

# ARIADNE

## Ariadne Australia Limited

A.B.N. 50 010 474 067

### Appendix 4E Financial Report For the period ended 30 June 2014

Results for announcement to the market				30 June 2014	30 June 2013
Revenues from ordinary activities *	\$'000's	Down	8.8%	35,088	38,492
Profit / (loss) from ordinary activities before tax	\$'000's	Up	25.9%	4,812	3,821
Profit / (loss) from ordinary activities after tax attributable to members	\$'000's	Up	119.6%	6,260	2,850
Net profit for the period attributable to members	\$'000's	Up	119.6%	6,260	2,850
Total comprehensive income for the period attributable to members	\$'000's	Up	95.4%	10,489	5,367
Net tangible assets per security	cents	Up	19.5%	39.59	33.13

Dividends (distributions)	Amount per security	Amount per security of conduit foreign income	Franked amount per security	Tax rate for franking credit
Final dividend	0.5 cents	0.3 cents	0.2 cents	30%
Interim dividend	0.5 cents	0.3 cents	0.2 cents	30%

The Directors have declared a partially franked (40%) final dividend of \$1,022 (0.5 cents per ordinary share) in relation to the 30 June 2014 financial year, of which 60% is sourced from the Conduit Foreign Income Account. The declaration of this dividend reflects the Board's ongoing confidence in the Group's assets and future prospects. The record date applicable to the dividend will be Wednesday, 10 September 2014 with payment to be made on Friday, 3 October 2014.

As part of ongoing capital management initiatives, Ariadne will initiate an on-market buy back facility. The buy-back is for the purpose of acquiring shares where they are trading at values below the Board's opinion of the intrinsic value of the shares, such acquisitions benefiting all shareholders.

#### Annual General Meeting

The Ariadne Australia Limited Annual General Meeting for 2014 will be held at the Sofitel Sydney Wentworth (Hobart Room), 61-101 Phillip Street, Sydney at 11.00am on Monday, 10 November 2014. The 2014 Annual Report will be distributed to shareholders in October 2014.

#### Overview of financial results

An operating and financial review of Group's results for the 2014 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 profits of joint ventures and associates.

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# ARIADNE

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**Ariadne Australia Limited**  
**Financial Report**  
**For the Year Ended 30 June 2014**

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ABN 50 010 474 067

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

# Directors' Report

The Directors submit their report for the year ended 30 June 2014.

All amounts included in this report, other than those forming part of the Remuneration Report, are quoted in thousands of dollars unless otherwise stated.

## 1. OPERATING AND FINANCIAL REVIEW

### Group Overview

Ariadne is an investment company listed on the Australian Securities Exchange (ASX: ARA). It has a portfolio of investments and interests in operations in Australia and New Zealand.

The Group's objective is to hold assets and investments in order to provide attractive investment returns which can generate regular dividends to shareholders and capital growth in the value of the shareholders' investments.

The Board of Directors and management have extensive experience investing in securities, property, merchant banking and operating businesses.

Ariadne's principal activities include investing in securities; car parking; financial services; property; maritime operations and accommodation services. There have been no significant changes in the nature of activities during the 2014 financial year.

### Operating Results for the Year

The Group's consolidated net profit after income tax for the financial year was \$7,248 (2013: \$3,821). This includes the recognition of an income tax benefit \$2,436 (2013: Nil). Net tangible assets were 39.59 cents per share (2013: 33.13). Earnings per share were 3.06 cents (2013: 1.39 cents). Total Comprehensive Earnings per share were 5.13 cents (2013: 2.63 cents).

### Car Parking

The Group's Car Parking division recorded a profit of \$4,513 (2013: \$4,982).

The result comprises the Group's 50% share of profits from Secure Kings Unit Trust ("Secure Parking"), in addition to the profit from the operations of two car park leases which are held by the Group.

The Group's share of profits from Secure Parking for the year was \$4,117 (2013: \$4,058). The Group's car park leases contributed a net profit of \$396 (2013: \$924).

The Car Parking division continued to experience challenging trading conditions during the year, as a consequence of a competitive market, a benign retail sector and a continuation of high vacancy rates in the business districts of the capital cities. Given the difficult market conditions, Secure Parking contributed a satisfactory result. Secure Parking achieved productivity improvements through a combination of rigorous cost control and continued investment in technology.

Secure Parking has maintained a strong position in all markets through further development of the Secure-a-Spot online pre-booking system (an integral component of the sales and marketing strategy), significant growth in the Club Secure online loyalty program and an expansion of partnership programs with major groups such as NRMA, Qantas and Caltex. It now manages six airport car parks in Australia and New Zealand and has expanded its operations in the management of car parks located at hospitals and other public sector sites. Secure Parking is achieving steady growth in the United Kingdom and New Zealand. With the broadening of its operating base in Australia, Secure Parking is well positioned to deliver improved profitability as the domestic economy returns to more normal conditions.

### Property

The Group's Property division recorded a profit of \$1,787 (2013: loss \$845).

The 2014 financial year result includes a profit of \$754 (2013: \$817) from the Group's 50% investment in Orams Marine Village ("Orams") in Auckland, New Zealand. The Orams result was impacted by closure of the marina for part of the period under review. The recently completed re-configuration of the marina has added significant value and improved capability to accommodate larger superyachts, and enables the provision of a wider variety of services. The result was also adversely impacted by higher tenancy vacancies in the first half of the year. By year end, Orams was 100% occupied and had achieved rental growth. Demand for berths in the dry boat stack remains strong with an occupancy level around 98% being achieved during the low season.

The Board remains confident that this strategic investment is well placed to capitalise on the future development of the Western Viaduct area and the growth impetus of the New Zealand marine industry, which enjoys an international reputation for product quality, skill base and competitiveness.

The marinas in Batemans Bay and Port Macquarie showed improved trading results. On 1 July 2013, the Batemans Bay Marina ownership structure changed with a 50% interest being acquired by a property development group. The result for the Group's investment in the Batemans Bay Marina includes a share of profit of \$25 (2013: Nil). The Port Macquarie Marina showed improved operations compared to the prior year and recorded a slight loss.

# Directors' Report

Re-development of the Batemans Bay Marina has commenced and new berthing systems for stage one comprising 45 berths will be completed in the first quarter of the new financial year. A development application has been lodged for the Port Macquarie Marina re-development and the future ownership structure of this marina remains under review.

The accommodation services business StayMint Pty Ltd ("StayMint") reported a gain of \$711 after the sale of the Melbourne and Brisbane properties. The remaining properties are all trading well and should continue to provide positive cash flows. It is expected that the Group will exit its accommodation services activities following a sale of the remaining properties during the new financial year.

## Investments

The Investment division recorded a profit of \$2,643 (2013: \$4,169).

Investment income is derived from interest on cash reserves, share of profits from the Group's investments in joint ventures and dividend and trading income from the trading portfolio.

Cash and cash equivalents as at 30 June 2014 were \$16,302 (2013: \$13,843). Ariadne continues to maintain a prudent approach to cash management.

The Group's 53% (2013: 54%) interest in Freshxtend International Pty Ltd ("Freshxtend") which holds a 17% investment in NatureSeal Inc, contributed positively to the Investment division's result.

During the period the Group added to both its trading and investment portfolios. The largest addition to the investment portfolio was an acquisition of shares in Hillgrove Resources Limited of \$2,807. A further investment of \$1,642 was made in ClearView Wealth Limited. The investment portfolio performed well recording mark-to-market gains during the period, contributing \$6,210 to other comprehensive income. A deferred tax expense of \$2,436 on the fair value uplift of the available-for-sale assets has been also been recognised in other comprehensive income during the reporting period. Both the mark-to-market gain and deferred tax expense are not included in the reported net profit.

The Group continues to search for investment opportunities that will provide attractive risk adjusted returns to shareholders.

## Taxation

Ariadne has significant carried forward revenue and capital losses that are available to offset future taxable profits. At 30 June 2014, these are estimated at \$80,053 (2013: \$81,887) and \$147,091 (2013: \$152,167) respectively.

As the Board has concluded there is sufficient evidence to estimate a base level of recurring taxable profit for the next three 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 deferred tax asset recorded. Following this assessment it was determined that no increase (2013: Nil) to the asset value be recorded.

## Employees

The number of employees at balance date has decreased to 28 (2013: 52), 50% male and 50% female (2013: 48%:52%), this is predominately due to the divestment of two StayMint properties.

## 2. DIVIDENDS

Dividends paid during the 2014 financial year

Final for 2013 – paid 04 October 2013

Interim for 2014 – paid 27 March 2014

(cents per share)	(\$'000)
0.5	1,022
0.5	1,022
1.0	2,044

The Directors have declared a partially franked (40%) final dividend of \$1,022 (0.5 cents per ordinary share) in relation to the 2014 financial year, of which 60% is sourced from the Conduit Foreign Income Account. No liability is recognised in the 2014 financial statements as this dividend was declared after 30 June 2014.

# Directors' Report

## 3. DIRECTORS

The names and details of Ariadne's Directors in office at the date of this report are listed below. All Directors were in office for the entire period.

### Names, qualifications, experience and special responsibilities

#### David Zalmon Baffsky, AO, LLB (Chairman)

David Baffsky AO, was appointed as a Director of Ariadne on 18 March 2008 and Chairman of the Board on 13 January 2009.

Mr Baffsky is Honorary Chairman (formerly Executive Chairman between 1993 and 2008) of Accor Asia Pacific, the largest hotel management company in the Asia Pacific region. He is also the founder of Tourism Asset Holdings Limited, Australia's largest hotel owning company. Mr Baffsky was formerly a Director of the Indigenous Land Corporation (appointed August 1999) and was Chairman of its Audit & Risk Management Committee. He is a Director of SATS Limited (appointed 15 May 2008) and a Director of Sydney Olympic Park Authority (appointed December 2009). He was appointed Chairman of Investa Funds Management Limited in August 2011 and is a member of its Audit & Compliance Committee. In 2005, he was appointed a Trustee of the Art Gallery of NSW and in 2009 became Chairman of the Gallery's Risk Management Committee. In 2013 Mr Baffsky was appointed Chairman of Food & Allied Support Services Corporation. Mr Baffsky is a member of the Federal Government's Business Government Advisory Group on National Security and works with a number of charitable and non-profit groups. In June 2001, Mr Baffsky was made an Officer in the General Division of the Order of Australia. In 2012 he was awarded the Chevalier in the Order of the National Legion of Honour.

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

#### Kevin Will Seymour, AM (Deputy Chairman)

Mr Seymour AM, was appointed as a Director of Ariadne on 23 December 1992. Mr Seymour is a Director of Tatts Group Limited (appointed 12 October 2006), having been a Director of UniTAB Limited (appointed 1 September 2000) prior to its merger with Tattersall's Limited.

During the past three years, Mr Seymour has also served as a Director of Watpac Limited (appointed May 1996 and resigned 24 September 2013).

Mr Seymour is the Executive Chairman of Seymour Group, one of the largest private property development and investment companies in Queensland and has substantial experience in the equities market in Australia. Mr Seymour also has extensive management and business experience including company restructuring. Mr Seymour holds board positions with several private companies in Australia. In June 2003, Mr Seymour received the Centenary Medal for distinguished service to business and commerce through the construction industry, and in June 2005 he was awarded the Order of Australia Medal for his service to business, the racing industry, and the community.

Mr Seymour was previously the Independent Chairman of the Queensland Government's and Brisbane City Council's Brisbane Housing Company Limited and Chairman of Briz31 Community TV. He has also served on the Brisbane Lord Mayor's Drugs Taskforce and is an Honorary Ambassador for the City of Brisbane.

#### Maurice William Loomes, B Com (Econ Hons), F Fin

Mr Loomes, was appointed a Director on 20 May 2004. Mr Loomes is a Director of Calliden Group Limited (appointed 24 October 2000) and Hillgrove Resources Limited (appointed 25 November 2013).

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.

During the past three years, Mr Loomes has served as Chairman of CIC Australia Limited (appointed September 1994 and resigned 24 May 2013).

Mr Loomes was appointed to the Audit and Risk Management Committee on 20 May 2004.

#### John William Murphy, B Com, M Com, CA, FCPA

Mr Murphy, was appointed a Director on 6 December 2006. Mr Murphy is a Director of Investec Bank (Australia) Limited and until September 2011 the Managing Director of Investec Wentworth Private Equity Limited. He is a Director of Staging Connections Group Limited (appointed 28 October 2002), Vocus Communication Limited (appointed 7 March 2003) and Gale Pacific Limited (appointed 24 August 2007), Kresta Holdings Limited (appointed 13 February 2014) and Redflex Holdings Limited (appointed 7 April 2014).

During the past three years, Mr Murphy has also served as a Director of Clearview Wealth Limited (appointed 9 June 2010 and resigned 22 October 2012).

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

# Directors' Report

## **Dr Gary Hilton Weiss, LLB (Hons), LLM, JSD (Executive Director)**

Dr Weiss, was appointed a Director of Ariadne on 28 November 1989. Dr Weiss is Chairman of ClearView Wealth Limited (appointed 22 October 2012) and Secure Parking Pty Ltd (appointed 1 November 2004). He is a Director of Premier Investments Limited (appointed 11 March 1994), Ridley Corporation Ltd (appointed 21 June 2010), The Straits Trading Company Limited (appointed 1 June 2014), Mercantile Investment Company Limited (appointed 6 March 2012), Pro-Pac Packaging Limited (appointed 28 May 2012), Tag Pacific Limited (appointed 1 October 1988) and Thorney Opportunities Ltd (appointed 21 November 2013).

In the past three years, Dr Weiss has also served as the Chairman of Coats plc (appointed 4 February 2003, resigned 30 April 2012) and as a Director of Guinness Peat Group plc (appointed 30 November 1990, resigned 30 April 2011).

## **4. COMPANY SECRETARY**

### **Natt McMahon, B Com, SA Fin, CA**

Mr McMahon was appointed Chief Financial Officer and Company Secretary for the Group on 18 May 2012. Prior to joining Ariadne, Mr McMahon held senior financial roles with various local and overseas entities.

## **5. SIGNIFICANT EVENTS AFTER THE BALANCE DATE**

After the balance sheet date, the Directors declared a dividend on ordinary shares in respect of the 2014 financial year. The total amount of the dividend is \$1,022 which represents a partially franked (40%) dividend of 0.5 cents per share of which 60% is sourced from the Conduit Foreign Income Account.

As part of ongoing capital management initiatives, Ariadne will initiate an on-market buy back facility. The buy-back is for the purpose of acquiring shares where they are trading at values below the Board's opinion of the intrinsic value of the shares, such acquisitions benefiting all shareholders.

## **6. LIKELY DEVELOPMENTS AND EXPECTED RESULTS**

Ariadne intends to continue its investment activities as it has done for many years. The results of these investment activities depend on the performance of the companies and securities in which the Group invests. Their performance in turn depends on many economic factors. These include economic growth rates, inflation, interest rates, exchange rates and taxation levels. There are also industry and company specific issues including management competence, capital strength, industry economics and competitive behaviour.

The composition of the Group's investment portfolio can change dramatically from year to year. As a consequence profit flows are unpredictable as the rewards from a successful long term investment may be accrued in a single transaction.

Ariadne does not believe it is possible or appropriate to make a prediction on the future course of markets or the performance of its investments. Accordingly Ariadne does not provide a forecast of the likely results of its activities. However, the Group's focus is on results over the medium to long term and its twin objectives are to provide shareholders with regular dividends and capital growth in the value of their investments.

## **7. ENVIRONMENTAL REGULATION AND PERFORMANCE**

The Group's environmental obligations are regulated by relevant federal, state and local government ordinances. The Group's policy is to comply with its environmental performance obligations. No environmental breaches have been notified by any governmental agency or local council authority during the year ended 30 June 2014.

# Directors' Report

## 8. REMUNERATION REPORT (AUDITED)

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

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

### Remuneration Philosophy

The performance of the Group depends upon the quality of its Directors, Executives 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*

The Constitution and the ASX Listing Rules specify that the aggregate remuneration of Non-Executive Directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the Directors as agreed. The latest determination approved by shareholders provided for an aggregate limit of Non-Executive Directors' remuneration (including superannuation and excluding retirement benefits) of \$500,000 per annum. The aggregate level of remuneration was last approved by shareholders on 1 November 2012.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst Directors is reviewed annually. The Board considers fees paid to Non-Executive Directors of comparable companies when undertaking the annual review process.

Directors are also reimbursed for reasonable travel expenses in attending Board and Committee meetings and other costs associated with representing the Group in specific matters from time to time.

The remuneration of Non-Executive Directors for the year ending 30 June 2014 is detailed in Table 1 of the remuneration report.

#### 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 Officer and Senior Manager.

## 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. Earnings per Share ("EPS"), 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 of Ariadne.

# Directors' Report

## Details of Key Management Personnel Remuneration

### (a) Details of Key Management Personnel

#### (i) Directors

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

#### (ii) Executives

M R Boyte	Chief Executive Officer
N M McMahon	Chief Financial Officer / Company Secretary
D A Weiss	Investment Officer

### (b) Remuneration of Directors and Executives

#### Remuneration Policy

The Board acts as the Group's Remuneration Committee and is responsible for determining and reviewing compensation arrangements for the Directors and the Executive team. The Directors assess the appropriateness of the nature and amount of emoluments on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and Executive team.

Directors' remuneration primarily consists of a base salary.

Officers receive their base emolument in the form of cash payments. Once the Directors' approval is granted bonuses are paid by way of cash or longer term incentives in the form of Ariadne share options. The Directors link the nature and amount of Executive Directors' and Officers' emoluments to the Group's financial and operational performance.

#### Superannuation Commitments

All superannuation payments on behalf of the Group's Directors and staff are paid to externally administered superannuation funds. The Group makes contributions in accordance with Superannuation Guarantee Legislation. The value of superannuation in connection with services performed in the 2014 financial year has been disclosed Note 4(c).

# Directors' Report

	Short Term Employee Benefits			Post-Employment Benefits	Share Based Payment	Other	Total	% at Risk
	Salary & Fees	Cash Bonus	Non-Monetary Benefits <sup>(i)</sup>	Superannuation	Options <sup>(ii)</sup>	Retirement Benefits <sup>(v)</sup>		
<b>Table 1: Emoluments of Directors of Ariadne Australia Limited</b>								
D Z Baffsky, AO (Chairman) <sup>(iii)</sup>								
2014	130,000	-	17,624	12,025	-	-	159,649	-
2013	123,333	-	16,911	11,100	-	32,226	183,570	-
K W Seymour, AM								
2014	70,000	-	-	6,475	-	-	76,475	-
2013	66,667	-	-	6,000	-	2,000	74,667	-
M W Loomes <sup>(iv)</sup>								
2014	70,000	-	-	6,475	-	-	76,475	-
2013	66,667	-	-	6,000	-	11,880	84,547	-
J W Murphy								
2014	80,000	-	-	7,400	-	-	87,400	-
2013	73,333	-	-	6,600	-	11,397	91,330	-
G H Weiss (Executive Director)								
2014	570,000	-	17,624	30,000	-	-	617,624	-
2013	570,000	-	16,911	30,000	-	-	616,911	-
<b>Total Remuneration: Directors</b>								
2014	920,000	-	35,248	62,375	-	-	1,017,623	-
2013	900,000	-	33,822	59,700	-	57,503	1,051,025	-

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

M R Boyte (Chief Executive Officer)								
2014	465,000	-	-	35,000	-	-	500,000	-
2013	475,000	-	-	25,000	34,362	-	534,362	6.43%
N M McMahon (Chief Financial Officer / Company Secretary)								
2014	171,650	-	-	25,000	-	-	196,650	-
2013	144,543	-	-	25,000	-	-	169,543	-
D A Weiss (Investment Officer)								
2014	279,085	-	17,624	17,775	-	-	314,484	-
2013	265,405	-	16,911	16,470	17,181	-	315,967	5.44%
<b>Total Remuneration: Executives</b>								
2014	915,735	-	17,624	77,775	-	-	1,011,134	-
2013	884,948	-	16,911	66,470	51,543	-	1,019,872	5.05%

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

(ii) Each option entitles the holder to purchase one ordinary share in Ariadne. The actual value of the options will only be determined after the exercise period commences and when the options are exercised. 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. Amortised cost has been calculated as the fair value of options at grant date, prorated over the vesting period of the options.

(iii) Mr D Baffsky, AO (Chairman) performed various consulting services to the Group outside of his Director's duties. Mr Baffsky was paid additional fees of \$43,700 not included above for consulting work performed during the period.

(iv) Mr M Loomes performed various consulting services to the Group outside of his Director's duties. Mr Loomes was paid additional fees of \$19,800 including GST not included above for consulting work performed during the period.

(v) During the 2013 financial year the Directors resolved to terminate the Non-Executive Retirement Scheme. The termination resulted in an expense of \$57,503 being recorded in the prior period.

# Directors' Report

Table 3: Option holdings of Directors and Executives

	Balance at beginning of period	Granted as Remuneration	Options Exercised	Options Expired	Balance at end of period	Vested and exercisable
<b>2014</b>						
<b>Executives</b>						
M R Boyte	1,000,000	—	—	—	1,000,000	1,000,000
D A Weiss	500,000	—	—	—	500,000	500,000
<b>Total</b>	<b>1,500,000</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>1,500,000</b>	<b>1,500,000</b>
<b>2013</b>						
<b>Executives</b>						
M R Boyte	2,000,000	—	—	(1,000,000)	1,000,000	1,000,000
D A Weiss	675,000	—	—	(175,000)	500,000	500,000
<b>Total</b>	<b>2,675,000</b>	<b>—</b>	<b>—</b>	<b>(1,175,000)</b>	<b>1,500,000</b>	<b>1,500,000</b>

Each option entitles the holder to purchase one ordinary share in Ariadne at a specified price. In accordance with the terms and conditions, options are either exercised, lapse, expire on cessation of employment in the event where vesting conditions have not yet been met or expire 3 months after cessation of employment where vesting conditions had previously been met. The actual value of the options will only be determined after the exercise period commences and when the options are exercised. 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. If options are not exercised in the exercise period, they lapse, and therefore have a nil value. Key inputs used in valuing the options on issue at balance date are as follows:

Issue Date	Expiry Date	Dividend Policy	Expected Volatility	Risk Free Interest Rate (percent)	Expected Life of Options from Grant Date (years)	Exercise Price (cents)	Share Price at Grant Date (cents)
31/05/2011	30/05/2016	3%	35%	4.99%	3.5	35	33

Table 4: Shareholdings of Directors and Executives

<i>Ordinary shares held in Ariadne Australia Limited</i>	Balance 1 July 2013	Granted as Remuneration	On Exercise of Options	Net Change Other	Balance 30 June 2014
<b>Directors</b>					
D Z Baffsky, AO	1,000,000	—	—	—	1,000,000
K W Seymour, AM	11,634,174	—	—	—	11,634,174
M W Loomes	538,111	—	—	—	538,111
J W Murphy	866,928	—	—	—	866,928
G H Weiss	78,071,619	—	—	—	78,071,619
<b>Executives</b>					
M R Boyte	1,325,984	—	—	—	1,325,984
D A Weiss	2,199	—	—	—	2,199
N M McMahon	40,428	—	—	—	40,428
<b>Total</b>	<b>93,479,443</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>93,479,443</b>
<i>Ordinary shares held in Ariadne Australia Limited</i>	Balance 1 July 2012	Granted as Remuneration	On Exercise of Options	Net Change Other	Balance 30 June 2013
<b>Directors</b>					
D Z Baffsky, AO	899,483	—	—	100,517	1,000,000
K W Seymour, AM	11,634,174	—	—	—	11,634,174
M W Loomes	388,111	—	—	150,000	538,111
J W Murphy	—	—	—	866,928	866,928
G H Weiss	78,071,619	—	—	—	78,071,619
<b>Executives</b>					
M R Boyte	1,325,984	—	—	—	1,325,984
D A Weiss	2,199	—	—	—	2,199
N M McMahon	—	—	—	40,428	40,428
<b>Total</b>	<b>92,321,570</b>	<b>—</b>	<b>—</b>	<b>1,157,873</b>	<b>93,479,443</b>

All equity transactions with Directors and Executives other than those arising from the exercise of remuneration options have been entered into under terms and conditions no more favourable than those the entity would have adopted if dealing at arm's length. Currently no Director or Officer 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.

# Directors' Report

## (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 Ariadne Director and each full-time Executive, Director and Secretary of the Group against certain liabilities incurred in those capacities, to the extent permitted by law. Disclosure of premiums and coverage has not been included as such disclosure is prohibited under the terms of the contract of insurance.

## (d) Loans from Directors and Executives

No loans from Directors and Executives were made, repaid or outstanding during the current and prior financial periods.

## (e) Other transactions and balances with Directors and Executives

### Purchases / Payments

- (i) Mr D Z Baffsky (Chairman) 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 \$43,700 (2013:\$43,600). Mr Baffsky, in his role as Chairman of the Board of directors and for other purposes, utilises an office and car park at premises leased by the Group.
- (ii) Director related entities of Mr K W Seymour (Deputy Chairman) owns interests in car parks leased by an entity in which the Group owns a 50% interest. Lease payments were negotiated on commercial terms and conditions. The total lease payments made during the year were \$4,824,233 (2013: \$5,924,849) including GST.
- (iii) Director related entities of Mr K W Seymour (Deputy Chairman) owns interests in an office building leased by an entity in the Group. Lease payments were negotiated on commercial terms and conditions. The total lease payments made during the year were \$86,014 (2013: \$39,459) including GST.
- (iv) Mr M W Loomes (Non-Executive Director) performed various consulting services to the Group outside of his Director's duties. Mr Loomes was paid on commercial terms for consulting work performed of \$19,800 (2013: \$189,750) including GST.

### Sales / Receipts

- (i) There were no sales made to Directors or Executives during the financial year (2013: Nil).

### Investments

The Group is party to the following joint venture operations with Director related entities:

Modular Hotels Group	Mr D Baffsky, AO	50% Ariadne Ownership (2013: 50%)
----------------------	------------------	-----------------------------------

The Group holds listed equity investments in Director related entities:

Clearview Wealth Limited	Dr G Weiss	Non-Executive Director
Mercantile Investment Company Limited	Dr G Weiss	Non-Executive Director
Hillgrove Resources Limited	Mr M Loomes	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.

	2014	2013	2012	2011	2010
Total revenues *	35,088	38,492	29,496	22,294	24,522
Total comprehensive income after tax attributable to members	10,489	5,367	5,289	7,404	5,921
Return on equity (%) <sup>+</sup>	13.2%	7.3%	7.4%	10.7%	9.1%
Total comprehensive earnings per share (cents)	5.13	2.63	2.59	3.61	2.89
Dividends declared (cents)	1.00	1.00	1.00	2.00	1.50
Share price (cents at 30 June)	35	28	34	30	24
Shares on issue (number at 30 June)	204,380,463	204,380,463	204,380,463	204,380,463	204,939,780

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

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

## Remuneration Report (Audited) Ends

# Directors' Report

## 9. DIRECTORS' MEETINGS

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

	Directors' Meetings	Meetings of Committees Audit & Risk Management
<b>Number of meetings held:</b>	<b>5</b>	<b>4</b>
<b>Number of meetings attended:</b>		
D Z Baffsky, AO	5	3
K W Seymour, AM	5	-
M W Loomes	5	4
J W Murphy	5	4
G H Weiss	4	-

### 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 W Murphy (Chairman)  
D Z Baffsky, AO  
M W Loomes

## 10. ROUNDING

The amounts contained in the financial report have been rounded to the nearest \$1,000 (where rounding is applicable) under the option available to Ariadne under ASIC Class Order 98/0100. 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 13 and forms part of the directors' report for the year ended 30 June 2014.

## 12. NON-AUDIT SERVICES

Non-audit services were provided by Ariadne's auditor, Deloitte Touche Tohmatsu in the current financial year. These services were in relation to taxation and other consulting services provided to entities of the Group. The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act. Fees for these services were:

	2014 \$	2013 \$
<i>Amounts received or due and receivable by the auditor for:</i>		
Taxation and other consulting services in relation to the entity and any other entity in the consolidated group	6,022	50,290

Signed in accordance with a resolution of the Directors.



D Z Baffsky, AO  
Director  
21 August 2014

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

21 August 2014

Dear Board Members

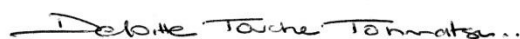
**Ariadne Australia Limited**

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 2014, 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 sincerely



DELOITTE TOUCHE TOHMATSU



J A Leotta  
Partner  
Chartered Accountants

# Statement of Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2014

		GROUP	
	Notes	2014 \$'000	2013 \$'000
<b>CONTINUING OPERATIONS</b>			
Rental and letting income		23,042	26,952
Sale of goods		1,126	1,155
Interest income		1,187	1,048
Dividend income		459	635
Other income	4(a)	1,749	1,229
Share of profits of joint ventures and associates	15(c)	7,525	7,473
Rental and letting expenses		(20,193)	(23,636)
Cost of goods sold		(984)	(965)
Employee benefits expense	4(c)	(5,069)	(5,703)
Depreciation and amortisation	4(b)	(1,216)	(1,363)
Administration expenses		(1,668)	(1,814)
Finance costs		(469)	(653)
Impairment provisions	4(d)	(677)	(537)
<b>PROFIT BEFORE INCOME TAX</b>		<b>4,812</b>	<b>3,821</b>
Income tax benefit	5(a)	2,436	-
<b>PROFIT AFTER TAX FROM CONTINUING OPERATIONS</b>		<b>7,248</b>	<b>3,821</b>
<i>Attributable to:</i>			
Non-controlling interests		988	971
<b>MEMBERS OF ARIADNE AUSTRALIA LIMITED</b>		<b>6,260</b>	<b>2,850</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Net fair value movements on available-for-sale financial assets	21(c)	3,774	2,204
Net fair value loss on cash flow hedge	21(c)	(38)	-
Exchange difference on translation foreign operation		679	348
<b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX</b>		<b>4,415</b>	<b>2,552</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>11,663</b>	<b>6,373</b>
<i>Attributable to:</i>			
Non-controlling interests		1,174	1,006
<b>MEMBERS OF ARIADNE AUSTRALIA LIMITED</b>		<b>10,489</b>	<b>5,367</b>
Basic earnings per share (cents per share)	6	3.06	1.39
Diluted earnings per share (cents per share)	6	3.06	1.39

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



# Balance Sheet

AS AT 30 JUNE 2014

		GROUP	
	Notes	2014 \$'000	2013 \$'000
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	8	16,302	13,843
Trade and other receivables	9	1,786	3,065
Inventories	10	3,511	3,529
Other current assets	11	2,416	4,729
<b>Total Current Assets</b>		<b>24,015</b>	<b>25,166</b>
<b>Non-Current Assets</b>			
Receivables	12	8,400	7,948
Other financial assets	13	25,554	14,592
Equity accounted investments	15(c)	23,971	22,326
Property, plant and equipment	16	1,793	4,469
Deferred tax assets	5(b)	6,305	6,305
Intangible assets	17	2,971	7,786
<b>Total Non-Current Assets</b>		<b>68,994</b>	<b>63,426</b>
<b>TOTAL ASSETS</b>		<b>93,009</b>	<b>88,592</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	18	1,247	2,183
Interest-bearing loans and borrowings	19	2,590	5,456
Provisions	20	389	462
<b>Total Current Liabilities</b>		<b>4,226</b>	<b>8,101</b>
<b>Non-Current Liabilities</b>			
Interest-bearing loans and borrowings	19	250	723
Provisions	20	136	33
<b>Total Non-Current Liabilities</b>		<b>386</b>	<b>756</b>
<b>TOTAL LIABILITIES</b>		<b>4,612</b>	<b>8,857</b>
<b>NET ASSETS</b>		<b>88,397</b>	<b>79,735</b>
<b>EQUITY</b>			
Issued capital	21(a)	382,842	382,842
Reserves	21(c)	26,615	17,025
Accumulated losses	21(d)	(325,575)	(324,363)
<b>EQUITY ATTRIBUTABLE TO MEMBERS OF ARIADNE AUSTRALIA LIMITED</b>		<b>83,882</b>	<b>75,504</b>
Non-controlling interests		4,515	4,231
<b>TOTAL EQUITY</b>		<b>88,397</b>	<b>79,735</b>

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

# Statement of Changes in Equity

## FOR THE YEAR ENDED 30 JUNE 2013

### At 1 July 2012

Profit / (loss) for the period
Other comprehensive income
Total comprehensive income for the period
Transfer of reserves to accumulated losses
Cost of share-based payment
Equity dividends

### At 30 June 2013

Issued capital \$'000 Note 21(a)	Reserves \$'000 Note 21(c)	Accumulated losses \$'000 Note 21(d)	Equity shareholders' funds \$'000	Non-controlling interest \$'000	Total for the Group \$'000
382,842	8,417	(319,130)	72,129	4,574	76,703
-	8,280	(5,430)	2,850	971	3,821
-	2,517	-	2,517	35	2,552
-	10,797	(5,430)	5,367	1,006	6,373
-	(197)	197	-	-	-
-	52	-	52	-	52
-	(2,044)	-	(2,044)	(1,349)	(3,393)
382,842	17,025	(324,363)	75,504	4,231	79,735

## FOR THE YEAR ENDED 30 JUNE 2014

### At 1 July 2013

Profit / (loss) for the period
Other comprehensive income
Total comprehensive income for the period
Share issue in non-controlling interest
Equity transactions with equity holders
Equity dividends

### At 30 June 2014

382,842	17,025	(324,363)	75,504	4,231	79,735
-	7,405	(1,145)	6,260	988	7,248
-	4,229	-	4,229	186	4,415
-	11,634	(1,145)	10,489	1,174	11,663
-	-	-	-	99	99
-	-	(67)	(67)	67	-
-	(2,044)	-	(2,044)	(1,056)	(3,100)
382,842	26,615	(325,575)	83,882	4,515	88,397

The above statement of changes in equity should be read in conjunction with the accompanying notes.

# Statement of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2014

		GROUP	
	Notes	2014 \$'000	2013 \$'000
<b>Cash flows from operating activities</b>			
Receipts from rental and letting income		22,831	24,013
Receipts from sales of property and other trading income		4,555	4,944
Payments to suppliers and employees		(30,999)	(33,141)
Dividends and trust distributions received		7,114	6,945
Receipts from trading portfolio sales		3,275	855
Payments for trading portfolio purchases		(1,636)	(2,527)
Interest received		313	537
Interest and borrowing costs paid		(439)	(509)
Payments to acquire development inventory		(35)	(22)
<b>Net cash flows from operating activities</b>	<b>22</b>	<b>4,979</b>	<b>1,095</b>
<b>Cash flows from investing activities</b>			
Payments for plant and equipment		(99)	(295)
Proceeds from sale of property and intangibles		7,830	4,426
Payments to acquire financial assets		(4,626)	(5,193)
Proceeds from loans repaid by other parties		715	3,327
Loans advanced to other parties		—	(525)
<b>Net cash flows from/(used in) investing activities</b>		<b>3,820</b>	<b>1,740</b>
<b>Cash flows from financing activities</b>			
Repayments of borrowings		(3,339)	(2,062)
Proceeds from borrowings		—	1,291
Proceeds from issue of shares in non-controlling interest		99	—
Dividends paid		(3,100)	(3,392)
<b>Net cash flows from/(used in) financing activities</b>		<b>(6,340)</b>	<b>(4,163)</b>
Net increase/(decrease) in cash and cash equivalents		2,459	(1,328)
Cash and cash equivalents at beginning of period		13,843	15,171
<b>Cash and cash equivalents at end of period</b>	<b>8</b>	<b>16,302</b>	<b>13,843</b>

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

# Notes to Financial Statements

## FOR THE YEAR ENDED 30 JUNE 2014

### 1. CORPORATE INFORMATION

The consolidated financial report of Ariadne Australia Limited ("Ariadne") and its controlled entities ("the Group") for the year ended 30 June 2014 was authorised for issue in accordance with a resolution of the Directors on 21 August 2014.

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 12.

### 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.

The financial report has been prepared on a historical cost basis, except for available-for-sale financial assets, held-for-trading financial assets 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 adopted all of the new and revised Standards and interpretations issued by the Australian Accounting Standards Board (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 10 '*Consolidated Financial Statements*' and AASB 2011-7 '*Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangement standards*'
- AASB 11 '*Joint Arrangements*' and AASB 2011-7 '*Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangement standards*'
- AASB 12 '*Disclosure of Interests in Other Entities*' and AASB 2011-7 '*Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangement standards*'
- AASB 127 '*Separate Financial Statements*' (2011) and AASB 2011-7 '*Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangement standards*'
- AASB 128 '*Investments in Associates and Joint Ventures*' (2011) and AASB 2011-7 '*Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangement standards*'
- AASB 13 '*Fair Value Measurement*' and AASB 2011-8 '*Amendments to Australian Accounting Standards arising from AASB 13*'
- AASB 119 '*Employee Benefits*' (2011) and AASB 2011-10 '*Amendments to Australian Accounting Standards arising from AASB 119*'
- AASB 2012-2 '*Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities*'
- AASB 2011-4 '*Amendments to Australian Accounting Standards to Remove Key Management Personnel Disclosure Requirements*'
- AASB 2012-5 '*Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle*'
- AASB 2012-9 '*Amendment to AASB 1048 arising from the Withdrawal of Australian Interpretation 1039*'
- AASB 2012-10 '*Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments*'
- AASB 2013-2 '*Amendments to AASB 1038 – Regulatory capital*'

AASB 10 *Consolidated Financial Statements* was applied by Ariadne and its Controlled Entities from 1 July 2013. AASB 10 replaces the previous guidance on control and retains the core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity. Whereas the control definition in the previous guidance focussed on 'risks and rewards', AASB 10 focuses on the combination of power, exposure to variable returns and ability to use the power to affect the returns. The application of this standard does not have a material impact on the Group's financial statements. The transitional provisions permit prior period comparatives to not be restated where the accounting outcome under the previous guidance is the same as that under AASB 10 as at the date of initial application, 1 July 2013. For all other situations, comparatives are restated retrospectively in accordance with AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors as if AASB 10 had always been applied.

# Notes to Financial Statements (Continued)

FOR THE YEAR ENDED 30 JUNE 2014

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

### (a) Basis of preparation (Continued)

AASB 11 *Joint Arrangements* provides a new definition of joint venture and joint operation and removes optionality around accounting for joint arrangements. Under AASB 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor has, rather than the legal structure of the joint arrangement. Joint ventures are defined by a right to net profit and net assets of the joint arrangement and are required to be equity accounted. Joint operations are defined by a right to assets and obligation for liabilities of the joint arrangements. The Group has assessed the impact of these standard changes and there is no change in accounting for existing arrangements for the financial year ended 30 June 2014 as a result of applying these standards. However, should any arrangements take place which change existing interests or create new interests in controlled entities, the accounting for such transactions may be different to that applied to transactions in the past.

AASB 12 *Disclosure of Interests in Other Entities* is a new disclosure standard applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. The Group has assessed the impact of the application of this new standard and within the context of 'materiality' and have disclosed the appropriate information in Note 15.

### (b) Compliance

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

### (c) Future changes

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

Affected Standards and Interpretations	Application date (reporting period commences on or after)	Application date for Group
AASB 9 'Financial Instruments', and the relevant amending standards.	1 January 2017	30 June 2018
AASB 1031 'Materiality'	1 January 2014	30 June 2015
AASB 2012-3 'Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities'	1 January 2014	30 June 2015
AASB 2013-3 'Amendments to AASB 136 – Recoverable Amount Disclosures for Non Financial Assets'	1 January 2014	30 June 2015
AASB 2013-4 'Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting'	1 January 2014	30 June 2015
AASB 2013-5 'Amendments to Australian Accounting Standards – Investment Entities'	1 January 2014	30 June 2015
AASB 2013-9 'Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments'	1 January 2014	30 June 2015
INT 21 'Levies'	1 January 2014	30 June 2015
AASB 2014-1 'Amendments to Australian Accounting Standards'	1 January 2014	30 June 2015
- Part A: 'Annual Improvements 2010-2012 and 2011-13 Cycles'	1 January 2014	30 June 2015
- Part B: 'Defined Benefit Plans: Employee Contributions (Amendments to AASB 119)'	1 January 2014	30 June 2015
- Part C: 'Materiality'	1 January 2014	30 June 2015
- Part D: 'Consequential Amendments arising from AASB 14'	1 January 2016	30 June 2017
- Part E: 'Financial Instruments'	1 January 2015	30 June 2016
Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)	1 January 2016	30 June 2017
Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)	1 January 2016	30 June 2017
IFRS 15 'Revenue from Contracts with Customers'	1 January 2017	30 June 2018

# Notes to Financial Statements (Continued)

FOR THE YEAR ENDED 30 JUNE 2014

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

### (d) Basis of consolidation

The consolidated financial statements comprise the financial statements of Ariadne and its controlled entities.

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.

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.

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.

### (e) Significant judgements and estimates

Critical accounting policies for which significant judgements, estimates and assumptions are made are as follows. 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.

Buildings have been assessed as having a useful life of 40 years and are depreciated on a straight line basis over this period. Further information is included in Note 2(j).

Management letting rights assets have been assessed as finite life intangible assets, with an estimated useful life of 40 years, and are amortised on a straight line basis over this period. Further information is included in Note 2(m).

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(j) and 2(n).

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

Details of the significant judgements and estimates made in relation to the treatment of available income tax losses have been disclosed in Note 5. A number of leases have contract modifications which result in substantive changes to the lease term or lease payments. The assessment of what constitutes substantive changes requires the exercise of management judgement. When there are substantive changes, management consider that accounting treatment is such that a new lease has been entered into and therefore accounts for this in accordance with the requirements of accounting standards. Further information is included in Note 2(v).

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) Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under AASB 3 Business Combinations are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 Non-current Assets Held for Sale and Discontinued Operations, which are recognised and measured at fair value less costs to sell. Any acquisition related costs are accounted for separately from the business combination and recognised as an expense in profit or loss as incurred.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at fair value or at the non-controlling interests' proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Non-controlling interests in the net assets (excluding goodwill) of consolidated controlled entities are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination valued under the cost method and the non-controlling interests' share of changes in equity since the date of the combination. Losses applicable to the non-controlling interest in excess of the non-controlling interest's interest in the controlled entities' equity are allocated against the interests of the Group except to the extent that the non-controlling interest has a binding obligation and is able to make an additional investment to cover the losses.

# Notes to Financial Statements (Continued)

FOR THE YEAR ENDED 30 JUNE 2014

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

### (g) Investments in joint ventures and associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with AASB 5 Non-current Assets Held for Sale and Discontinued Operations.

Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture. An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture.

The requirements of AASB 139 Financial Instruments: Recognition and Measurement are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with AASB 136 Impairment of Assets ("AASB 136") as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with AASB 136 to the extent that the recoverable amount of the investment subsequently increases.

### (h) 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 ruling 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.

### (i) 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.

# Notes to Financial Statements (Continued)

FOR THE YEAR ENDED 30 JUNE 2014

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

### (j) Property, plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any impairment in value.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

- Buildings – 40 years
- Plant and equipment – 2 to 10 years
- Leasehold improvements – 3 to 10 years

### Impairment

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset.

### (k) Borrowing costs

Unless incurred during the development phase of a property development, borrowing costs are recognised as an expense when incurred. Borrowing costs incurred during development of properties are deferred on the Balance Sheet and carried as a cost of inventory.

### (l) Goodwill

Goodwill on acquisition is initially measured at cost, being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. As at the acquisition date, any goodwill acquired is allocated to each of the cash-generating units expected to benefit from the combination's synergies.

Goodwill is not amortised. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

### (m) Intangible assets

#### Acquired both separately and via business combination

Intangible assets including licences acquired separately are capitalised at cost and via business combination are capitalised at fair value as at the date of acquisition. Intangible assets, excluding development costs, which are created within the business are not capitalised. Such expenditure is charged against profits in the period in which it is incurred. Following initial recognition, the cost model is applied to the class of intangible assets.

The useful lives of intangible assets are assessed to be either finite or indefinite. Amortisation is charged on assets with finite lives, with the charge being recorded in the Statement of Comprehensive Income as amortisation expense. Intangible assets are tested for impairment where an indicator of impairment exists.

Useful lives are examined on an annual basis and where applicable, adjustments are made on a prospective basis. Additional details applicable to the Group's intangible assets are as follows:

#### Licences

Useful lives	Finite – period of licence
Method used	Straight line
Internally generated / acquired	Acquired
Impairment test / recoverable amount testing	Where indicators of impairment exist.

#### Management letting rights assets

Useful lives	Finite – 40 years
Method used	Straight line
Internally generated / acquired	Acquired
Impairment test / recoverable amount testing	Where indicators of impairment exist.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the Statement of Comprehensive Income when the asset is derecognised.



# Notes to Financial Statements (Continued)

FOR THE YEAR ENDED 30 JUNE 2014

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

### (n) 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. Gains or losses on available-for-sale investments are recognised as a separate component of equity until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the Statement of Comprehensive Income.

### (o) Investments

All investments are initially recognised at cost, being the fair value of the consideration given and including acquisition charges associated with the investment. After initial recognition, investments, which are classified as held for trading and available-for-sale, are measured at fair value. Gains or losses on investments held for trading are recognised in the Statement of Comprehensive Income.

Gains or losses on available-for-sale investments are recognised as a separate component of equity until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the Statement of Comprehensive Income.

Other long-term investments that are intended to be held-to-maturity are measured at amortised cost using the effective interest method.

Amortised cost is calculated by taking into account any discount or premium on acquisition, over the period to maturity.

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.

For investments that are actively traded in organised financial markets, fair value is determined by reference to quoted market bid prices at the close of business on the Balance Sheet date.

For investments where there is no quoted market price, fair value is determined with reference to the current market value of another instrument which is substantially the same, or is calculated based on the expected cash flows of the underlying net asset base of the investment.

### (p) Inventories

Inventories, consisting primarily of property development projects, are carried in the financial statements at the lower of cost and net realisable value. Costs associated with the acquisition and development of property development projects are capitalised.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

### (q) 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 when collection of the full amount is no longer probable. Bad debts are written off when identified.

### (r) Cash and cash equivalents

Cash and short-term deposits in the Balance Sheet comprise cash at bank and in hand and short-term deposits which are readily convertible to known amounts of cash and are subject to an insignificant change in value.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

### (s) Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowing.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

Gains and losses are recognised in the Statement of Comprehensive Income when the liabilities are derecognised and as well as through the amortisation process.

# Notes to Financial Statements (Continued)

FOR THE YEAR ENDED 30 JUNE 2014

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

### (t) 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.

### (u) 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 shares in Ariadne ("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.

### (v) Leases

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

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

Capitalised leased assets are depreciated over their estimated useful life.

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

# Notes to Financial Statements (Continued)

FOR THE YEAR ENDED 30 JUNE 2014

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

### (w) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

#### Rental and letting income

Rental and letting income is recognised on a straight-line basis over the term of the relevant lease. Rental revenue from the operation of serviced apartments is recognised as income in the period in which the service or accommodation is provided. Car parking and marina revenue is recognised when earned.

#### Sale of property

Revenue is recognised when the significant risks and rewards of ownership of the property have passed to the buyer and can be measured reliably. Risks and rewards of ownership may be passed on transfer of legal title or when managerial involvement and control is no longer retained.

#### 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.

### (x) Income tax

Deferred income tax is provided on all 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.

# Notes to Financial Statements (Continued)

FOR THE YEAR ENDED 30 JUNE 2014

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

### (y) 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.

### (z) 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.

### (aa) Employee benefits

Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave and long service leave.

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.

### (bb) 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. The fair value of stock call options is determined using a binomial model, taking into consideration such variables as the projected risk free interest rate, observable quoted underlying asset prices, the underlying assets volatility time to expiry and the vesting period.

For the purpose of hedge accounting, hedges are classified as cash flow hedges when they hedge the exposure to variability in cash flows that is attributable either to a particular risk associated with a recognised asset or liability or to a forecast transaction.

### Cash flow hedges

Cash flow hedges are hedges of exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability that is a firm commitment and that could affect profit or loss. The effective portion of the gain or loss on the hedging instrument is recognised directly in equity, while the ineffective portion is recognised in profit or loss.

The Group tests each of the designated cash flow hedges for effectiveness at the end of each period. For interest rate cash flow hedges, any ineffective portion is taken to the Statement of Comprehensive Income. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked (due to it being ineffective), amounts previously recognised in equity remain in equity until the forecast transaction occurs.

# Notes to Financial Statements (Continued)

FOR THE YEAR ENDED 30 JUNE 2014

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

### (cc) 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;
- 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.

## 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 accounting policies are the same as the consolidated entity's policies described in Note 2.

### 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 Ariadne, as well as the Group's share of results from Secure Kings Unit Trust. The property division includes all results derived from property, marina and accommodation services assets held by the Group, either directly or through joint venture entities or joint venture operations.

The consolidated entity's operations are located in Australasia.

### Major customers

The Group has a large number of customers to which it provides both products and services. The Group does not rely on any single customer for a significant portion of revenues.

## Notes to Financial Statements (Continued)

FOR THE YEAR ENDED 30 JUNE 2014

### 3. SEGMENT INFORMATION (Continued)

#### Reportable segment information

	INVESTMENTS		CAR PARKING		PROPERTY		UNALLOCATED ITEMS		ELIMINATIONS		TOTAL FOR THE GROUP	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
<b>Revenue and Result</b>												
Revenue from external customers	—	—	10,170	11,793	13,998	16,314	—	—	—	—	24,168	28,107
Interest income	369	643	—	3	818	402	—	—	—	—	1,187	1,048
Dividend income	459	635	—	—	—	—	—	—	—	—	459	635
Other income	8	66	—	—	—	—	352	320	—	—	360	386
Inter-segment	—	—	—	—	—	—	280	380	(280)	(380)	—	—
Net gain / (loss) on held for trading financial assets	(222)	843	—	—	—	—	—	—	—	—	(222)	843
Net gain on disposal of non-current assets	—	—	—	—	1,611	—	—	—	—	—	1,611	—
Share of profit/ (loss) of associates	2,629	2,598	4,117	4,058	779	817	—	—	—	—	7,525	7,473
Total segment revenue	3,243	4,785	14,287	15,854	17,206	17,533	632	700	(280)	(380)	35,088	38,492
Net profit/ (loss) for the year after income tax	2,643	4,169	4,513	4,982	1,787	(845)	(1,695)	(4,485)	—	—	7,248	3,821
<b>Assets</b>												
Equity accounted investments included in segment assets	9,290	9,176	10,207	9,906	4,474	3,244	—	—	—	—	23,971	22,326
Other assets	40,340	30,752	1,393	1,437	17,280	25,601	10,025	8,535	—	(59)	69,038	66,266
Total assets	49,630	39,928	11,600	11,343	21,754	28,845	10,025	8,535	—	(59)	93,009	88,592
<b>Other segment information</b>												
Depreciation and amortisation	2	—	49	202	1,024	937	141	224	—	—	1,216	1,363
Finance costs	12	2	3	1	437	638	16	12	—	—	468	653
Impairment provisions	—	30	—	—	677	507	—	—	—	—	677	537
Net movement in fair value of available-for-sale financial assets	3,774	2,204	—	—	—	—	—	—	—	—	3,774	2,204
Segment liabilities	81	263	23	209	3,770	7,436	738	1,008	—	(59)	4,612	8,857
Capital expenditure	—	—	21	—	69	173	9	122	—	—	99	295

# Notes to Financial Statements (Continued)

FOR THE YEAR ENDED 30 JUNE 2014

## 3. SEGMENT INFORMATION (Continued)

	GROUP	
	2014	2013
Notes	\$'000	\$'000
<b>Reconciliation of revenue from external customers</b>		
Rental and letting income	23,042	26,952
Sale of goods	1,126	1,155
	<b>24,168</b>	<b>28,107</b>
<b>Breakdown of unallocated revenue</b>		
Corporate management fees	280	380
Other unallocated income	352	320
	<b>632</b>	<b>700</b>
<b>Breakdown of unallocated net (loss) for the year after tax</b>		
Corporate employee and director expenses	(2,940)	(3,134)
Corporate overhead costs	(1,823)	(2,051)
Income tax benefit	2,436	—
Unallocated revenue	632	700
	<b>(1,695)</b>	<b>(4,485)</b>
<b>Breakdown of unallocated assets</b>		
Deferred tax asset	8,741	6,305
Corporate property plant and equipment	128	260
Other corporate assets	1,156	1,970
	<b>10,025</b>	<b>8,535</b>
<b>Breakdown of unallocated liabilities</b>		
Trade creditors and accruals	258	454
Other corporate liabilities	480	554
	<b>738</b>	<b>1,008</b>

# Notes to Financial Statements (Continued)

FOR THE YEAR ENDED 30 JUNE 2014

## 4. REVENUES AND EXPENSES

### Revenue and Expenses from Continuing Operations

	GROUP	
Notes	2014 \$'000	2013 \$'000
<b>(a) Other income</b>		
Net gain/(loss) on held for trading financial assets	(222)	843
Net gain on disposal of non-current assets	1,611	—
Other income	360	386
	<b>1,749</b>	<b>1,229</b>
<b>(b) Depreciation and amortisation</b>		
<i>Depreciation of non-current assets</i>		
Buildings	66	82
Plant and equipment	453	538
Leasehold improvements	118	186
Total depreciation of non-current assets	<b>637</b>	<b>806</b>
<i>Amortisation of non-current assets</i>		
Intangible assets	579	557
Total amortisation of non-current assets	<b>579</b>	<b>557</b>
	<b>1,216</b>	<b>1,363</b>
<b>(c) Employee benefits expense</b>		
Wages and salaries	4,398	4,858
Workers compensation costs	26	35
Annual leave provision	67	135
Long service leave provision	54	30
Superannuation	321	346
Payroll tax	174	214
Fringe benefits tax	29	33
Share-based payment expense	—	52
	<b>5,069</b>	<b>5,703</b>
<b>(d) Impairment provisions</b>		
Intangible assets	259	485
Buildings	50	—
Trade and other receivables	368	—
Investments	—	52
	<b>677</b>	<b>537</b>



# Notes to Financial Statements (Continued)

FOR THE YEAR ENDED 30 JUNE 2014

## 5. INCOME TAX

### (a) Income tax expense/(benefit) reconciliation

A reconciliation between income tax expense and the product of accounting profit before income tax multiplied by the Group's applicable income tax rate is as follows:

Notes	GROUP	
	2014 \$'000	2013 \$'000
Group accounting profit before income tax	4,812	3,821
At the Group's statutory income tax rate of 30% (2013: 30%)	1,444	1,146
Permanent differences	(1,196)	(1,033)
Other movements	841	289
Prior year under provision	(57)	(47)
Benefit of tax losses recognised /(recouped)	(1,032)	(355)
Deferred tax asset relating to tax losses not previously brought to account	(2,436)	—
Income tax expense/(benefit) reported in the Statement of Comprehensive Income	(2,436)	—

### (b) Recognised deferred tax balances

Deferred tax assets/(liabilities) comprises:

Tax losses - revenue	6,305	6,305
Tax losses - capital	2,436	—
Temporary differences	(2,436)	—
Net deferred tax asset	6,305	6,305
Opening temporary differences	—	—
Movement in temporary difference:		
Available-for-sale financial assets	(2,436)	—
Closing temporary differences	(2,436)	—

### (c) Unrecognised deferred tax balances

Deferred tax assets comprises:

Tax losses - revenue	17,711	18,261
Tax losses - capital	41,691	45,650
Net deferred tax asset	59,402	63,911

Ariadne and its 100% owned Australian resident subsidiaries are part of a tax consolidated group where Ariadne is the head. Ariadne currently has significant carried forward income tax and capital losses that are available to offset future taxable profits. At 30 June 2014, these are estimated at \$80,053 (2013: \$81,887) and \$147,091 (2013: \$152,167) 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 three years, and confirmed the likelihood of these income tax losses continuing to be available to offset future taxable income. As such, a deferred tax asset of \$6,305 (2013: \$6,305), equal to the tax payable on this base level taxable profit, has been recorded on the Balance Sheet.

A deferred tax asset for the balance of tax losses incurred by the Group has not been recognised at reporting date, as realisation of the benefit is not regarded as probable. The deferred tax asset solely arising from income tax losses of the Group not recognised at reporting date is \$17,711 (2013: \$18,261). The value of this deferred tax asset will only be realised if:

- (a) future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised; and
- (b) the conditions for deductibility imposed by tax legislation continue to be complied with; and
- (c) no changes in tax legislation adversely affect the consolidated entity in realising the benefit.

The Board has concluded that there is not sufficient evidence to estimate future capital gains and losses other than those non-current assets which are carried at fair value under accounting standards. As such, a deferred tax asset of \$2,436 (2013: Nil), equal to the deferred tax liability on the temporary differences of available-for-sale financial assets, has also been recorded on the Balance Sheet.

# Notes to Financial Statements (Continued)

## FOR THE YEAR ENDED 30 JUNE 2014

### 6. EARNINGS PER SHARE

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

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

Notes	GROUP	
	2014 \$'000	2013 \$'000
The following reflects the income and share data used in the calculations of basic and diluted earnings per share:		
Net profit attributable to members	6,260	2,850
Earnings used in calculating basic and diluted earnings per share	6,260	2,850
Weighted average number of ordinary shares used in calculating basic earnings per share:	204,380,463	204,380,463
<b>Effect of dilutive securities:</b>		
Share options	—	—
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share	204,380,463	204,380,463
Basic earnings per share (cents per share)	3.06	1.39
Diluted earnings per share (cents per share)	3.06	1.39

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

<b>Dividends paid during the year:</b>		
Final partially franked (20%) dividend of 0.5 cents per share (2012: unfranked 0.5 cents)	1,022	1,022
Interim partially franked (40%) dividend of 0.5 cents per share (2013: unfranked 0.5 cents)	1,022	1,022
	2,044	2,044
<b>Dividends proposed:</b>		
Final partially franked (40%) dividend of 0.5 cents per share, (2013: 20% franked 0.5 cents)	1,022	1,022

As the final dividend for 2014 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 \$258 (2013: \$329). The final dividend for 2014 is 40% franked (2013: 20% franked) utilising \$175 from this balance.

#### Conduit Foreign Income Account

For the 2014 final dividend, 60% of the dividend is sourced from Ariadne's Conduit Foreign Income Account (2013: 80%). As a result, 60% of the final dividend paid to a non-resident shareholder will not be subject to Australian withholding tax.

### 8. CASH AND CASH EQUIVALENTS

Cash at call	16,069	11,618
Cash on term deposit	233	2,225
	16,302	13,843

# Notes to Financial Statements (Continued)

FOR THE YEAR ENDED 30 JUNE 2014

## 9. TRADE AND OTHER RECEIVABLES (CURRENT)

	Notes	2014 \$'000	GROUP 2013 \$'000
Trade receivables	(i)	815	1,046
<i>Related party receivables:</i>			
Associates		1,503	1,977
Provisions	(ii)	(821)	(453)
Other receivables		289	495
		<b>1,786</b>	<b>3,065</b>
<i>Reconciliation of amounts provided against related party receivables:</i>			
Opening balance		(453)	(400)
Arising during the year		(368)	(53)
Utilised or reversed		—	—
Closing balance		<b>(821)</b>	<b>(453)</b>

(i) Trade receivables are non-interest bearing and are generally on 30-day terms. An allowance for doubtful debts is made when there is objective evidence that a trade receivable is impaired. An allowance of \$15 (2013: \$19) has been recognised as an expense for which such evidence exists.

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

(ii) An allowance for diminution of \$821 (2013: \$453) has been recognised against current receivables from associates. The amount of the allowance/impairment loss is measured as the difference between the carrying amount of the receivables and the estimated future cash flows expected to be received.

## 10. INVENTORIES

<i>Interest in development properties</i>			
Opening property development inventories		3,480	3,458
Development costs capitalised		35	22
Partial divestment of marina development property		(57)	—
Total property development inventories at the lower of cost and net realisable value		<b>3,458</b>	<b>3,480</b>
Other inventories		53	49
Total inventories at the lower of cost and net realisable value		<b>3,511</b>	<b>3,529</b>

Inventory with a carrying value of \$3,458 (2013: \$3,423), forming part of the total inventory balance above has been pledged as direct security for borrowings. Borrowings are for property activities to which the inventories specifically relate. Total Group borrowings for which inventories have been pledged as security amounts to \$1,590 (2013: \$1,590).

## 11. OTHER CURRENT ASSETS

Held for trading financial assets		1,672	3,534
Prepayments and other assets		744	1,195
		<b>2,416</b>	<b>4,729</b>

## 12. RECEIVABLES (NON-CURRENT)

<i>Related entity loans and advances</i>			
Associate		8,400	7,948
		<b>8,400</b>	<b>7,948</b>

The loan to an associate is directly supported by the assets of the associate and is secured behind the associate's primary lender.

# Notes to Financial Statements (Continued)

FOR THE YEAR ENDED 30 JUNE 2014

## 13. OTHER FINANCIAL ASSETS

	Notes	GROUP	
		2014 \$'000	2013 \$'000
Available-for-sale financial assets		25,554	14,592
		25,554	14,592

## 14. CONTROLLED ENTITIES

NAME	Place of incorporation	PERCENTAGE OF EQUITY HELD BY THE GROUP	
		2014	2013
Ariadne Administration Pty Ltd	QLD	100	100
Ariadne Capital Pty Ltd	QLD	100	100
Ariadne Holdings Pty Ltd	ACT	100	100
Ariadne Investment Holdings Pty Ltd	QLD	100	100
Ariadne Marinas Oceania Pty Ltd	QLD	100	100
Ariadne Properties Pty Ltd	QLD	100	100
Ariadne Property Investments Pty Ltd	QLD	100	100
AS Strata Services Unit Trust	QLD	100	100
Australian Calcium Industries Pty Ltd	QLD	100	100
Batemans Bay Marina Developments Pty Ltd	QLD	100	100
Freshxtend International Pty Ltd	QLD	53	54
Freshxtend Technologies Corp	CAD	53	54
Impala Pacific Corporation Ltd	HK	100	100
Kings Parking (NSW) Pty Ltd	QLD	100	100
Kings Parking Corporate Pty Ltd	QLD	100	100
Kings Queensland Pty Ltd	QLD	100	100
Mekmere Pty Ltd	QLD	100	100
Memvale Pty Ltd	QLD	100	100
Pacific Rim Foods Inc	CAD	53	54
Pacific Rim Marketing Limited	AIA	53	54
Peramist Pty Ltd	QLD	100	100
Periman Pty Ltd	QLD	100	100
Portfolio Services Pty Ltd	QLD	100	100
StayMint Pty Ltd	QLD	100	100
Valjul Pty Ltd	QLD	100	100
<b>Entities partially divested during the financial year</b>			
Batemans Bay Marina Pty Ltd	QLD	50	100
Batemans Bay Marina Unit Trust	QLD	50	100
<b>Entities deregistered during the financial year</b>			
Adnam Pty Ltd	QLD	-	100
Ariadne Infrastructure Projects 1 Unit Trust	QLD	-	100
Atarc Pty Ltd	QLD	-	100
Brunmere Pty Ltd	QLD	-	100
Climate Connection Pty Ltd	QLD	-	100
Enallage Pty Ltd	QLD	-	100
Montbar Pty Ltd	QLD	-	100
New York Enterprises Pty Ltd	QLD	-	100
Revmist Pty Ltd	QLD	-	100

# Notes to Financial Statements (Continued)

FOR THE YEAR ENDED 30 JUNE 2014

## 15. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

### (a) Details of the Group's investment in joint ventures and associates

Name	Principal activity	Place of incorporation	Proportion of ownership interest and voting power held by the Group	
			2014	2013
Secure Kings Unit Trust	Car parking	NSW	50%	50%
Orams NZ Unit Trust	Marina management	QLD	50%	50%
NatureSeal Inc	Food life extension technology	US	17%	17%
AgriCoat NatureSeal Ltd	Food life extension technology	UK	17%	17%
Mamre Road Unit Trust	Logistics infrastructure development	NSW	50%	50%
Modular Hotels Unit Trust	Property development	NSW	50%	50%
Lake Gold Pty Ltd	Dormant	QLD	50%	50%
<b>Entities partially divested during the financial year</b>				
Batemans Bay Marina Unit Trust	Marina management and development	NSW	50%	100%
<b>Entities deregistered during the financial year</b>				
Coolum Caravan Park Joint Venture	Property development	QLD	-	50%
Skyline Joint Venture	Property development	QLD	-	50%

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

Secure Kings Unit Trust	Notes	GROUP	
		2014 \$'000	2013 \$'000
Revenue		249,923	255,579
Profit		8,234	8,116
Share of profit at 50%		4,117	4,058
Current assets		46,675	49,447
Non-Current asset		32,459	33,019
Current liability		41,952	43,375
Non-Current liabilities		17,302	19,972
Net assets		19,880	19,119

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

Balance at the beginning of the financial year	22,326	20,785
Share of joint ventures' and associates' profits for the financial year	7,525	7,473
Share of joint ventures' and associates' reserves	641	348
Investment in joint ventures and associates	135	-
Provisions	-	30
Distributions received	(6,656)	(6,310)
Carrying amount of investment in joint ventures and associates at the end of the financial year	23,971	22,326

The Group's share of joint ventures' and associates' commitments and contingent liabilities is disclosed in Note 24.

## Notes to Financial Statements (Continued)

FOR THE YEAR ENDED 30 JUNE 2014

### 16. PROPERTY, PLANT AND EQUIPMENT

	Notes	GROUP 2014 \$'000	2013 \$'000
<i>Buildings</i>			
Cost		1,485	2,260
Accumulated depreciation and impairment		(141)	(68)
Net carrying amount		1,344	2,192
<i>Plant and equipment</i>			
Cost		1,623	3,608
Accumulated depreciation and impairment		(1,251)	(1,760)
Net carrying amount		372	1,848
<i>Leasehold improvements</i>			
Cost		817	1,084
Accumulated depreciation and impairment		(740)	(655)
Net carrying amount		77	429
Total property, plant and equipment - net carrying amount		1,793	4,469
<b>Reconciliations</b>			
<i>Buildings</i>			
At 1 July, net of accumulated depreciation and impairment		2,192	3,110
Additions		—	—
Impairment		(50)	(22)
Disposals		(732)	(814)
Depreciation		(66)	(82)
At 30 June, net of accumulated depreciation and impairment		1,344	2,192
<i>Plant and equipment</i>			
At 1 July, net of accumulated depreciation and impairment		1,848	2,178
Additions		99	209
Disposals		(1,122)	(9)
Depreciation		(453)	(530)
At 30 June, net of accumulated depreciation and impairment		372	1,848
<i>Leasehold Improvements</i>			
At 1 July, net of accumulated depreciation and impairment		429	529
Additions		—	86
Disposals		(234)	—
Depreciation		(118)	(186)
At 30 June, net of accumulated depreciation and impairment		77	429

# Notes to Financial Statements (Continued)

FOR THE YEAR ENDED 30 JUNE 2014

## 17. INTANGIBLE ASSETS

	Notes	2014 \$'000	GROUP 2013 \$'000
<i>Investment in management letting rights</i>			
Cost (gross carrying amount)		3,815	8,149
Accumulated amortisation and impairment		(844)	(363)
Net carrying amount		2,971	7,786
Total intangibles - net carrying amount		2,971	7,786
<b>Reconciliations</b>			
<i>Investment in management letting rights</i>			
At 1 July, net of accumulated amortisation and impairment		7,786	12,165
Additions		233	256
Impairment		(259)	(485)
Disposal		(4,210)	(3,733)
Amortisation		(579)	(417)
At 30 June, net of accumulated amortisation and impairment		2,971	7,786

The investment in management letting rights ("MLR") relates to the Group's ownership of one (2013: two) MLR based in Queensland. The intangible assets have been assessed as having a finite life and are amortised using the straight-line method over a period of 40 years. If an impairment indicator arises, the recoverable amount is estimated and an impairment loss recognised to the extent that the carrying amount exceeds the asset's recoverable amount.

## 18. TRADE AND OTHER PAYABLES

<b>Current</b>			
Trade creditors and accruals		46	461
Other creditors		1,201	1,722
		1,247	2,183

## 19. INTEREST BEARING LOANS AND BORROWINGS

<b>Current and non-current</b>			
<i>Secured:</i>			
Interest bearing facilities – current		2,590	5,456
Interest bearing facilities – non current		250	723
		2,840	6,179

Interest bearing facilities are provided by external financial institutions. These facilities are secured against the assets to which they relate and guaranteed by Ariadne. During the period the Group partly repaid a finance facility and fully repaid a finance lease arrangement following the sale of two accommodation services properties. A \$1,590 advance facility is repayable 30 October 2014 and is likely to be extended for a further 12 months on similar terms. A further \$1,250 advance facility is repayable over 18 months.

## Notes to Financial Statements (Continued)

FOR THE YEAR ENDED 30 JUNE 2014

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

#### Financing facilities available

The Group's financing facilities predominantly relate to property activities. At balance sheet date, the following financing facilities were available:

	Notes	GROUP	
		2014 \$'000	2013 \$'000
<b>Total facilities</b>			
- bank loans and lease facilities		2,840	6,640
- other facilities not recorded on the Group's Balance Sheet		1,060	4,305
<b>Facilities used at reporting date</b>			
- bank loans and lease facilities		2,840	6,179
- other facilities not recorded on the Group's Balance Sheet		461	3,706
<b>Facilities unused at reporting date</b>			
- bank loans and lease facilities		—	461
- other facilities not recorded on the Group's Balance Sheet		599	599

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

### 20. PROVISIONS

	Lease liabilities \$'000	Employee benefits \$'000	Total for the Group \$'000
As at 1 July 2013	3	492	495
Arising during the year (Utilised)	58	152	210
	—	(180)	(180)
At 30 June 2014	61	464	525
Current 2014	—	389	389
Non-current 2014	61	75	136
	61	464	525
Current 2013	—	462	462
Non-current 2013	3	30	33
	3	492	495



## Notes to Financial Statements (Continued)

FOR THE YEAR ENDED 30 JUNE 2014

### 21. CONTRIBUTED EQUITY AND RESERVES

#### (a) Ordinary Ariadne shares on issue

Notes	2014		2013	
	Number of shares	\$'000	Number of shares	\$'000
At beginning of the financial year	204,380,463	382,842	204,380,463	382,842
Movements during the year	—	—	—	—
Balance at financial year end	204,380,463	382,842	204,380,463	382,842

Ordinary shares have the right to receive dividends as declared and, in the event of winding up Ariadne, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held.

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

#### (b) Share Options

	GROUP	
	2014 Number of options	2013 Number of options
Employee options over ordinary shares in Ariadne:		
At beginning of the financial year	1,500,000	2,675,000
Movements during the year	—	(1,175,000)
Balance at financial year end	1,500,000	1,500,000

Each option entitles the holder to purchase one ordinary share in Ariadne. In accordance with the terms and conditions, options either lapse, expire on cessation of employment in the event where vesting conditions have not yet been met or expire 3 months after cessation of employment where vesting conditions had previously been met. Details of terms and conditions of the options are set out in the Remuneration Report.

#### (c) Reserves

	Share options reserve	Available for sale reserve	Cash Flow hedge reserve	Foreign currency translation reserve	Profits reserve	Capital profits reserve	Total for Ariadne
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>At 1 July 2012</b>	258	(294)	—	(546)	6,044	2,955	<b>8,417</b>
Current year profits carried to profit reserve	—	—	—	—	8,280	—	<b>8,280</b>
Dividends	—	—	—	—	(2,044)	—	<b>(2,044)</b>
Transfer to accumulated losses	(197)	—	—	—	—	—	<b>(197)</b>
Other movements	52	2,204	—	313	—	—	<b>2,569</b>
<b>At 30 June 2013</b>	<b>113</b>	<b>1,910</b>	<b>—</b>	<b>(233)</b>	<b>12,280</b>	<b>2,955</b>	<b>17,025</b>
Current year profits carried to profit reserve	—	—	—	—	7,405	—	<b>7,405</b>
Dividends	—	—	—	—	(2,044)	—	<b>(2,044)</b>
Deferred tax liability	—	(2,436)	—	—	—	—	<b>(2,436)</b>
Other movements	—	6,210	(38)	493	—	—	<b>6,665</b>
<b>At 30 June 2014</b>	<b>113</b>	<b>5,684</b>	<b>(38)</b>	<b>260</b>	<b>17,641</b>	<b>2,955</b>	<b>26,615</b>

# Notes to Financial Statements (Continued)

FOR THE YEAR ENDED 30 JUNE 2014

## 21. CONTRIBUTED EQUITY AND RESERVES (Continued)

### (c) Reserves (Continued)

#### Nature and purpose of reserves

##### Share options reserve

The share options reserve records the value of equity benefits outstanding, provided to employees and Directors as part of their remuneration.

##### Available for sale reserve

The available for sale reserve records the Group's share of movements in the fair value of available-for-sale financial assets net of tax.

##### Cash Flow hedge reserve

The cash flow hedge reserve records the share of the Group's effective hedging strategy on hedging instruments against hedged risks.

##### 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.

##### 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 2014 amount carried to profit reserve (in accordance with a resolution of directors) of \$7,405 (2013: \$8,280) includes an amount of \$3,369 (2013: \$4,323) relating to subsidiary entities and is not available for distribution as frankable dividends to the equity holders of Ariadne at 30 June 2014.

##### Capital profits reserve

The capital profits reserve is used to accumulate realised capital profits. The reserve can be used to pay dividends or issue bonus shares.

### (d) Accumulated losses

	Notes	GROUP	
		2014 \$'000	2013 \$'000
Opening balance		(324,363)	(319,130)
Profit / (loss) not carried to profit reserve		(1,145)	(5,430)
Equity transactions with non-controlling interests		(67)	—
Transfers from reserves		—	197
Closing balance		(325,575)	(324,363)

# Notes to Financial Statements (Continued)

FOR THE YEAR ENDED 30 JUNE 2014

## 22. CASH FLOW STATEMENT RECONCILIATION

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

	Notes	GROUP	
		2014 \$'000	2013 \$'000
Net profit after tax		7,248	3,821
<i>Adjustments for:</i>			
Net gain on disposal of non-current assets	4(a)	(1,611)	—
Depreciation and amortisation of non-current assets	4(b)	1,216	1,363
Share options expense	4(c)	—	52
Impairments	4(d)	677	537
Share of profits of joint ventures and associates	15(c)	(7,525)	(7,473)
Distributions from joint ventures and associates	15(c)	6,656	6,310
Income tax benefit		(2,436)	—
<i>Transfers to/(from) provisions:</i>			
Lease liabilities	20	58	3
Employee entitlements	20	(28)	106
Directors retirements	20	—	(737)
<i>Changes in assets and liabilities:</i>			
(Increase)/decrease in trade and other receivables		(124)	(200)
(Increase)/decrease in inventory	10	18	(10)
(Increase)/decrease in held for trading financial assets	11	1,862	(2,652)
(Increase)/decrease in prepayments	11	451	(31)
(Decrease)/increase in payables and accruals		(1,483)	6
Net cash from operating activities		4,979	1,095

## 23. 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 23(d) and Note 23(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 to the financial statements.

### (b) Interest rate risk

The Group's exposure to the risk of changes in market interest rates primarily affects cash on deposit. 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.

# Notes to Financial Statements (Continued)

FOR THE YEAR ENDED 30 JUNE 2014

## 23. FINANCIAL INSTRUMENTS (Continued)

### (b) Interest rate risk (Continued)

At balance date, the Group had the following mix of financial assets and liabilities exposed to Australian variable interest rate risk:

	Notes	GROUP	
		2014 \$'000	2013 \$'000
<b>Financial Assets</b>			
Cash and cash equivalents		16,302	13,843
Related party loans		8,400	7,653
Other loans		158	317
Total financial assets exposed to interest rate risk		24,860	21,813
<b>Financial Liabilities</b>			
Advanced facilities and commercial bills		2,840	6,179
Total financial liabilities exposed to interest rate risk		2,840	6,179
Net exposure		22,020	15,634

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)	
	2014 \$'000	2013 \$'000
<b>Ariadne Group</b>		
+1% (100 basis points)	156	142
- 1% (100 basis points)	(156)	(142)

The movement in profit is due to higher / lower interest rates from variable rate cash deposits and debt.

The estimated effect on Group profit that would arise as a result of a change to variable rates as disclosed above reflects the net cash position of the Group throughout the year.

### (c) Foreign currency risk

As at 30 June 2014, 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 equity securities. Equity securities are held for both strategic and trading purposes. All listed securities are remeasured to fair values using Level 1 inputs as determined by reference to the quoted market close price at balance date.

At reporting date, the exposure to listed equity securities is \$27,225 (2013: \$18,126). If the price of listed equity securities had been 10% higher or lower at balance date, the Group would be impacted through income or equity by \$2,723 higher/lower (2013: \$1,813). The Group's sensitivity to price risk has increased during the year, as a result of an increase in the size of the equity portfolio.

### (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 deposits.

Management has credit policies in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all counterparties and customers requiring material credit amounts. Credit risk is spread across counterparties when possible, and where appropriate collateral and other guarantees in respect of financial assets are required.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the Balance Sheet.

There are no receivables as at the reporting date that management considered unlikely to be recoverable and no material receivables are past due that have not already been provided for in Note 9.

# Notes to Financial Statements (Continued)

FOR THE YEAR ENDED 30 JUNE 2014

## 23. FINANCIAL INSTRUMENTS (Continued)

### (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.

	Notes	GROUP	
		2014 \$'000	2013 \$'000
<b>Financial liabilities due within</b>			
6 months or less		3,274	4,186
6 – 12 months		502	3,214
1 – 5 years		250	723
Total financial liabilities exposed to liquidity risk		4,026	8,123

### (g) Fair values

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

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

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

#### Cash

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

#### Investments

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

#### Trade and sundry debtors

The carrying amount approximates fair value.

#### Accounts payable

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

#### Loans to and from related parties

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

#### Advance facilities

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

## Notes to Financial Statements (Continued)

FOR THE YEAR ENDED 30 JUNE 2014

### 24. COMMITMENTS AND CONTINGENCIES

#### (a) Lease commitments

Notes	GROUP	
	2014 \$'000	2013 \$'000
<b>(i) Operating leases (non-cancellable) – Group as lessee:</b>		
Minimum lease payments		
➤ not later than one year	60,732	75,382
➤ later than one year and not later than five years	116,297	139,474
➤ later than five years	53,389	90,114
Aggregate lease expenditure contracted for at reporting date	230,418	304,970

The Group, its joint ventures and its associates enter into operating leases as a means of acquiring access to car parks, marinas and accommodation services properties. 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 \$198,855 (2013: \$221,226).

<b>(ii) Operating leases (non-cancellable) – Group as lessor:</b>		
Minimum lease receipts		
➤ not later than one year	1,316	459
➤ later than one year and not later than five years	1,953	742
➤ later than five years	133	105
Aggregate lease income contracted for at reporting date	3,402	1,306

The Group, its joint ventures and its associates enters into operating leases as a means of securing long term commercial tenants. The Group's share of lease commitments of its combined interests in joint ventures and associates included above is \$1,925.

#### (b) Contingent liabilities and guarantees

##### Controlled entities and associates

Ariadne has given guarantees and indemnities in relation to the borrowings and performance of several of its controlled and joint venture entities under agreements entered into by those entities.

The guarantees provided on behalf of joint ventures and associates for finance facilities are as follows:

Secure Kings Unit Trust	29,073	29,073
-------------------------	--------	--------

All borrowings are directly supported by assets in the entities on behalf of which these guarantees and indemnities have been provided. Ariadne is therefore of the view that the risk of the Group being called upon to fulfil any guarantee obligations is minimal and the fair value of the guarantees is not considered to be material.

The assets provided by Secure Kings Unit Trust as security in relation to its finance facilities are sufficient to meet its obligations and include cash on deposit with a facility provider that totalled \$9,470 as at 30 June 2014 (2013: \$9,901).

Details of finance facilities for the controlled entities are included in Note 19. Ariadne has guaranteed the borrowing obligation under these facilities.

In addition to guarantees relating to financing, Ariadne has provided guarantees on behalf of a joint venture for development works. Although Ariadne's liability is capped at \$4,500 (2013: \$4,000), Ariadne's joint venture partner has provided an indemnity for \$2,250.

Certain entities in the Group are party to various legal actions and claims which have arisen in the ordinary course of business. Any liabilities arising from such legal actions and claims are not expected to have a material adverse effect on Ariadne. Provisions are not required in respect of these matters, as it is either not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

# Notes to Financial Statements (Continued)

FOR THE YEAR ENDED 30 JUNE 2014

## 25. RELATED PARTY DISCLOSURES

### Ultimate parent

Ariadne Australia Limited is the ultimate parent company.

### Wholly-owned group transactions

Ariadne entered into the following transactions during the year with related parties in the wholly owned Group.

- Loans were advanced and repayments were received on intercompany accounts receivable.
- Advances were received and repayments were made on intercompany accounts payable.
- Management and directors fees were received and payments were made between intercompany accounts.

During the financial year, controlled entities provided management and administration services to both Ariadne and to other members of the Group. In certain instances the costs of providing these services has been borne by the controlled entities that provided the services.

### Other related party transactions

Details of transactions with other related parties during the period are as follows:

Transaction type	Class of related party	Notes	GROUP	
			2014 \$'000	2013 \$'000
<b>Loans to other related parties</b>				
Loans advanced / payables	Associates		545	509
<b>Other transactions</b>				
Interest received or receivable	Associates		811	451
Management fees received or receivable	Associates		200	200
Management fees paid or payable	Associates		300	752
Dividends and Distributions received	Associates	15(c)	6,656	6,310
Provisions recorded against receivables	Associates		(368)	(53)

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

## 26. EVENTS AFTER THE BALANCE DATE

After the balance sheet date, the Directors declared a dividend on ordinary shares in respect of the 2014 financial year. The total amount of the dividend is \$1,022 which represents a partially franked (40%) dividend of 0.5 cents per share of which 60% is sourced from the Conduit Foreign Income Account.

As part of ongoing capital management initiatives, Ariadne will initiate an on-market buy back facility. The buy-back is for the purpose of acquiring shares where they are trading at values below the Board's opinion of the intrinsic value of the shares, such acquisitions benefiting all shareholders.

## 27. REMUNERATION OF AUDITORS

<b>Amounts received or due and receivable by Deloitte Touche Tohmatsu</b>		
An audit or review of the financial report of the entity and any other entity in the group	133,000	133,000
Services in relation to the entity and any other entity in the consolidated group	6,022	50,290
	<b>139,022</b>	<b>183,290</b>

# Notes to Financial Statements (Continued)

FOR THE YEAR ENDED 30 JUNE 2014

## 28. PARENT ENTITY INFORMATION

		ARIADNE	
	Notes	2014 \$'000	2013 \$'000
Information relating to Ariadne Australia Limited			
Current assets		6,074	4,937
Total assets		29,868	28,529
Current liabilities		39	(809)
Total liabilities		39	(1,532)
Issued capital		382,842	382,842
Reserve – capital profits		2,954	2,114
Reserve – profits		7,491	5,499
Reserve – options		113	113
Accumulated (losses)		(363,571)	(363,571)
Total shareholders' equity		29,829	26,997
Profit of the parent entity		4,036	3,957
Total comprehensive income of the parent entity		4,036	3,957

The profits for the year ended 30 June 2014 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 21(c).

Total operating lease commitments of \$Nil (2013: \$11,341) are included in Note 24(a).

Details of guarantees given are recorded in Note 24(b).

## 29. DIRECTOR AND EXECUTIVE DISCLOSURES

### (a) Remuneration of Key Management Personnel

		GROUP	
		2014	2013
	Notes	\$'000	\$'000
<b>Employee and Directors' Remuneration</b>			
Short term employee benefits		1,888	1,836
Post-employment benefits		140	184
Share based payment		-	51
Total compensation		2,028	2,071



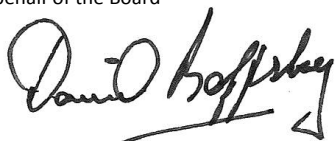
# Directors' Declaration

## FOR THE YEAR ENDED 30 JUNE 2014

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 2014 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 2014.

On behalf of the Board



D Z Baffsky, AO  
 Director  
 Sydney  
 21 August 2014

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

### **Report on the Financial Report**

We have audited the accompanying financial report of Ariadne Australia Limited, which comprises the statement of comprehensive income, the balance sheet as at 30 June 2014, the statement of changes in equity and the statement of cash flows and for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity, comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 15 to 48.

#### *Directors' Responsibility for the Financial Report*

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the consolidated financial statements comply with International Financial Reporting Standards.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control, relevant to the company's preparation of the financial report that gives a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

## *Auditor's Independence Declaration*

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Ariadne Australia Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

## *Opinion*

In our opinion:

- (a) the financial report of Ariadne Australia Limited is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the consolidated financial statements also comply with International Financial Reporting Standards as disclosed in Note 2.

## **Report on the Remuneration Report**

We have audited the Remuneration Report included in pages 6 to 11 of the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

## *Opinion*

In our opinion the Remuneration Report of Ariadne Australia Limited for the year ended 30 June 2014, complies with section 300A of the *Corporations Act 2001*.



DELOITTE TOUCHE TOHMATSU



J A Leotta  
Partner  
Chartered Accountants  
Sydney, 21 August 2014