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2022 REVIEW

The Directors present the Annual Report of Ariadne Australia Ltd (“Ariadne” or “the Group”) for the period ended 30 June 2022.

For the 2022 financial year (“FY22”) Ariadne reported a total comprehensive income attributable to members of \$23.3 million (FY21: \$36.7 million). This result comprises two elements:

- a net loss attributable to members of \$6.6 million (FY21: \$10.6 million profit); and
- a positive contribution attributable to members of \$29.9 million (FY21: \$26.1 million) reported through the Statement of Comprehensive Income.

The total comprehensive income per share was 11.89 cents compared to 18.69 cents for the previous corresponding period.

The net tangible assets per share increased during the period by 15% from 75.90 cents per share to 87.09 cents per share at balance date.

The net operating cash outflow during the period was \$1.7 million (FY21: \$1.0 million).

The overall result for FY22, while positive for the full year, was adversely impacted by the write-down (of \$8.4 million) in the carrying value of our investments involving Kippax Property during the second half of FY22. This write-down was the largest contributor to the reduction in the Group’s total comprehensive income attributable to members of \$34.7 million for FY22 to \$23.3 million as at 30 June 2022.

Investments

The Investment division recorded a net profit before tax of \$2.7 million (FY21: \$15.0 million).

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

The strategic portfolio recorded a net gain of \$31.2 million (FY21: \$16.4 million) during the period due to mark-to-market revaluations mainly arising from Ariadne’s investments in ClearView Wealth Ltd and Ardent Leisure Group Ltd (“Ardent”), being \$5.4 million and \$9.5 million respectively. This gain is recorded through other comprehensive income and not included in the reported net profit.

A smaller investment in MSL Solutions Ltd also contributed positively to the overall result.

Ariadne's 54% interest in Freshxtend International Pty Ltd, with its 17% investment in the NatureSeal group, again contributed positively during the period.

Subsequent to balance date the Group received a \$21.5 million cash distribution from Ardent by way of return of capital and special dividend following the completion of the sale of Ardent's interest in its US business, Main Event Entertainment.

King River Capital ("King River")

A significant proportion of the Group's Comprehensive Income arose out of Ariadne's investments with King River.

The three investments listed below in particular are performing well and contributed a combined uplift in value of \$16.2 million during the financial year as a result of revaluations following fundraisings during the period:

- FinClear Holdings Limited: a gain of \$7.7 million as a result of a pre-IPO round;
- Cover Genius Holdings Pty Ltd: a gain of \$4.9 million as a result of a Series C round;
- Lark Technologies, Inc.: a gain of \$3.7 million as a result of a Series D round

At balance date, the carrying value of Ariadne's King River-related investments was \$35.3 million in aggregate, representing an overall unrealised gain of \$23.4 million over cost.

Ariadne's involvement with King River to date has been rewarding and we look forward to further growth in the value of our investments over coming periods.

Orams

The Group's investment in our associates, Orams Group Ltd and Orams Residential Ltd (together "Orams"), where Ariadne holds an indirect equity interest of 61%, also contributed positively to the overall result.

The Group's share of profit and interest from Orams during the period was \$4.6 million. This result included a revaluation gain of \$3.7 million in relation to the residential site at Orams.

During the period, Orams completed the initial stage of its new state-of-the-art marine refit facility. The new 13,000 square metre yard, and three new 90 metre marinas, have near tripled the capacity for Orams Marine Services' marine maintenance and refit business. The Orams facilities now offer the most comprehensive refit and boat maintenance infrastructure in the Southern Hemisphere. With three travel lifts (820, 85 and 75 tonnes), as well as the existing 600 tonne slipway, Orams can haul out vessels from superyachts to domestic vessels, and a wide range of commercial boats including the regional ferry fleet. The next stage of works consists of three marine work sheds – one 580 square metre shed to accommodate the 85 tonne travel lift which was completed during the period and two superyacht sheds to accommodate the 820 tonne travel lift scheduled for completion early 2023. The new

superyacht sheds will expand Orams' ability to provide specialised superyacht services within a controlled environment, cementing Orams' position as the superyacht hub of the South Pacific. Further stages of the development will feature commercial buildings and a residential component on the northern end of the site.

FY22 saw the continued application of restrictions to New Zealand's international border, restricting the entry of international superyachts. During this period, Orams serviced a wide array of the domestic market including barges, ferries, police and navy vessels – highlighting the versatility of the business to temporarily pivot from its typical work program of servicing and refitting overseas superyachts. With the end of the border restrictions from July, the level of inquiries from overseas superyacht owners to service boats at Orams has been encouraging. Orams continues to build staff numbers across all aspects of the business in anticipation of the return of the overseas market and the recently complete expansion of the hard stand's servicing capacity. With the majority of the redevelopment works now completed, or soon to be completed, and the lifting of New Zealand's border restrictions with effect from 1 August 2022, Orams looks forward to a productive FY23.

Kippax Property (“Kippax”)

For the past 2 years, Kippax has been pursuing a planning approval for a site in Redfern (“the Redfern site”), located in the Botany Road Precinct, over which Kippax holds an option to purchase. The NSW State Government's objective for the Botany Road Precinct is to activate State Government infrastructure investment and attract technology and other knowledge-based businesses to Sydney's Innovation Corridor.

In August 2021 Council reported its planning proposal (“PP”) which included changing the planning controls for the Redfern site to a floor space ratio (“FSR”) of 8.5:1 and 17-storeys. The PP then received a Gateway Determination from the NSW State Government and went on public exhibition in November 2021, ahead of the City of Sydney Council (“Council”) election. During the public exhibition there were a small number of public submissions relating to the Redfern end of the Botany Road Precinct which raised some concern with the proposed changes in the immediate area around the site. Notwithstanding these concerns Council advised Kippax that the benefits of the PP outweighed the impact predicated on the future condition they would be creating in the area.

Kippax continued to work closely with the Council to respond to public comments and included ways the scheme could be adjusted to address matters raised in the submissions. The Council also advised that three key issues needed to be addressed and Kippax submitted a revised scheme with a reduced maximum height from 17-storeys to 11-storeys and an FSR of 7.3:1 which addressed these issues.

However, Council advised in late May that the Redfern site and neighbouring properties would be excluded from the Botany Road Precinct and the controls were to remain as they are today. Thereafter, at a Council meeting in June the Council voted to remove the Redfern site and certain other properties from the Council's PP. This was on the basis of a small number of objectors (c.1% out of over 5,000 residents and community groups who were emailed the PP).

ARIADNE

While there is a potential pathway for the Redfern site to still receive a planning uplift, it is too early to determine the likely prospects of success. As a result, Ariadne has impaired its \$8.4 million loan receivable to nil value at balance date.

Subsequent to balance date, Ariadne has also reviewed its investment in Kippax and has decided to exit this joint venture. Ariadne will take control of the option over the Redfern site and explore all pathways to recover value.

Simplified Balance Sheet

Ariadne is in a sound financial position as shown in the following presentation of the Group's assets and liabilities as at 30 June 2022.

Assets	\$M	\$M	Liabilities	\$M
Cash *		44.4	Payables and Provisions	3.1
<u>Investments</u>			Other Payables	14.6
Orams	80.0		Minority Interests	15.3
ClearView	16.7		Debt	24.4
FinClear	13.2		Total Liabilities	57.4
Freshxtend	11.8			
Ardent *	10.2		Shareholders' Funds	170.9
Hillgrove	10.1			
King River	8.1			
Cover Genius	7.2			
Trading Portfolio	6.4			
Lark Technologies	5.6			
Other Strategic Assets	5.3			
Foundation Life	4.9			
<u>Total Investments</u>		179.5		
Fixed Assets and Other Receivables		4.4	Total Liabilities &	
Total Assets		228.3	Shareholders' Funds	228.3

* Adjusted to include the \$21.5 million cash distribution from Ardent by way of return of capital and special dividend received 13 July 2022.

Tax

Ariadne has substantial carry forward revenue and capital losses available to offset future taxable profits. At 30 June 2022 these are estimated to be \$89.6 million (30 June 2021: \$80.4 million) and \$72.3 million (30 June 2021: \$72.3 million) respectively. As at balance date, Ariadne recognised a deferred tax asset of \$3.6 million, at Ariadne's income tax rate of 25% to offset an equal deferred tax liability relating to temporary differences of the Group's strategic portfolio, leaving a deferred tax asset of \$36.9 million which is not recognised in Ariadne's accounts.

Dividends and Capital Management

The Board has determined to apply a cautious approach to deploying capital to new investment opportunities, as and when they arise, given the ongoing volatility in market conditions.

A final fully franked dividend of 0.75 cents per share has been declared by the directors, bringing the total dividends for FY22 to 1.00 cents per share (FY21: 0.50 cents per share).

On 21 February 2022, Ariadne announced the extension of its on-market share buy-back facility as part of ongoing capital management initiatives.

ENDS

Authorised for release by: The Board of Ariadne Australia Limited

For further information please contact:

Gary Weiss

Executive Director

+61 2 8227 5500