ARIADNE AUSTRALIA LIMITED
A.B.N. 50 010 474 067

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30 August 2006

The Manager
Company Announcements Office
Australian Stock Exchange Limited

ARIADNE AUSTRALIA LIMITED
RESULT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

Ariadne Australia Limited ("Ariadne") has today released its preliminary final result, reporting a profit of $7,126,000 for the year ended 30 June 2006 (2005 – $12,365,000). The profit of $8,396,000 reported at 30 June 2005 has been restated to comply with Australian Equivalents to International Financial Reporting Standards (AIFRS) which were first applied in the preparation of the group's financial report from 1 July 2005. As previously disclosed, the primary driver of the material increase in prior year reported profit relates to the treatment of percentage of completed profits under AIFRS. Profits on certain residential development projects had been brought to account progressively during the 2004 and 2005 financial years in accordance with the percentage of completion method of accounting. However, under the requirements of AIFRS, profits on these sales may only be recorded on settlement, which occurred during the 12 month period to 30 June 2005.

PROPERTY

The Ariadne property division contributed a profit of $3,712,000 for the year. The primary profit contribution resulted from the reversal of the provision against development costs on the Skyline project. This treatment is in accordance with the Group's inventory accounting policy and reflects the project reaching agreed milestones in respect of construction commencement and project financing. In respect of major property projects we report the following:

- **Viridian Noosa**

A revised development approval has been lodged with the Noosa Shire Council for Stage 3 of the Viridian Noosa Project, a Joint Venture between Leighton Properties Pty Ltd and Ariadne. Viridian Noosa Stage 3 comprises 39 villas (similar to the Stage 2 Viridian residences) and a resort complex of 142 units, central and recreational

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facilities. A decision on the revised development approval is not expected until 2nd quarter 2007. The Joint Venture Partners are currently completing pre-development activities.

- **Element on Coolum**

Stage 2 comprising 41 apartments and 6 retail shops was completed in January 2006. Settlement of the residential apartments occurred in March 2006. 8 units remain for sale. It is anticipated that these units will be sold by 31 December 2006. 4 of the 6 retail shops which have been fully let will be sold through a tender process commencing 1 September 2006.

- **Skyline Apartments**

Construction has commenced on the Skyline project, a joint venture between Seymour Group, Watpac Limited and Ariadne. This project comprises 190 residential units, 2 retail tenancies and is scheduled for completion in late calendar year 2007. The Skyline Project is approximately 70% sold. The high quality project with outstanding views of the Brisbane River remains an attractive owner/occupier investment proposition in the Brisbane CBD/River residential precinct.

- **Botanic Residential Land Development, Mitchelton, Brisbane**

This joint venture between Ariadne and Watpac is now in its final stage of completion. All 26 lots in Stage 1 have been sold and 6 of 19 Stage 2 residential lots have also been sold. Stage 3 comprising 1 ha carrying a development approval for 79 units is subject to an unconditional sales contract of $4,200,000.

- **Mariners Cove**

The retail and marina complex based on the Southport Spit Gold Coast completed a satisfactory year's trading. An upgrade of fuel and marina service facilities has lifted the profile of the marina resulting in increased patronage and fuel sales. The complex is now fully tenanted and has a good mix of leisure retail and marine service outlets forming the basis for improved trading in 2007.

- **Morris Marina and Caravan Park**

In June 2006, Ariadne completed the purchase of the Morris Marina and Caravan Park, Aquarium Avenue, Hemmant, Brisbane. The area comprises 32960sqm of freehold land and 25000sqm of marine permit to occupy on the Brisbane River. This site is strategically located in the Brisbane Trade Coast precinct and has good potential for mixed industrial and marine based services development.

- **Port Marina, Port Macquarie**

In July 2006, Ariadne entered into an unconditional contract to acquire the Port Macquarie Marina situated at the mouth of the Hastings River, Port Macquarie. This asset includes wet and dry berthing, ship repair yards, storage yard, fuel facilities and retail tenancies. The site comprises a land component of 12350sqm and seabed component of 10070sqm. Ariadne proposes to undertake a staged upgrade of the facility increasing the marina berth capacity and associated facilities.

MANAGEMENT RIGHTS

In conjunction with Watpac Limited, Ariadne has established a joint venture management and letting services company, AS Strata Services Pty Ltd ("AS"). AS has acquired the management rights to Element on Coolum and Skyline Apartments and more recently acquired the management rights to The Beach Retreat Resort at Coolum. A number of other management and letting rights acquisition opportunities are currently in an advanced stage of review. Ariadne is well placed to develop recurring income streams from the management and letting rights business and complementary facility management activities.

CAR PARKING

The result for S&K Car Park Management Pty Ltd ("S&K") was adversely affected by tough trading conditions in Victoria due to the introduction of a congestion levy in Melbourne, the opening of additional carparks creating surplus capacity in the Melbourne CBD, and the adverse impact of rising fuel prices on vehicular traffic volumes. While the contribution to profit by S & K of $2,334,000 is satisfactory, the issues in Melbourne detracted from strong operating performances in the New South Wales and Queensland regions. The S & K profit result was further adversely impacted by expensing a number of one off costs in relation to brand development, new technology applications (particularly in the area of revenue capture), and information technology support.

Significant progress has been made post merger in terms of market development and improvement to the reporting interface with landlords, owners and property agents. Greater attention to HR management and process control has provided a platform for aggressive market development. Management initiatives linked to web based marketing, the implementation of car park precinct control centres and other strategic development programs should underpin an improved trading performance from S & K in 2007.

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As previously disclosed, Ariadne has retained direct ownership of the lease on the Queens Plaza Carpark, a 595 bay carpark located in the Brisbane CBD. The lease was negotiated some years ago but did not commence operation until the opening of the Queens Plaza Centre in May 2005. It was anticipated that losses would be incurred during the start up period of this car park particularly as the retail component of the centre is only 50% open, and completion of the major David Jones anchor tenant facility and Coles Myer Express is not scheduled until mid 2007. This carpark has incurred significant losses in the start up period which has materially impacted upon the overall contribution from the group's carpark activities.

The Queens Plaza lease is a long term asset and Ariadne's confidence in the continued growth in the Brisbane CBD retail market is now being rewarded with significantly improved trading results from the car park.

INVESTMENTS

In December 2005, Ariadne divested its ownership interest in International Parking Group. The sale resulted in a very satisfactory return for shareholders and signalled Ariadne's intention to pursue the Build, Own, Operate, Transfer (BOOT) carpark model in its own right. Property development and carpark management are core Ariadne activities and as such BOOT Scheme developments under the Ariadne umbrella is a logical progression in building a long term recurring income stream for the group. A number of BOOT Scheme opportunities are currently being evaluated in the hospital and tertiary education sectors.

International Infrastructure Management Pty Ltd ("IIM"), a joint venture between Ariadne and Babcock & Brown continues to pursue opportunities in the port infrastructure and marine services sector. The shareholders of IIM have established a new basis of co-operation which provides Ariadne and selected associates investment opportunities with B&B. As a consequence of the revised framework for a co-operation, Ariadne has received a payment of $3,000,000 in accordance with the new contractual arrangements that have been established. Ariadne will receive further payments of $1,000,000 annually over the next 2 years.

DIVIDEND

The Directors of Ariadne have declared a final dividend of 1 cent per ordinary share. The record date for determining entitlements to the dividend is 27 October 2006. The Company's Dividend Reinvestment Plan remains in place.

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Ariadne holds quality property assets and continues to demonstrate its ability to realise value from these assets through a combination of ongoing development and strategic disposal. The group is now in the early stages of developing recurring earnings streams in the areas of management rights and car park BOOT schemes. The year has been one of consolidation for the group's car parking activities with a continued emphasis on building long term value from the group's merged parking business. We expect improved performance from parking as the short-term challenges in Victoria are addressed and the start-up losses at the Queens Plaza carpark in Brisbane are reduced.

While the group's profit result fell short of expectations, management is confident that the business strategies implemented in each of the group's core activities will continue to deliver improved financial performance from Ariadne's strong asset base. All enquiries should be directed to Murray Boyte, Chief Executive Officer on (07) 3220 1111 or 0418 732 831.

Yours faithfully

ARIADNE AUSTRALIA LIMITED

MRBoyte

MURRAY R BOYTE
Chief Executive Officer

ARIADNE AUSTRALIA LIMITED
ABN 50 010 474 067

APPENDIX 4E

PRELIMINARY FINAL REPORT
FOR THE PERIOD ENDING 30 JUNE 2006

Results for announcement to the market				30 June 2006	30 June 2005
Revenues from ordinary activities	$'000s	Down	31.67%	43,493	63,650
Profit from ordinary activities after tax attributable to members	$'000s	Down	42.37%	7,126	12,365
Net profit for the period attributable to members	$'000s	Down	42.37%	7,126	12,365
Net tangible assets per security	CENTS	UP	8.06%	30.78	28.48

Dividends (distributions)	Amount per security	Unfranked amount per security
Final dividend	1 cent	1 cent
Interim dividend	Nil	Nil

Annual General Meeting

The Ariadne Australia Limited Annual General Meeting for 2006 will be held at the Grand Ballroom, Stamford Plaza, Corner Edward and Margaret Streets, Brisbane at 10.00am on Tuesday 14 November 2006. The annual report will be distributed to shareholders in October 2006.

Summary of Financial Results

The 2006 financial year reflects the Group's first full reporting period accounted for under the requirements of the Australian Equivalents to International Financial Reporting Standards ("AIFRS").

Current year profit of $7,125,678 includes a strong profit contribution from the investment division of the Group. The investment division adds a level of diversification to the Group's operations and has compensated a modest performance from the property division. Due to the nature of property development activities and the strict accounting requirements of AIFRS, profits from property development activities are linked to project finalisation and settlements and as such the division's profits will naturally fluctuate from year to year. The car parking division continues to perform well and management strategies are now in place to further maximise shareholder wealth through car parking activities.

No tax is payable as a result of the utilisation of revenue and capital losses. The balance sheet continues to remain strong, with management focus now directed towards strategic property development and investment opportunities which will complement the current portfolio of high value assets.

Operating and Financial Review

OPERATING AND FINANCIAL REVIEW

Group Overview

The principal assets of the Group at 30 June 2006 were its interests in property and car parking assets. The Group also holds a number of investments in both listed and unlisted entities. All amounts below are quoted in thousands of dollars unless otherwise stated.

Operating Results for the Year

The consolidated net profit after income tax of the Ariadne Group for the financial year was $7,126 (2005 - $12,365).

Summarised operating results are as follows:

	2006	
	Revenues	**Results**
Business segments		
Car Parking	9,074	241
Property	27,055	3,712
Investment	7,170	6,898
Total segment revenues / profits	43,299	10,851
Unallocated	194	(3,725)
Consolidated entity revenues / profits before income tax expense	43,493	7,126

The consolidated entity's operations are located in Australia. There are no inter-segment sales.

Car Parking

For the year ended 30 June 2006, the car parking operations returned a profit of $241 (2005 - $2,367). The division comprises the Group's 50% share of profits from S&K Car Park Management ("S&K"), in addition to the operating results from three car parks whose leases remain with the Ariadne Group.

The Group's share of profits from S&K for the year was $2,334. This was a pleasing result for the first full financial year of the joint venture, particularly given difficult trading conditions in Victoria and the adverse effect on the business of escalating petrol prices and significant increases to CBD rental markets. The current year result includes a number of one off costs associated with the merger of the Secure and Kings businesses and a significant level of investment in back end procedures, people and technologies.

In accordance with the terms of the joint venture agreement, three car parks have been retained directly by the Ariadne Group. These car parks are Tank Street Brisbane, Nepean Public Hospital Penrith and Queens Plaza Brisbane. Trading results for Nepean and Tank Street are broadly break even however Queens Plaza contributed a consolidated loss to the division for the financial year of approximately $2,100. This was a disappointing result, however due to the location of this car park, management is confident of its strategic importance to the Group. It is normal in long term leasing arrangements that start up losses are incurred. However historical trends indicate over the course of long-term lease contracts these start up losses are recouped and acceptable returns are derived.

Property

In the 2006 financial year, the Group's property division recorded a profit of $3,712 (2005 - $12,937).

In accordance with the transition to Australian Equivalents to International Financial Reporting Standards ("AIFRS"), the majority of the Group's property development profits are now recognised on settlement. This fundamentally changes the way profits are brought to account as under the previous accounting rules, property developers were able to recognise profit on certain developments in accordance with the percentage of completion or emerging profit method of accounting. The move to AIFRS will increase the volatility property division profits, as profits on projects with long lead times will in most circumstances be deferred in full until completion of the project and settlement has occurred. The current year result and prior year comparison reflects the application of AIFRS in addition to the general cyclical nature of property development projects.

Nominal development profits were recorded on property projects during the 2006 financial year, with the majority of income derived from the reversal of the inventory provision previously recorded against the Skyline Joint Venture development project. In accordance with the Group's property development inventory accounting policy, $3,210 in profit was recorded in relation to the write back of the provision against the Group's share of the Skyline Joint Venture property inventory.

Operating and Financial Review

OPERATING AND FINANCIAL REVIEW (continued)

Property continued

The development obtained appropriate levels of pre sales, as well as securing finance and board approval. Construction has now commenced and as a consequence the provision against historical property inventory costs was eligible for reversal in July 2005.

The Group also entered into a transaction to reduce its interest in the Skyline Joint Venture from 50% to 33.33%. This decision was made in the context of the Group's risk management framework applicable to its property developments projects. The project now reflects an appropriate level of risk to the Group when considering projected returns and reflects a more acceptable level of equity in the project.

Other significant items included in the property division result for the 2006 financial year include:

- Overheads, including staff wages of $975;
- Management fee income of $135;
- $550 profit contribution from the Viridian Noosa Joint Venture project on sale of the last remaining house from Stage 1 of this development;
- $354 contribution from the Coolum Caravan Park Joint Venture Stage 2 development;
- $370 profit from the sale of 110 Mary Street, Brisbane;
- $278 in profit from the ACU Joint Venture Stage 1 land subdivision; and
- Acquisition costs of $205 in relation to the Group's 100% ownership of the Morris Marina and Caravan Park at Hemmant, Brisbane.

In accordance with the Group's accounting policy and the requirements of AIFRS, $281 of advertising and marketing costs associated with property development projects were written off as incurred.

Investments

The investment division of the Group recorded a profit for the 2006 financial year of $6,898 (2005: $118). This result reflects the opportunistic and flexible approach to the Group's investment activities.

Management rights

The result includes start up losses of $88 in relation to the Group's 50% interest in AS Strata Services Pty Ltd ("AS"), a management letting rights and facilities management business formed with Watpac Developments Pty Ltd, a 100% owned subsidiary of Watpac Limited in December 2005. The business commenced operation in May 2006 and has already created significant value for the Group.

Car park infrastructure development

In December 2005, the Group divested its ownership interest in International Parking Group Ltd ("IPG"), recording a profit on sale and interest earnings for the six months to December of $1,603. The Group's investment in IPG comprised equity of $2,189 and a loan of $1,408. The sale represented a significant return for shareholders and reflected management's redirection of resources to the Build Own Operate Transfer ("BOOT") car park model. Management believe BOOT schemes complement Ariadne's development skills and its car park management expertise, building a long-term recurring income stream for the Group. A number of significant BOOT scheme opportunities are currently being evaluated.

Maritime infrastructure

International Infrastructure Management Pty Ltd ("IIM") is a company specialising in investment and management consulting opportunities in the maritime infrastructure sector. The company is 50% owned by Ariadne and 50% owned by Babcock & Brown (B&B). IIM conducts the majority of its consulting activities through BMT Maritime Consultants Pty Ltd ("BMTMC"), a joint venture with British Maritime Technology ("BMT") of the United Kingdom. BMTMC have continued to trade well in the year to 30 June 2006, exploiting global growth in port and container terminals, especially in Western Europe and the Middle East region.

In March 2006, Ariadne entered into an agreement with respect to the future arrangements governing IIM and the activities of B&B and Ariadne in the port investment sector. Key terms of this agreement included:

- B&B and Ariadne will maintain their joint interest in IIM with the short term focus on IIM's investment in BMTMC;
- In recognition of Ariadne's historical involvement in the identification of potential maritime related infrastructure acquisitions and to account for any future opportunities that meet the requirements of direct investment by one of B&B's funds, an upfront payment of $3 million was paid by B&B to Ariadne and two subsequent payments of $1 million are payable annually thereafter; and
- In addition, B&B and Ariadne confirmed that they will continue to use all reasonable endeavours to advise each other of investment opportunities that involve investments in maritime associated companies or wholesale investment opportunities in port related facilities. Ariadne retains preferential co-investment rights to future B&B maritime infrastructure acquisitions.

Operating and Financial Review

OPERATING AND FINANCIAL REVIEW (continued)

Investments continued

Food life extension technologies

Ariadne continues to hold a 22% interest in FreshXtend Technologies Limited ("FreshXtend"), a leading provider of life extension technology to the high growth Fresh Produce and Flower Industry. FreshXtend is listed on the Toronto Venture stock exchange. Mr Murray Boyte, the Chief Executive Officer of Ariadne is the chairman of FreshXtend.

US Savings and Loans Corporation

During the financial year the Group recorded $745 in revenue from the settlement of long outstanding legal proceedings brought against the United States Government by the Southern California Savings and Loans Association with whom Ariadne was a joint plaintiff.

Shareholder Returns

The following table reflects the group's key financial ratios over the past four years.

	2006	2005	2004 #	2003 #
Basic earning per share (cents)	3.20	5.58	2.33	1.84
Return on equity (%)	10.55%	20.77%	9.14%	7.64%
Net debt / equity ratio (%)	34.90%	50.08%	13.50%	42.21%

 # Results for these financial years calculated in accordance with accounting rules and regulations applicable at that time

Income Statement

FOR THE YEAR ENDED 30 JUNE 2006	Notes	ARIADNE GROUP 2006 $'000	2005 $'000
CONTINUING OPERATIONS			
Sale of property	3(a)	**19,430**	19,573
Car park revenue	3(a)	**6,739**	29,954
Investment restructuring fee	3(a)	**4,736**	—
Reversal of project inventory provision	3(a)	**3,210**	—
Interest received or due and receivable	3(a)	**659**	531
Dividends and trust distributions received	3(a)	**—**	14
Other income	3(b)	**4,577**	4,336
Net income from the sale of investments	3(a)	**1,503**	6
Cost of sales - property		**(18,148)**	(9,782)
Car park occupancy and overheads		**(8,467)**	(25,063)
Other corporate and property expenses		**(3,552)**	(3,954)
Employee benefits expense	3(d)	**(2,761)**	(6,267)
Property division cost of goods sold		**(1,707)**	(1,191)
Finance costs	3(e)	**(1,238)**	(1,286)
Depreciation and amortisation	3(c)	**(494)**	(674)
Net diminution in asset values		**—**	(3,068)
Share of profits / (losses) of associates		**2,639**	9,236
PROFIT BEFORE INCOME TAX		**7,126**	12,365
INCOME TAX EXPENSE		**—**	—
PROFIT AFTER TAX FROM CONTINUING OPERATIONS		**7,126**	12,365
NET PROFIT ATTRIBUTABLE TO MEMBERS OF ARIADNE AUSTRALIA LIMITED		**7,126**	12,365
Basic earnings per share (cents per share)		**3.20**	5.58
Diluted earnings per share (cents per share)		**3.18**	5.55

Balance Sheet

AS AT 30 JUNE 2006	Notes	ARIADNE GROUP 2006 $'000	2005 $'000
ASSETS			
Current Assets			
Cash and cash equivalents		5,348	4,955
Trade and other receivables		7,184	24,017
Inventories		10,388	20,856
Other current assets		1,406	1,004
Intangible assets		—	261
Total Current Assets		24,326	51,093
Non-Current Assets			
Receivables		1,553	1,408
Other financial assets		—	2,432
Investment in associates accounted for using the equity method		38,514	36,688
Property, plant and equipment		1,087	1,341
Inventories		36,545	17,739
Intangible assets		1,668	1,421
Total Non-Current Assets		79,367	61,029
TOTAL ASSETS		103,693	112,122
LIABILITIES			
Current Liabilities			
Trade and other payables		1,375	7,444
Interest-bearing loans and borrowings		6,152	18,420
Provisions		360	385
Total Current Liabilities		7,887	26,249
Non-Current Liabilities			
Payables		1,307	1,307
Interest-bearing loans and borrowings		23,688	19,010
Provisions		562	711
Total Non-Current Liabilities		25,557	21,028
TOTAL LIABILITIES		33,444	47,277
NET ASSETS		70,249	64,845
EQUITY			
Issued capital	5	390,572	390,255
Share options reserves		434	256
Reserves		3,105	3,105
Accumulated losses		(323,862)	(328,771)
TOTAL EQUITY		70,249	64,845

Statement of Changes in Equity

YEAR ENDED 30 JUNE 2005

	Issued capital $'000	Share options reserve $'000	Retained earnings $'000	Reserves $'000	Total $'000
	Attributable to equity holders of the Group				
At 1 July 2004	390,109	136	(338,923)	3,105	54,427
Total income and expense for the period recognised directly in equity	-	-	-	-	-
Profit for the period	-	-	12,365	-	12,365
Total income/expense for the period	-	-	12,365	-	12,365
Cost of share-based payment	-	120	-	-	120
Equity dividends	146	-	(2,213)	-	(2,067)
At 30 June 2005	390,255	256	(328,771)	3,105	64,845

YEAR ENDED 30 JUNE 2006

	Issued capital $'000	Share options reserve $'000	Retained earnings $'000	Reserves $'000	Total $'000
	Attributable to equity holders of the Group				
At 1 July 2005	390,255	256	(328,771)	3,105	64,845
Total income and expense for the period recognised directly in equity	-	-	-	-	-
Profit for the period	-	-	7,126	-	7,126
Total income/expense for the period	-	-	7,126	-	7,126
Issue of share capital	42	-	-	-	42
Cost of share-based payment	-	178	-	-	178
Equity dividends	275	-	(2,217)	-	(1,942)
At 30 June 2006	390,572	434	(323,862)	3,105	70,249

Cash Flow Statement

FOR THE YEAR ENDED 30 JUNE 2006	Notes	ARIADNE GROUP	
		2006 $'000	2005 $'000
Cash flows from operating activities			
Receipts from car parking operations		**6,488**	28,021
Receipts from sales of property and other trading assets		**46,046**	6,911
Deposits paid/ (repaid)		**(42)**	4,703
Payments to suppliers and employees		**(16,680)**	(29,694)
Dividends and trust distributions received		**1,000**	14
Interest received		**412**	459
Borrowing costs		**(2,004)**	(2,352)
Payments to acquire real property		**(26,421)**	(20,043)
Net cash flows from/ (used in) operating activities		**8,799**	(11,981)
Cash flows from investing activities			
Cash proceeds from sale of investments		**193**	930
Payments for plant and equipment		**(249)**	(1,411)
Payments for equity investments		**—**	(5,474)
Loans repaid/extended to other parties		**(489)**	(4,151)
Net cash flows from/ (used in) financing activities		**(545)**	(10,106)
Cash flows from financing activities			
Proceeds from borrowings		**6,663**	17,498
Repayments of borrowings		**(12,624)**	(14,892)
Dividends paid		**(1,942)**	(2,067)
Proceeds from issue of shares		**42**	—
Net cash flows from/ (used in) financing activities		**(7,861)**	539
Net increase/(decrease) in cash and cash equivalents		**393**	(21,548)
Cash and cash equivalents at beginning of period		**4,955**	26,503
Cash and cash equivalents at end of period		**5,348**	4,955

30 JUNE 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of accounting

The term the "Ariadne Group" or the "Group" is used throughout the Appendix 4E to refer to the parent entity and its controlled entities. The parent entity is referred to as "Ariadne". This Appendix 4E does not include all notes of the type normally included within the annual financial report and therefore can not be expected to provide as full an understanding of the financial performance, position and financing and investing activities of the consolidated entity as the full financial report. The financial report has been prepared on a historical cost basis except for available for sale financial assets that have been measured at fair value.

The accounting policies adopted are consistent with those adopted in the 31 December 2005 half year financial report.

2. SEGMENT INFORMATION

Segment products and locations

The consolidated entity's operations are located in Australia.

Segment accounting policies

There are no significant inter-segment sales.

Segment accounting policies are the same as the consolidated entity's policies described in note 1.

Due to the increased operations of the investment division of the Group, the Directors have determined that the investment and corporate divisions will no longer be combined as one division for segment reporting purposes. Administration and other corporate items have been disclosed as unallocated revenues and expenses. Comparatives have been restated to comply with current year disclosures.

Business segments

The consolidated entity comprises the following main business segments. These segments are based on the internal management reporting system of the group.

- Car parking
  Investment in joint venture car parking operation and other car park leases undertaken directly by the Group.
- Property
  Project management and property development activities.
- Investment
  Investments in various listed and non-listed entities.

The following table presents the revenue and profit information and certain other asset and liability information in respect of the above business segments for the years ended 30 June 2006 and 30 June 2005.

2. SEGMENT INFORMATION (continued)

	Car parking 2006 $'000	Car parking 2005 $'000	Property 2006 $'000	Property 2005 $'000	Investment 2006 $'000	Investment 2005 $'000	Consolidated 2006 $'000	Consolidated 2005 $'000
Revenue								
Total segment revenue	9,074	31,856	27,055	30,979	7,170	315	43,299	63,150
Unallocated revenue							194	500
Total consolidated revenue							43,493	63,650
Result								
Segment result	(2,093)	480	3,162	5,527	7,143	118	8,212	6,125
Share of profit/ (loss) of associates	2,334	1,887	550	7,410	(245)	—	2,639	9,297
Segment net profit/ (loss) for the year	241	2,367	3,712	12,937	6,898	118	10,851	15,422
Unallocated profit/ (loss)							(3,725)	(3,057)
Net profit/ (loss) for the year							7,126	12,365
Assets and Liabilities								
Segment assets	13,370	15,106	76,487	86,723	7,736	6,047	97,593	107,876
Equity accounted investments included in segment assets	10,622	8,287	26,094	26,544	1,798	1,857	38,514	36,688
Unallocated assets							6,100	4,246
Total assets							103,693	112,122
Segment liabilities	1,714	5,836	19,918	28,806	—	—	21,632	34,642
Unallocated liabilities							11,812	12,635
Total liabilities							33,444	47,277
Other segment information								
Segment capital expenditure	—	652	213	405	—	—	213	1,057
Unallocated capital expenditure							33	381
Total capital expenditure							246	1,438
Segment depreciation	65	44	128	75	—	—	193	119
Unallocated depreciation							118	198
Total depreciation							311	317
Total amortisation	183	357	—	—	—	—	183	357

30 JUNE 2006	Notes	ARIADNE GROUP 2006 $'000	2005 $'000
3. REVENUES AND EXPENSES			
Revenue and Expenses from Continuing Operations			
(a) Revenue			
Sale of property		19,430	19,573
Car park revenue		6,739	29,954
Investment restructuring fee		4,736	—
Net income from the sale of investments		1,503	6
Reversal of project inventory provision		3,210	—
Interest received or due and receivable		659	531
Dividends and trust distributions received			
Unrelated parties		—	14
Controlled entities		—	—
		36,277	50,078
(b) Other income			
Property division sale of goods		1,970	1,335
Other income		571	421
Property division trading income		1,156	1,477
Proceeds from legal settlement		745	—
Management fees received		135	1,103
		4,577	4,336
(c) Depreciation and amortisation			
Depreciation of non-current assets			
Plant and equipment		245	257
Leasehold improvements		66	60
Total depreciation of non-current assets		311	317
Amortisation of non-current assets			
Investments		183	357
Total amortisation of non-current assets		183	357
		494	674
(d) Employee benefits expense			
Wages and salaries		2,232	5,099
Workers compensation costs		3	3
Annual leave provision		36	207
Long service leave provision		24	61
Superannuation		131	411
Payroll tax		103	288
Fringe benefits tax		54	78
Share-based payment expense		178	120
		2,761	6,267

30 JUNE 2006	Notes	ARIADNE GROUP 2006 $'000	2005 $'000
3. REVENUES AND EXPENSES (continued)			
(e) Finance costs			
Interest expense			
Related parties		176	278
Other parties- bank loans and overdraft		2,323	2,063
		2,499	2,341
Less: Finance costs capitalised		(1,261)	(1,055)
		1,238	1,286
4. DIVIDENDS PAID AND PROPOSED ON ORDINARY SHARES			
Dividends paid during the year:			
Final unfranked dividend for 2005 (1 cent per share) (2004: 1 cent)		2,217	2,213
Dividends proposed and not recognised as a liability			
Final unfranked dividend for 2006 (1 cent per share) (2005: 1 cent)		2,228	2,217
5. ISSUED CAPITAL			
(a) Ordinary Shares			
Issued and fully paid		390,572	390,255

(b) Movement in ordinary shares on issue		**2006** Number of shares	**2006** $'000	2005 Number of shares	2005 $'000
At beginning of the financial year		221,743,294	390,255	221,317,347	390,109
Issued during the year:					
-dividend reinvestment scheme	(i)	861,627	275	425,947	146
-employee share scheme	(ii)	200,000	42	—	—
Balance and financial year end		222,804,921	390,572	221,743,294	390,255

(i) On 9 November 2005, 861,627 ordinary shares were allocated under the Ariadne Australia Limited Dividend Reinvestment Plan at $0.32 per share (rounded to the nearest whole number).

(ii) On 2 February 2006, 200,000 ordinary shares were issued through the exercise of share options. The ordinary shares were issued at $0.21 per share.

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6. EVENTS AFTER THE BALANCE DATE

On 29 August 2006 the directors of Ariadne Australia Limited declared an unfranked final dividend of 1 cent per ordinary share. The record date for determining entitlements to the dividend is 27 October 2006.

In June 2006, the Group entered into a contract to purchase the Port Marina, Park Street, Port Macquarie for $4.15m. The contract was subject to due diligence and Ariadne Board approval. Management completed satisfactory asset due diligence subsequent to year end at which time the transaction received Board approval. The contract is due for settlement late September 2006.

7. INTERESTS IN ASSOCIATES AND JOINT VENTURE ENTITIES

Name	Entity Type	Principal activity	Interest held %	
			2006	2005
Bayview Noosa Joint Venture	Joint Venture Operation	Property development	**50**	50
Viridian Noosa Trust	Joint Venture Entity	Property development	**50**	50
Coolum Caravan Park Joint Venture	Joint Venture Operation	Property development	**50**	50
Mariners Cove Joint Venture	Joint Venture Operation	Property development	**50**	50
ACU Joint Venture	Joint Venture Operation	Property development	**50**	50
City Plaza Joint Venture	Joint Venture Operation	Property development	**40**	40
Skyline Joint Venture	Joint Venture Operation	Property development	**33**	50
International Infrastructure Management Pty Ltd	Joint Venture Entity	Port infrastructure	**50**	50
IIM Unit Trust	Joint Venture Entity	Port infrastructure	**50**	50
S&K Car Park Management Pty Ltd	Joint Venture Entity	Car parking operations	**50**	50
S&K Unit Trust	Joint Venture Entity	Car parking operations	**50**	50
FreshXtend Technologies Corp	Joint Venture Entity	Food life extension technology	**22**	22
AS Strata Services Pty Ltd	Joint Venture Entity	Management letting rights	**50**	—
AS Strata Services Unit Trust	Joint Venture Entity	Management letting rights	**50**	—

8. TRANSITION TO AUSTRALIAN EQUIVALENT INTERNATIONAL FINANCIAL REPORTING STANDARDS

For all periods up to and including the year ended 30 June 2005, the Group prepared its financial statements in accordance with Australian generally accepted account practices (AGAAP). These financial statements for the year ended 30 June 2006 are the first the Group is required to prepare in accordance with Australian equivalents to International Financial Reporting Standards ("AIFRS").

Accordingly, the Group has prepared financial statements that comply with AIFRS applicable for periods beginning on 1 July 2005. In preparing these financial statements, the Group has started from an opening balance sheet as at 1 July 2004, the Group's date of transition to AIFRS, and made those changes in accounting policies and other restatements required by AABS 1 *First-time adoption of AIFRS*.

This note explains the principal adjustments made by the Group in restating its AGAAP balance sheet as at 1 July 2004 and its previously published AGAAP financial statements for the year ended 30 June 2005.

Exemptions applied
AASB 1 allows first-time adopters certain exemptions from the general requirement to apply AIFRS retrospectively.
The Group has taken the following exemptions:

- AASB 3 *Business Combinations* has not been applied to acquisitions of subsidiaries or of interests in associates and joint ventures that occurred before 1 July 2004.

The Group has not elected to adopt the exemption from the requirement to restate comparative information for AASB 132 and AASB 139 exemption and has applied AASB 132 *Financial Instruments: Presentation and Disclosure* and AASB 139 *Financial Instruments: Recognition and Measurement* to its comparative information.

Explanation of material adjustments to the cash flow statement
There are no material differences between the cash flow statement presented under AIFRS and the cash flow statement presented under previous AGAAP.

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8. TRANSITION TO AUSTRALIAN EQUIVALENT INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

(i) Balance Sheet reflecting reconciliation of adjustments to AIFRS as at 1 July 2004

AT 30 JUNE 2004		AGAAP	ARIADNE GROUP AIFRS IMPACT	AIFRS
		$'000	$'000	$'000
CURRENT ASSETS				
Cash and cash equivalents		26,503	—	26,503
Trade and other receivables		7,856	—	7,856
Inventories		468	—	468
Other financial assets	A	827	271	1,098
Property, plant and equipment held for sale		676	—	676
Other current assets		1,847	—	1,847
Intangibles		—	—	—
TOTAL CURRENT ASSETS		**38,177**	**271**	**38,448**
NON-CURRENT ASSETS				
Receivables		1,925	—	1,925
Other financial assets		6,187	—	6,187
Investments accounted for using the equity method	B	24,599	(5,464)	19,135
Property, plant and equipment		218	—	218
Inventories	C	32,747	(15)	32,732
Intangible assets		—	—	—
TOTAL NON-CURRENT ASSETS		**65,676**	**(5,479)**	**60,197**
TOTAL ASSETS		**103,853**	**(5,208)**	**98,645**
CURRENT LIABILITIES				
Payables	D	6,290	72	6,362
Interest-bearing liabilities		15,530	—	15,530
Other		122	—	122
Provisions		807	—	807
TOTAL CURRENT LIABILITIES		**22,749**	**72**	**22,821**
NON-CURRENT LIABILITIES				
Payables		1,307	—	1,307
Interest-bearing liabilities		19,033	—	19,033
Provisions		1,057	—	1,057
TOTAL NON-CURRENT LIABILITIES		**21,397**	—	**21,397**
TOTAL LIABILITIES		**44,146**	**72**	**44,218**
NET ASSETS		**59,707**	**(5,280)**	**54,427**
EQUITY				
Issued capital		390,109	—	390,109
Share option reserves	E	—	136	136
Reserves		3,105	—	3,105
Accumulated losses		(333,507)	(5,416)	(338,923)
TOTAL EQUITY		**59,707**	**(5,280)**	**54,427**

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8. TRANSITION TO AUSTRALIAN EQUIVALENT INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

(ii) Reconciliation of adjustments to equity as at 1 July 2004 on transition to AIFRS

	ARIADNE GROUP As at 1 July 2004 $'000
Total equity as previously reported	59,707
Fair value adjustment on investments held for trading **(A)**	271
Adjustment due to change in construction accounting application **(B)**	(5,464)
Write off of property development costs no longer eligible for capitalisation **(C)**	(15)
Recognition of provision for restoration costs **(D)**	(72)
Increase in equity due to share based payments **(E)**	(136)
Recognition of share based payments expense **(E)**	136
Total equity under AIFRS	54,427

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8. TRANSITION TO AUSTRALIAN EQUIVALENT INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

(iii) Balance Sheet reflecting reconciliation of adjustments to AIFRS as at 30 June 2005

AT 30 JUNE 2005		AGAAP	ARIADNE GROUP AIFRS IMPACT	AIFRS
		$'000	$'000	$'000
CURRENT ASSETS				
Cash and cash equivalents		4,955	—	4,955
Trade and other receivables	B,C,F	34,943	(10,926)	24,017
Inventories	B,C,F	11,638	9,218	20,856
Other financial assets		—	—	—
Property, plant and equipment held for sale		—	—	—
Other current assets		1,004	—	1,004
Intangibles		—	261	261
TOTAL CURRENT ASSETS		**52,540**	**(1,447)**	**51,093**
NON-CURRENT ASSETS				
Receivables		1,408	—	1,408
Other financial assets		2,432	—	2,432
Investments accounted for using the equity method	G	36,512	176	36,688
Property, plant and equipment		1,341	—	1,341
Inventories	C	17,739	—	17,739
Intangible assets		1,421	—	1,421
TOTAL NON-CURRENT ASSETS		**60,853**	**176**	**61,029**
TOTAL ASSETS		**113,393**	**(1,271)**	**112,122**
CURRENT LIABILITIES				
Payables	D	7,524	(80)	7,444
Interest-bearing liabilities		18,420	—	18,420
Other		—	—	—
Provisions		385	—	385
TOTAL CURRENT LIABILITIES		**26,329**	**(80)**	**26,249**
NON-CURRENT LIABILITIES				
Payables		1,307	—	1,307
Interest-bearing liabilities		19,010	—	19,010
Provisions		711	—	711
TOTAL NON-CURRENT LIABILITIES		**21,028**	—	**21,028**
TOTAL LIABILITIES		**47,357**	**(80)**	**47,277**
NET ASSETS		**66,036**	**(1,191)**	**64,845**
EQUITY				
Issued capital		390,255	—	390,255
Share option reserves	E	—	256	256
Reserves		3,105	—	3,105
Accumulated losses		(327,324)	(1,447)	(328,771)
TOTAL EQUITY		**66,036**	**(1,191)**	**64,845**

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8. TRANSITION TO AUSTRALIAN EQUIVALENT INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

(iv) Reconciliation of adjustments to equity as at 1 July 2005 on transition to AIFRS

	ARIADNE GROUP As at 1 July 2005 $'000
Total equity as previously reported	66,036
Fair value adjustment on investments held for trading **(A)**	—
Adjustment due to change in construction accounting application **(B)**	(739)
Write off of property development costs no longer eligible for capitalisation **(C)**	(200)
Increase in equity due to share based payments **(E)**	256
Recognition of share based payments expense **(E)**	(256)
Derecognition of profit on sale recorded at execution of put/call option **(F)**	(428)
Write back of goodwill amortisation recorded in equity accounted investment **(G)**	237
Other adjustments	(61)
Total equity under AIFRS	64,845

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8. TRANSITION TO AUSTRALIAN EQUIVALENT INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

(v) Income Statement reflecting reconciliation of adjustments to AIFRS for the year ended 30 June 2005

FOR THE YEAR ENDED 30 JUNE 2005		ARIADNE GROUP		
		AGAAP $'000	AIFRS IMPACT $'000	AIFRS $'000
CONTINUING OPERATIONS				
Sale of property	B,F	30,499	(10,926)	19,573
Car park revenue		29,954	—	29,954
Other income		4,336	—	4,336
Interest received or due and receivable		531	—	531
Dividends and trust distributions received		14	—	14
Reversal of project inventory provision		—	—	—
Net income from the sale of investments	A	277	(271)	6
Car park occupancy and overheads		(25,063)	—	(25,063)
Cost of sales - property	B,F	(19,530)	9,748	(9,782)
Employee benefits expense	E	(6,147)	(120)	(6,267)
Net diminution in asset values	C	(3,965)	897	(3,068)
Other corporate and property expenses	C,D,F	(2,955)	(999)	(3,954)
Finance costs		(1,286)	—	(1,286)
Property division cost of goods sold		(1,191)	—	(1,191)
Depreciation and amortisation		(674)	—	(674)
Share of profits / (losses) of associates	B,G	3,596	5,640	9,236
PROFIT BEFORE INCOME TAX		**8,396**	**3,969**	**12,365**
INCOME TAX EXPENSE		—	—	—
PROFIT AFTER TAX FROM CONTINUING OPERATIONS		**8,396**	**3,969**	**12,365**
NET PROFIT ATTRIBUTABLE TO MEMBERS OF ARIADNE AUSTRALIA LIMITED		**8,396**	**3,969**	**12,365**

Notes to Financial Statements

30 JUNE 2006

8. TRANSITION TO AUSTRALIAN EQUIVALENT INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

(vi) Outline below are additional explanation relating to impacts of AIFRS transition

(A) Under AASB 139 *Financial Instruments*, a number of investments held by the Group as at 30 June 2004 have been deemed held for trading. This has resulted in a fair value adjustment to the investments recognised through the Income Statement as at this date. The investments were sold during the 30 June 2005 financial year.

(B) Previously under the requirements of UIG 53, *Pre-completion Contracts for the Sale of Residential Development Properties*, the Group was required to recognise emerging profit on residential property development projects calculated on the percentage of completion basis. The requirements of this UIG do not apply under AASB 111 *Construction Contracts*. Profit on such projects are recognised on settlement under AIFRS.

(C) Under AASB 102 *Inventory*, selling and marketing costs associated with property development projects are required to be written off as incurred. These costs were previously capitalised as part of property development inventory.

(D) Under AASB 116 *Property, Plant and Equipment*, the group is required to include as part of the cost of its leasehold improvements, an estimate of the costs to remove these improvements. These costs were not recognised under AGAAP. The removal of these improvements took place during the 30 June 2005 financial year.

(E) Under AASB 2 *Share based Payments*, the Group must recognise the fair value of options granted to employees as remuneration as an expense on a pro-rata basis over the vesting period in the Income Statement with a corresponding adjustment to equity.

(F) Under AASB 118 *Revenues*, property sales made by way of put/call options may only be recognised on settlement.

(G) Under AASB 3 *Business Combinations*, goodwill is not be permitted to be amortised but instead is subject to impairment testing on an annual basis or upon occurrence of triggers which may indicate potential impairment. In the 2005 financial year, the Group's share of profits from an equity accounted investment included amortisation of goodwill which is not permitted under AIFRS.

The Group has a large number of revenue and capital tax losses available. These losses are not currently recorded as an asset in the Balance Sheet. Although the transitional changes to AIFRS have resulted in a change to the timing of the utilisation of the Group's tax losses, there have been no tax related impacts on the Group's AIFRS Balance Sheet, as deferred tax assets available to the Group remain sufficient to offset both current and deferred tax liabilities. The surplus deferred tax asset is not carried on Balance Sheet as its realisation is not considered probable.

9. STATUS OF AUDIT

The report is based on accounts which are in the process of being audited by Ernst & Young. No matters subject to dispute or qualification have been identified as part of the audit process.