ARIADNE

Ariadne Australia Limited
Level 27, 2 Chifley Square
Sydney NSW 2000

T: + 61 2 8227 5500
F: + 61 2 8227 5511
E: info@ariadne.com.au

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FY19 HALF-YEAR REVIEW

The Directors present the Half-Year Financial Report of Ariadne Australia Ltd ("Ariadne") for the period ended 31 December 2018.

For the half-year period Ariadne reported a net loss after tax attributable to members of $4.7 million (FY18: $4.3 million profit).

In addition, a negative contribution (net of deferred tax) attributable to members of $9.8 million (FY18: $1.4 million positive contribution) was reported through the Statement of Comprehensive Income, resulting in a total comprehensive loss attributable to members of $14.5 million (FY18: $5.7 million profit).

The net tangible assets per share decreased during the period from 88.25 cents per share to 80.14 cents per share at balance date, after taking account of the payment of a 1.00 cent final dividend during the period.

The total comprehensive loss per share was 7.31 cents compared to earnings of 2.84 cents for the previous corresponding period.

The half-year results are particularly disappointing in light of more recent positive results for Ariadne over the last two financial years. It is to be noted, however, that the results for this period reflect significant non-cash items – particularly mark-to-market losses which have the potential to reverse as the investment portfolios reflect intrinsic value over time.

The increased net operating cash flow during the period of $14.9 million (FY18: $0.1 million) is predominantly due to distributions received from associates following the sale of the commercial property located at 40 Tank Street, Brisbane ("Tank Street") which settled on 20 August 2018.

The reported net loss for the half-year period is principally driven by a non-cash tax expense of $5.8 million resulting from a partial reversal of Ariadne's recorded Deferred Tax Asset ("DTA") relating to its carried forward tax losses. In accordance with accounting standards, each period Ariadne recognises or derecognises a DTA equal to the Deferred Tax Liability ("DTL") on the temporary differences for its strategic portfolio and equity accounted investments. This has the potential to distort the reported after tax results as all movements in Ariadne's DTA are recorded through profit and loss whereas movements in Ariadne's DTL are recorded through profit and loss and Other Comprehensive Income ("OCI").

As previously announced to the market, the net loss in OCI, and associated reduction in Ariadne's DTL, is attributable to a substantial decline in the market value of Ariadne's strategic portfolio, principally our two largest shareholdings - ClearView Wealth Limited ("Clearview") and Ardent Leisure Group ("Ardent") - which were trading 22.4% and 25.1% below their respective 30 June 2018 close prices at balance date.

As stated in earlier releases, we believe that the prospects for both these companies remain sound.

Investments

The Investment division recorded a net profit before tax of $2.1 million (FY18: $3.4 million).

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

The strategic portfolio recorded a net loss (net of tax) of $10.6 million (FY18: $2.2 million net gain) during the period due to mark-to-market revaluations predominantly arising from Ariadne's investments in Ardent and ClearView. This loss is recorded through OCI and not included in the reported net profit.

Ariadne's investment in Foundation Life NZ Ltd continues to perform in line with expectations.

Ariadne's 53% interest in Freshxtend International Pty Ltd, with its 17% investment in the NatureSeal group, again contributed positively during the period.

Car Parking

The Group's car parking division recorded a profit before tax of $0.7 million (FY18: $0.5 million).

The division's result reflects the trading performance of its leased car park and the reversal of a provision relating to the sale of Secure Parking in 2017. The FY18 result also included the trading performance of the Tank Street car park lease which was surrendered in June 2018.

Property

The Group's property division recorded a profit before tax of $0.9 million (FY18: $2.0 million).

The division's result is derived from Ariadne's 50% share of profits from Orams Marine Village ("Orams") located in Auckland, New Zealand, the interest received on its secured loan to Orams and 50% share of net rental income from Tank Street before its sale in August 2018.

The Group's share of profit from Orams during the period was $0.7 million, which includes interest on the loan to Orams of $0.2 million. The prior year result also included $1.0 million representing the Group's share of the uplift in valuation of the marina.

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As announced to the market on 5 February 2019, Orams New Zealand Unit Trust (in which Ariadne Australia Ltd has a 50% interest) together with Orams Marine Services Ltd, have entered into a non-binding development 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 ("Development Agreement"). The Development Agreement is firstly conditional on the approval of the respective Boards of the trustee of the Unit Trust and Orams Marine Services Pty Ltd by 8 March 2019 and then New Zealand Overseas Investment Office approval which is expected to be late March 2019. 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. As previously stated, Ariadne remains confident that our investment in Orams is well placed to capitalise on the current and future development of the Wynyard Quarter area and the growth of the New Zealand marine industry.

The Group's share of profit from Tank Street during the period was $0.2 million. Tank Street 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 Tank Street for $93.0 million. The Tank Street JV's carrying value of Tank Street before the agreement was $60.7 million. In accordance with accounting standards, Tank Street was revalued to the contracted sale price and the Group's 50% share of the uplift, net of completion costs, was included in the Group's FY18 financial result. Settlement of the property occurred on 20 August 2018.

Simplified Balance Sheet

Ariadne is in a sound financial position as shown in the following presentation of the Group's assets and liabilities as at 31 December 2018.

Assets	**$M**	**$M**
Cash		41.1
Investments		
Ardent	33.6	
ClearView	25.7	
Orams	16.7	
Hillgrove	13.0	
Freshxtend	12.8	
Other Strategic Assets	7.8	
Foundation Life	6.8	
Trading Portfolio	3.6	
Law Finance	3.0	
Mercantile Investment	2.5	
Total Investments		125.5
Fixed Assets and Receivables		5.3
Total Assets		**171.9**

Liabilities	**$M**
Payables and Provisions	0.9
Debt	7.0
Minority Interests	6.2
Total Liabilities	**14.1**
Shareholders' Funds	**157.8**
Total Liabilities & Shareholders' Funds	**171.9**

Tax

Ariadne has substantial carry forward revenue and capital losses available to offset future taxable profits. At 31 December 2018 these are estimated to be $79.0 million (30 June 2018: $77.6 million) and $77.2 million (30 June 2018: $92.8 million) respectively.

Dividends and Capital Management

An unfranked interim dividend of 0.7 cents per share ($1.4 million in total) has been declared in relation to the first half of the 2019 financial year.

On 24 January 2019, Ariadne announced the extension of its on-market share buy-back facility as part of ongoing capital management initiatives. During the period Ariadne repurchased and cancelled 2.8 million shares at a cost of $1.9 million.

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For further information please contact:
Gary Weiss
Executive Director
+61 2 8227 5500