,476	170,033	(374,308)	176,201	5,717	181,918

^ The 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 2018

		GROUP	
	Notes	2018 \$'000	2017 \$'000
Cash flows from operating activities			
Receipts from rental income		11,934	12,722
Receipts from other income		1,666	2,579
Payments to suppliers and employees		(16,025)	(16,243)
Dividends and trust distributions received		4,207	4,452
Dividends and trust distribution from discontinued operation		—	5,863
Receipts from trading portfolio sales		1,496	510
Payments for trading portfolio purchases		(3,647)	(1,598)
Interest received		1,356	1,515
Interest and borrowing costs paid		(428)	(278)
Net cash flows from operating activities	16	559	9,522
Cash flows from investing activities			
Payments for plant and equipment		(4)	(1,181)
Investments in joint ventures and associates		(3,325)	(11,903)
Divestment of discontinued operations		—	74,682
Proceeds from strategic portfolio sales		928	—
Payments for strategic portfolio purchases		(13,849)	(35,723)
Proceeds from loans repaid by other parties		—	277
Loans advanced to other parties		(1,235)	—
Net cash flows (used in) / from investing activities		(17,485)	26,152
Cash flows from financing activities			
Repayments of borrowings		(6,634)	(2,758)
Proceeds from borrowings		6,500	6,500
Proceeds from exercised employee share options		52	54
Payments under share buy-back	15(a)	(1,286)	—
Dividends paid to members of the parent entity	7	(7,031)	(4,023)
Dividends paid to non-controlling interests		(996)	(1,494)
Net cash flows used in financing activities		(9,395)	(1,721)
Net (decrease) / increase in cash and cash equivalents		(26,321)	33,953
Cash and cash equivalents at beginning of period		49,346	15,393
Cash and cash equivalents at end of period	8	23,025	49,346

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

Notes to Financial Statements

FOR THE YEAR ENDED 30 JUNE 2018

1. CORPORATE INFORMATION

The consolidated financial statements of Ariadne Australia Limited ("Ariadne") and its controlled entities ("the Group") for the year ended 30 June 2018 were authorised for issue in accordance with a resolution of the Directors on 23 August 2018.

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 in 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 2016-2 'Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107'
- AASB 2016-1 'Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses'
- AASB 2017-2 'Amendments to Australian Accounting Standards – Further Annual Improvements 2014-2016'

AASB 9 *Financial Instruments* which became effective from 1 July 2018 was early adopted by the Group effective from 1 July 2015.

(b) Compliance

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

(c) Future changes

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

Affected Standards and Interpretations	Application date	Application date for Group
AASB 2016-3 'Amendments to Australian Accounting Standards – Classifications to AASB 15'	1 January 2018	30 June 2019
AASB 2016-5 'Amendments to Australian Accounting Standards – Classification and Measurement of Share based Payment Transactions'	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 2014-2016 Cycle and Other Amendments'	1 January 2018	30 June 2019
AASB 2017-6 'Amendments to Australian Accounting Standards – Prepayment Features with Negative Compensation'	1 January 2019	30 June 2020

Notes to Financial Statements (Continued)

FOR THE YEAR ENDED 30 JUNE 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Future changes (Continued)

Affected Standards and Interpretations	Application date	Application date for Group
AASB 2017-7 'Amendments to Australian Accounting Standards – Long-term Interests in Associates and Joint Ventures'	1 January 2019	30 June 2020
AASB 2018-1 'Amendments to Australian Accounting Standards – Annual Improvements 2015-2017'	1 January 2019	30 June 2020
AASB 2018-2 'Amendments to Australian Accounting Standards – Plan Amendment, Curtailment or Settlement'	1 January 2019	30 June 2020
AASB 16 'Leases'	1 January 2019	30 June 2020
Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2019	30 June 2020
Interpretation 23 Uncertainty over Income Tax Treatments	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.

(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.

Notes to Financial Statements (Continued)

FOR THE YEAR ENDED 30 JUNE 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Investments in joint ventures and associates (Continued)

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 19.

(g) Foreign currency translation

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

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

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

(h) Investment properties

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

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

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

(i) Recoverable amount of assets

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

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

(j) Investments

The Group has two separate and distinct investment portfolios 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.

Notes to Financial Statements (Continued)

FOR THE YEAR ENDED 30 JUNE 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Investments (Continued)

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 9 and Note 11.

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 Statement of Cash Flows, 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.

(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.

Notes to Financial Statements (Continued)

FOR THE YEAR ENDED 30 JUNE 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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.

(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.

Notes to Financial Statements (Continued)

FOR THE YEAR ENDED 30 JUNE 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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.

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.

Notes to Financial Statements (Continued)

FOR THE YEAR ENDED 30 JUNE 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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.

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 up to the date of surrender, 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 2018

3. SEGMENT INFORMATION (Continued)

Reportable segment information	Notes	INVESTMENTS		CAR PARKING		PROPERTY		UNALLOCATED^		GROUP	
		2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Revenue and Result											
Revenue from external customers		—	—	10,850	11,566	—	—	—	—	10,850	11,566
Interest income		1,203	1,448	—	—	424	431	—	—	1,627	1,879
Dividend income		1,731	863	—	—	—	—	—	—	1,731	863
Other income		—	312	2,046	46	—	—	80	1,619	2,126	1,977
Net (loss) / gain on trading portfolio		(646)	944	—	—	—	—	—	—	(646)	944
Net gain on strategic portfolio revalued through profit or loss		101	5,647	—	—	—	—	—	—	101	5,647
Share of profit / (loss) of joint ventures and associates		2,652	3,720	—	—	17,414	(969)	—	—	20,066	2,751
Total segment revenue *		5,041	12,934	12,896	11,612	17,838	(538)	80	1,619	35,855	25,627
Net profit / (loss) for the year before income tax	5(a)	3,621	11,913	2,800	1,100	17,788	(581)	(4,106)	(2,269)	20,103	10,163
Income tax (expense) / benefit										(4,066)	2,066
Profit from continuing operations										16,037	12,229
Profit from discontinued operations										—	68,322
Profit after income tax for the period										16,037	80,551
Assets											
Equity accounted investments included in segment assets		24,259	11,938	—	—	37,010	16,389	—	—	61,269	28,327
Other assets		114,546	147,307	—	81	8,691	8,691	6,753	5,249	129,990	161,328
Total assets		138,805	159,245	—	81	45,701	25,080	6,753	5,249	191,259	189,655
Other segment information											
Depreciation		—	—	4	8	—	—	241	155	245	163
Finance costs		420	271	3	—	—	—	50	15	473	286
Net movement in fair value of strategic portfolio through OCI		(4,820)	12,531	—	—	—	—	—	—	(4,820)	12,531
Segment liabilities		7,604	7,763	671	946	—	—	1,066	978	9,341	9,687

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

* Total revenues include the Group's share of joint ventures' and associates' profits as shown on the Statement of Comprehensive Income.

Notes to Financial Statements (Continued)

FOR THE YEAR ENDED 30 JUNE 2018

4. REVENUES AND EXPENSES

Revenue and Expenses from Continuing Operations	Notes	GROUP	
		2018 \$'000	2017 \$'000
(a) Dividend income			
Received from trading portfolio		357	164
Received from strategic portfolio revalued through other comprehensive income		1,374	699
		1,731	863
(b) Other income			
Net (loss) / gain on trading portfolio	(i)	(646)	944
Net gain on strategic portfolio revalued through profit or loss	(i)	101	5,647
Other income	(ii)	2,126	1,977
		1,581	8,568
<p>(i) Investments in 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). The carrying values of these portfolios are disclosed in Note 9.</p> <p>(ii) During the period, the Group received a lease surrender fee of \$2,000 for the Tank Street car park lease. In the prior year, the Group received a lease surrender fee of \$1,500 for the relocation of its corporate office.</p>			
(c) Employee benefits expense			
Salaries, wages and on costs		2,631	2,234
Leave provisions		118	23
Superannuation		168	147
Share-based payment expense		33	29
		2,950	2,433

5. INCOME TAX

(a) Income tax expense / (benefit) reconciliation

A reconciliation between income tax expense / (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	16,037	80,551
Income tax expense / (benefit) reported in the Statement of Comprehensive Income	4,066	(2,066)
Group accounting profit before income tax	20,103	78,485
At the Group's statutory income tax rate of 30% (2017: 30%)	6,031	23,546
Permanent differences	(1,758)	337
Other movements	(961)	(111)
Prior year over provision	890	240
Tax losses recouped	(219)	(22,318)
Movement in recognised deferred tax asset	83	(3,760)
Income tax expense / (benefit) reported in the Statement of Comprehensive Income	4,066	(2,066)

Notes to Financial Statements (Continued)

FOR THE YEAR ENDED 30 JUNE 2018

5. INCOME TAX (Continued)

(b) Recognised deferred tax balances

	Notes	2018 \$'000	GROUP 2017 \$'000
<i>Recognised deferred tax assets / (liabilities) comprises:</i>			
Tax losses - revenue		1,000	3,000
Tax losses - capital		11,199	9,282
Temporary differences		(11,199)	(9,282)
Net deferred tax asset		1,000	3,000
<i>Movement in recognised deferred tax balances:</i>			
Tax losses - revenue		(2,000)	(3,305)
Tax losses - capital		1,917	7,065
Temporary differences			
Strategic portfolio revalued through profit or loss		1,694	(1,694)
Strategic portfolio revalued through other comprehensive income	15(c)	2,066	(5,371)
Strategic portfolio investments reclassified as equity accounted investments		(989)	—
Equity accounted investments		(4,688)	—
Net movement in deferred tax		(2,000)	(3,305)

(c) Unrecognised deferred tax balances

<i>Unrecognised deferred tax assets comprises:</i>			
Tax losses - revenue		22,287	20,096
Tax losses - capital		16,646	18,085
Net deferred tax asset unrecognised		38,933	38,181

Ariadne and its wholly owned Australian resident subsidiaries are part of a tax consolidated group. Ariadne, the head company, currently has significant carried forward income and capital tax losses that are available to offset future taxable profits. At 30 June 2018, these are estimated at \$77,625 (2017: \$76,986) and \$92,818 (2017: \$91,221) 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 \$1,000 (2017: \$3,000), 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 revenue 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 \$22,287 (2017: \$20,096). 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 \$11,199 (2017: \$9,282), equal to the deferred tax liability on the temporary differences of each of the strategic portfolios and equity accounted investments, has also been recorded on the Balance Sheet. The deferred tax asset solely arising from capital tax losses of the Group not recognised at reporting date is \$16,646 (2017: \$18,085).

Notes to Financial Statements (Continued)

FOR THE YEAR ENDED 30 JUNE 2018

6. EARNINGS PER SHARE

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

	ARIADNE	
	2018	2017
Earnings and share data used in the calculations of basic and diluted earnings per share:		
Net profit attributable to members (\$'000)	15,293	78,993
Earnings used in calculating basic and diluted earnings per share (\$'000)	15,293	78,993
Total comprehensive income attributable to members (\$'000)	10,209	91,522
Total comprehensive earnings used in calculating basic and diluted earnings per share (\$'000)	10,209	91,522
Weighted average number of ordinary shares used in calculating basic earnings per share	200,287,999	201,126,689
Effect of dilutive securities:		
Employee share options	1,000,000	650,000
Weighted average number of ordinary shares used in calculating diluted earnings per share	201,287,999	201,776,689
Basic earnings per share (cents per share)	7.64	39.28
Diluted earnings per share (cents per share)	7.60	39.15
Total comprehensive earnings per share (cents per share)	5.10	45.50
Total comprehensive diluted earnings per share (cents per share)	5.07	45.36

7. DIVIDENDS PAID AND PROPOSED ON ORDINARY SHARES

	\$'000	\$'000
Dividends paid during the year:		
Final unfranked dividend of 1.0 cents per share (2016: unfranked 0.5 cents)	2,014	1,005
Special unfranked dividend of 1.5 cents per share (2016: 60% franked 0.5 cents)	3,020	1,005
Interim unfranked dividend of 1.0 cents per share (2017: 40% franked 1.0 cents)	1,997	2,013
	7,031	4,023
Dividends proposed:		
Final partially franked (60%) dividend of 1.0 cent per share (2017: unfranked 1.0 cents)	1,997	2,012
Special unfranked dividend nil (2017: unfranked 1.5 cents per share)	—	3,018
	1,997	5,030

As the final dividend for 2018 was declared after balance date, no liability was recognised at balance date.

Franking Account

The amount of franking credits available for distribution from the franking account at year end was \$534 (2017: \$51). The final dividend for 2018 is 60% franked (2017: unfranked).

Conduit Foreign Income Account

For the 2018 final dividend, 30% of the dividend is sourced from Ariadne's Conduit Foreign Income Account (2017: 60%). As a result, 30% of the final dividend paid to a non-resident shareholder will not be subject to Australian withholding tax.

Notes to Financial Statements (Continued)

FOR THE YEAR ENDED 30 JUNE 2018

8. CASH AND CASH EQUIVALENTS

		GROUP	
	Notes	2018 \$'000	2017 \$'000
Cash at call		18,025	34,083
Cash on term deposit		5,000	15,263
		23,025	49,346

9. OTHER CURRENT ASSETS

Trading portfolio		5,307	3,802
Strategic portfolio revalued through profit or loss [^]	13(b)	—	3,198
Prepayments and other assets		121	334
		5,428	7,334

Investments in 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). The fair value movement of these portfolios are disclosed in Note 4(b).

[^]During the period securities with a carrying value of \$2,286 were reclassified as equity accounted investments as outlined in Note 13(b).

10. RECEIVABLES (NON-CURRENT)

Related entity loans and advances		8,400	8,400
Other loans and advances		4,920	5,016
		13,320	13,416

The loan to a related entity is directly supported by the assets of the borrower and is secured behind the borrower's primary lender.

11. OTHER FINANCIAL ASSETS

Cost		61,992	58,512
Accumulated fair value adjustments		21,705	27,821
Net carrying amount		83,697	86,333
<i>Reconciliations for listed strategic investments</i>			
Opening balance		85,711	29,721
Additions	(i)	10,264	35,645
Fair value adjustments	(ii)	(6,471)	20,345
Securities reclassified as equity accounted investments [^]	13(b)	(9,684)	—
Net carrying amount of listed investments		79,820	85,711

[^]Includes \$685 relating to accumulated fair value adjustments.

<i>Reconciliations for unlisted strategic investments</i>			
Opening balance		622	537
Additions		3,585	—
Fair value adjustments	(ii)	(330)	85
Net carrying amount of unlisted investments		3,877	622

(i) Material additions during the period include Ardent Leisure Group and ClearView Wealth Limited.

(ii) Investments in the strategic portfolio are remeasured to fair value based on the appropriate level inputs at the end of the reporting period as outlined in Note 2(j).

Notes to Financial Statements (Continued)

FOR THE YEAR ENDED 30 JUNE 2018

12. CONTROLLED ENTITIES

NAME	Place of incorporation	Percentage of equity held by Ariadne	
		2018	2017
Ariadne Administration Pty Ltd	QLD	100	100
Ariadne Capital Pty Ltd	QLD	100	100
Ariadne Freehold Pty Ltd	NSW	100	100
Ariadne Holdings Pty Ltd	ACT	100	100
Ariadne Insurance Pty Ltd	NSW	100	100
Ariadne Investment Holdings Pty Ltd	QLD	100	100
Ariadne Marinas Oceania Pty Ltd	QLD	100	100
Ariadne Properties Pty Ltd	QLD	100	100
Ariadne Property Investments Pty Ltd	QLD	100	100
Batemans Bay Marina Developments Pty Ltd	QLD	100	100
Delta Equities Pty Ltd *	NSW	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

13. 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	
			2018	2017
Chifley Investment Partners Pty Ltd *	Investment management	NSW	50%	—
Lake Gold Pty Ltd	Mineral exploration	QLD	50%	50%
Orams NZ Unit Trust	Marina management	QLD	50%	50%
Seyaal Unit Trust	Property investment	QLD	50%	50%
Hillgrove Resources Ltd ^	Mining	SA	26%	—
AgriCoat NatureSeal Ltd	Food life extension technology	UK	17%	17%
NatureSeal Inc	Food life extension technology	US	17%	17%

*Joint ventures entered into during the period

^Refer to Note 13(b)

Notes to Financial Statements (Continued)

FOR THE YEAR ENDED 30 JUNE 2018

13. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (Continued)

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

Seyaal Unit Trust ("Tank Street JV")	Notes	2018 \$'000	2017 \$'000
Revenue		35,244	442
Profit		31,483	(3,074)
Share of profit at 50%		15,742	(1,537)

Both revenue and profit for the current period include a revaluation uplift, net of completion costs, for the Tank Street Property of \$29,584. The Group's 50% share of the uplift, net of completion costs, is \$14,792 and has been included in Group's share of profit.

Current assets		2,592	1,803
Total assets		97,512	63,487
Current liabilities		(5,047)	(9,152)
Total liabilities		(38,648)	(42,755)
Net assets		58,864	20,732
Share of net assets at 50%		29,432	10,366

Hillgrove Resources Limited ("Hillgrove")

During the period, the Group increased its investment in Hillgrove via the exercise of options and conversion of loan notes. The increase in relevant interest during the period led to Hillgrove becoming an associate of Ariadne on 18 September 2017, which resulted in a change in accounting treatment for the Group's investment on this date. The results of associates and joint ventures are incorporated in the Group's financial statements using the equity method of accounting. 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, \$11,970 (Note 13(c)) and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. The Group had previously accounted for its investment in Hillgrove as financial assets fair valued through profit and loss, \$2,286 (Note 9) and financial assets fair valued through other comprehensive income, \$9,684 (Note 11).

The following transactions occurred during the period in respect of Hillgrove securities:

- During the period 1 July to 21 September 2017, the Group exercised options over ordinary shares increasing its relevant interest in Hillgrove to 22% as allowable under s611 of the *Corporations Act (Cth) 2001*.
- During the period 21 September to 15 December 2017, the Group converted loan notes to ordinary shares increasing its relevant interest in Hillgrove to 26%. This conversion was approved by Hillgrove shareholders at a meeting held 8 December 2017.

Mr Maurice Loomes, a Non-Executive Director of Ariadne, continues as a Director of Hillgrove having been appointed to the Hillgrove board on 25 November 2013.

(c) Aggregate information of joint ventures and associates

Balance at the beginning of the reporting period		28,327	28,781
Share of joint ventures' and associates' profits		20,066	2,751
Share of profits from divested interest in joint ventures and associates		—	1,255
Share of joint ventures' and associates' reserves		57	(198)
Investment in joint venture and associates		3,325	11,903
Securities reclassified as equity accounted investments	13(b)	11,970	—
Divestment of interest in joint ventures and associates		—	(6,714)
Distributions received from joint ventures and associates		(2,476)	(3,588)
Distributions received from divested interest in joint ventures and associates		—	(5,863)
Carrying amount of investment in joint ventures and associates at reporting period end		61,269	28,327

The Group's share of joint ventures' and associates' commitments and contingent liabilities is disclosed in Note 18.

Notes to Financial Statements (Continued)

FOR THE YEAR ENDED 30 JUNE 2018

14. INTEREST-BEARING LOANS AND BORROWINGS

	GROUP	
	2018 \$'000	2017 \$'000
Current and non-current		
Interest bearing facilities – current	7,027	6,643
Interest bearing facilities – non current	527	1,095
	7,554	7,738

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\$150 during the reporting period to NZ\$1,150. Also during the period, an interest bearing loan of \$6,500 was repaid and replaced with a new \$10,000 loan facility summarised in the table below.

Financing facilities available

Total facilities		
Bank loans and lease facilities	10,800	7,738
Other facilities not recorded on the Group's Balance Sheet	304	575
Facilities used at reporting date		
Bank loans and lease facilities	7,554	7,738
Other facilities not recorded on the Group's Balance Sheet	304	471
Facilities unused at reporting date		
Bank loans and lease facilities	3,246	—
Other facilities not recorded on the Group's Balance Sheet	—	104

15. CONTRIBUTED EQUITY AND RESERVES

(a) Ordinary Ariadne shares on issue

		2018		2017	
	Note	Number of shares	\$'000	Number of shares	\$'000
At beginning of the reporting period		201,227,785	381,697	201,077,785	381,631
Shares bought back		(1,708,697)	(1,286)	—	—
Employee share options exercised	15(b)	150,000	65	150,000	66
Balance at reporting period end		199,669,088	380,476	201,227,785	381,697

On 24 January 2018, as part of ongoing capital management initiatives, Ariadne extended its on-market buy-back facility for a further twelve months. The buy-back is for the purpose of acquiring shares where they are trading at prices below the Board's opinion of the intrinsic value of the shares, such acquisitions benefiting all shareholders. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of Ariadne.

(b) Share Options

	ARIADNE	
	2018 Number of options	2017 Number of options
<i>Employee options over Ariadne ordinary shares</i>		
At beginning of the reporting period	650,000	800,000
Employee share options issued	500,000	—
Employee share options exercised	(150,000)	(150,000)
Balance at reporting period end	1,000,000	650,000

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 2018

15. 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
At 1 July 2016	32	5,175	(211)	1,526	25,848	2,955	35,325
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
At 30 June 2017	49	17,706	(117)	1,430	72,566	70,022	161,656
Current year profits carried to profit reserve	—	—	—	—	18,164	—	18,164
Transfer of reserves to accumulated losses	—	2,308	—	—	—	—	2,308
Dividends	—	—	—	—	(7,031)	—	(7,031)
Deferred tax asset	—	2,066	—	—	—	—	2,066
Transfer to share capital	(13)	—	—	—	—	—	(13)
Other movements	33	(6,886)	(193)	(71)	—	—	(7,117)
At 30 June 2018	69	15,194	(310)	1,359	83,699	70,022	170,033

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 2018 amount carried to profits reserve (in accordance with director resolutions) of \$18,164 (2017: \$50,741) includes an amount of \$14,346 (2017: \$16,372) relating to subsidiary entities and is not available for distribution as frankable dividends to the equity holders of Ariadne at 30 June 2018.

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. No amount was carried to capital profits reserve during the period. (2017: \$67,067).

Notes to Financial Statements (Continued)

FOR THE YEAR ENDED 30 JUNE 2018

15. CONTRIBUTED EQUITY AND RESERVES (Continued)

(d) Accumulated losses

		GROUP	
	Notes	2018 \$'000	2017 \$'000
Opening balance		(369,129)	(330,314)
Net loss not carried to profit reserve	(i)	(2,871)	(38,815)
Transfers from reserves		(2,308)	—
Closing balance		(374,308)	(369,129)

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

16. CASH FLOW STATEMENT RECONCILIATION

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

Net profit after tax		16,037	80,551
<i>Adjustments for:</i>			
Gain recognised on disposal of interest in Secure Parking		—	(67,067)
Share options expense	4(c)	33	29
Depreciation of non-current assets		245	163
Share of joint ventures' and associates' profits	13(c)	(20,066)	(2,751)
Share of profits from divested interest in joint ventures and associates		—	(1,255)
Distributions received from joint ventures and associates	13(c)	2,476	3,588
Distributions received from divested interest in joint ventures and associates		—	5,863
Income tax expense / (benefit)	5(a)	4,066	(2,066)
<i>Transfers to / (from) provisions:</i>			
Lease liabilities		21	(89)
Employee entitlements		118	23
<i>Changes in assets and liabilities:</i>			
(Increase) / decrease in trade and other receivables		(671)	2
(Increase) / decrease in trading portfolios		(1,505)	(2,032)
(Increase) / decrease in strategic portfolio revalued through profit or loss	4(b)	(101)	(5,647)
(Increase) / decrease in prepayments		213	(94)
(Decrease) / increase in payables and accruals		(302)	301
Effects of exchange rate changes on cash held in foreign currencies		(5)	3
Net cash from operating activities		559	9,522

Notes to Financial Statements (Continued)

FOR THE YEAR ENDED 30 JUNE 2018

17. 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 17(d) and Note 17(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	
	2018	2017
	\$'000	\$'000
Financial Assets		
Cash and cash equivalents	23,025	49,346
Related party loans	8,400	8,400
Total financial assets exposed to interest rate risk	31,425	57,746
Financial Liabilities		
Advanced facilities and commercial bills	7,554	1,238
Total financial liabilities exposed to interest rate risk	7,554	1,238
Net exposure	23,871	56,508

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)	
Group		
+1% (100 basis points)	390	484
- 1% (100 basis points)	(390)	(484)

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 2018

17. FINANCIAL INSTRUMENTS (Continued)

(c) Foreign currency risk

As at 30 June 2018, 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 non-equity accounted 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 non-equity accounted listed securities was \$85,127 (2017: \$92,710). If the price of non-equity accounted listed securities had been 10% higher or lower at balance date, the Group would be impacted through income or equity by \$8,513 higher or lower (2017: \$9,271).

(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 10.

(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	
	2018 \$'000	2017 \$'000
Financial liabilities due within		
6 months or less	8,170	8,096
6 – 12 months	20	20
1 – 5 years	527	1,095
Total financial liabilities exposed to liquidity risk	8,717	9,211

(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 2018

17. 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 other receivables

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.

18. COMMITMENTS AND CONTINGENCIES

(a) Lease commitments

	GROUP	
	2018 \$'000	2017 \$'000
(i) Operating leases (non-cancellable)		
The Group, its joint ventures and its associates as lessee:		
<i>Minimum lease payments</i>		
Not later than one year	8,967	10,425
Later than one year and not later than five years	9,604	26,676
Later than five years	233	4,793
Aggregate lease expenditure contracted for at reporting date	18,804	41,894

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 \$2,084 (2017: \$2,781).

(ii) Operating leases (non-cancellable)		
The Group, its joint ventures and its associates as lessor:		
<i>Minimum lease receipts</i>		
Not later than one year	3,925	3,036
Later than one year and not later than five years	14,452	11,085
Later than five years	5,704	5,986
Aggregate lease income contracted for at reporting date	24,081	20,107

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 \$24,081 (2017: \$20,107) of which \$20,653 relate to the Tank Street JV's interest in the Tank Street Property which was sold after balance date on 20 August 2018.

Notes to Financial Statements (Continued)

FOR THE YEAR ENDED 30 JUNE 2018

18. 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 14. Ariadne has guaranteed \$11,104 (2017: \$1,813) of the borrowing obligations under these facilities.

19. 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	
			2018 \$'000	2017 \$'000
Loans to other related parties				
Loans advanced / payables	Equity accounted investment		3,325	11,903
Other transactions				
Interest received or receivable	Equity accounted investment		424	427
Management fees paid or payable	Equity accounted investment		—	199
Rent paid or payable	Equity accounted investment		1,518	152
Lease surrender fee [^]	Equity accounted investment		2,000	—

[^] The Group surrendered its Tank Street car park lease to a joint venture in which it has a 50% interest.

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

20. EVENTS AFTER THE BALANCE DATE

On 19 July 2018, the Directors announced that the Tank Street Joint Venture ("Tank Street JV"), had entered into an agreement with entities associated with Charter Hall Limited to sell the freehold interest in the Tank Street Property ("Property") for \$93,000. The Tank Street JV's carrying value of the Property before the agreement was \$60,700. In accordance with accounting standards, the Tank Street JV revalued the Property to the contracted sale price on balance date. The Group's 50% share of the uplift, net of completion costs, was \$14,792 and has been included in the Group's FY18 financial results. The completion costs included a management and shared selling agent's fee of \$1,680 net of GST paid by the Tank Street JV to Ariadne's Deputy Chairman, Mr Seymour on settlement. The completion cost fees were assessed by the Ariadne Board and were considered to be both fair and reasonable. Settlement occurred on 20 August 2018.

Also after the balance date, the Directors declared a final dividend on ordinary shares in respect of the 2018 financial year. The total amount of the dividend is \$1,997 which represents a partially franked (60%) dividend of 1.0 cents per share, of which 30% is sourced from the Conduit Foreign Income Account.

Apart from the matters above, there is no other matter of circumstance that has arisen since 30 June 2018 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in the future financial periods.

Notes to Financial Statements (Continued)

FOR THE YEAR ENDED 30 JUNE 2018

21. REMUNERATION OF AUDITORS

	GROUP	
	2018 \$	2017 \$
Amounts received or due and receivable by Deloitte Touche Tohmatsu		
An audit or review of the financial report of the entity and any other entity in the Group	160,200	100,000
Services in relation to the entity and any other entity in the Group	—	—
	160,200	100,000

22. PARENT ENTITY INFORMATION

	ARIADNE	
	2018 \$'000	2017 \$'000
Information relating to Ariadne Australia Limited		
Current assets	4,000	30,638
Total assets	56,005	60,418
Current liabilities	—	—
Total liabilities	—	—
Issued capital	380,476	381,697
Reserve – capital profits	2,955	2,954
Reserve – profits	35,964	39,177
Reserve – options	69	49
Accumulated losses	(363,459)	(363,459)
Total shareholders' equity	56,005	60,418
Profit of the parent entity	3,818	34,369
Total comprehensive income of the parent entity	3,818	34,369

The profits for the year ended 30 June 2018 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 15(c).

Details of guarantees given are recorded in Note 18(b).

23. DIRECTOR AND EXECUTIVE DISCLOSURES

	GROUP	
	2018 \$'000	2017 \$'000
Remuneration of Key Management Personnel		
Short term employee benefits	1,824	1,582
Post-employment benefits	112	113
Share based payments	33	29
Total remuneration	1,969	1,724

Directors' Declaration

FOR THE YEAR ENDED 30 JUNE 2018

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 2018 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 2018.

On behalf of the Board



D Baffsky, AO
Director
Sydney
23 August 2018

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

Report on the Audit of the Financial Report

Opinion

We have audited the accompanying financial report of Ariadne Australia Limited (the "Company") and its subsidiaries (the "Group"), which comprises the statement of comprehensive income, the balance sheet as at 30 June 2018, the statement of changes in equity and the statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies and other explanatory information, 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 2018 and of its 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 of the Company 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>Recoverability of deferred tax assets</p> <p>The Group has recognised and unrecognised deferred income tax assets of \$1.0 million and \$22.3 million respectively, relating to previous tax losses available for utilisation in future periods as disclosed in Note 5.</p> <p>The availability of these deferred income tax assets in the future is contingent on:</p> <ul style="list-style-type: none"> the Company continuing to satisfy the Continuity of Ownership Test (COT) or failing that, the Same Business Test (SBT) under Australian tax legislation; and the tax consolidated Group 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. <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"> 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; Assessing the historical accuracy of management's estimation of forecast taxable income; Evaluating management's assessment of the Company's ability to satisfy the COT; and Assessing the appropriateness of the related disclosures in Note 5 to the financial statements.

Other Information

The directors are responsible for the other information. The other information comprises the executive director's review and director's report 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 we do 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 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, 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.

Responsibilities of the Directors 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 ability of the Group 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 2018.


In our opinion, the Remuneration Report of Ariadne Australian Limited, for the year ended 30 June 2018, 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



Taralyn Elliott
Partner
Chartered Accountants
Sydney, 23 August 2018