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2015 REVIEW

The Directors submit the Annual Report and Accounts of Ariadne Australia Ltd (Ariadne) for the year ended 30 June 2015.

The 2015 financial year produced a poor – and unsatisfactory – result for shareholders.

For the 2015 financial year Ariadne reported a net loss after tax attributable to members of \$3.6 million – a significant turnaround from the profit of \$6.3 million in the previous year. A positive contribution of \$1.7 million was reported through the Statement of Comprehensive Income (largely arising from gains on the group's strategic portfolio and forex movements), reducing the net loss for the year including Comprehensive Income and attributable to members to \$1.9 million (2014: profit \$10.5 million).

The net tangible assets per share reduced by 1.2% during the year from 39.59 cents per share to 39.11 cents per share at balance date.

Total comprehensive earnings per share, one of the principal measures by which we assess our performance, was -0.94 cents compared to 5.13 cents for the previous year.

A number of factors contributed to the result:

- Subzero Group Ltd – during the first half, Ariadne acquired an 8% shareholding in Subzero at a cost of \$1.7 million, based upon forecasts to the market given by Subzero as to revenue and earnings for the 2015 financial year. These forecasts soon proved to be hopelessly wrong: the company's shares have been suspended as it seeks out prospects of recapitalisation or sale. Ariadne has written off its entire investment in the 2015 financial year results;
- Hillgrove Resources Ltd – notwithstanding the very good operating performance at the Kanmantoo mine during the year (posting an impressive reported EBITDA of \$42.7 million), the Hillgrove share price has continued to fall. Ariadne contributed a further \$1.7 million to purchases of Hillgrove shares during the year. The decline in the Hillgrove share price resulted in a charge to Comprehensive Income of \$1.9 million net of deferred tax during the 2015 year. Ariadne still adheres to its original thesis for investment in Hillgrove;

- Secure Parking – during the year, a judgment of \$6.9 million was entered into against Secure arising out of a contractual dispute. Secure has paid the full amount of the judgment and an appeal has been lodged. Ariadne has provided for its proportionate share of the amount of the judgment and estimated related costs in the 2015 year;
- Staymint – Ariadne exited its remaining StayMint accommodation assets and trading and exit costs are reflected in the year's results;
- Brisbane office – during the year, Ariadne closed its Brisbane office and the 2015 accounts include the termination and other costs which arose as a result.

While disappointing, the majority of these items are of a one-off nature and, in the case of Staymint and the Brisbane office are part of the ongoing streamlining of the group to improve future performance.

On a more positive note, Ariadne invested \$4.1 million in Foundation Life (NZ) Holdings Ltd which purchased the residual life insurance business of Tower Ltd. The book of life insurance was purchased at a discount to net asset value and, based on projected cash flows, is positioned to deliver an attractive return on invested capital. Since making the investment in September, Ariadne has already received an initial two dividends.

We continue to be pleased by the performance of our investment in ClearView Wealth Ltd which has reported a very satisfactory result for the 2015 financial year and is well-positioned for further profitable growth.

We view our holdings in ClearView and Foundation Life as key components of our strategic portfolio and continue to seek out further such opportunities in the financial services sector.

During the year we recorded gains in some of our trading portfolio (principally holdings in Data#3 Ltd and Sedgman Ltd), but these were insufficient to offset the write-off of our investment in Subzero.

Ariadne's car parking division – comprising our 50% share in Secure Parking and two car park leases held by Ariadne – recorded a loss of \$0.8 million (2014: profit \$4.5 million). Secure continued to experience challenging trading conditions during the year as a consequence of a highly-competitive market, subdued overall retail spending and a continuation of high vacancy rates in key areas, particularly in Brisbane. Secure has maintained a very strong position in all major markets and is successfully transitioning to the digital age through the roll-out of the Secure-A-Spot online booking system and significant growth in customers through the Club Secure online loyalty programme. Through the introduction of these initiatives in the more than 420 car parks operated across Australia, New Zealand and the UK, Secure is well placed to leverage off any market recovery.

Ariadne's property division recorded a profit of \$0.2 million (2014: \$1.8 million). A solid contribution from Orams and a modest profit from Batemans Bay Marina were offset by losses at the Port Macquarie Marina and trading losses and exit costs associated with

StayMint. Ariadne has entered into negotiations with a third party to dispose of its interests in both the Batemans Bay and Port Macquarie marinas.

Our subsidiary, Freshxtend International Pty Ltd, again contributed to our overall results, with the decline in the USD/AUD exchange rate positively impacting on distributions received from Natureseal.

A partially franked (40%) final dividend of 0.5 cents per share has been declared in relation to the 2015 financial year.

As part of ongoing capital management initiatives, Ariadne has extended the on-market buy back facility for a further twelve months.

Ariadne is in a sound financial position, with a strong balance sheet and good cash reserves, and is well-placed to grow shareholder value.

We are planning for a more successful year ahead.



GARY WEISS
Executive Director