**ARIADNE AUSTRALIA LIMITED**

**CHIEF EXECUTIVE'S ADDRESS**

**2006 Annual General Meeting**

**29 November2006**

Thank you Mr. Chairman. Ladies and Gentlemen, Ariadne Australia Limited has had another interesting year - a feature of which was the broadening base for generating revenue and profits and a continuation of building the blocks for the future.

For the year ended 30 June 2006, on a like-for-like basis the profit of $7.21M is 15% down on that for 2005 of $8.39M. This comparative profit is before the impact of compliance with Australian Equivalents to International Financial Reporting Standards. The major adverse impact on the result related to the reporting of a significant first year loss for the Brisbane CBD car park Queens Plaza. This 595 bay car park was opened in June 2005 in relatively soft market conditions. During the first year of operations the Queens Plaza retail centre has operated on a lower than full capacity basis, with the Coles Supermarket store and a further 17,000 sq meters of the David Jones Store yet to be opened. Through a combination of improved trading conditions and aggressive marketing programs this car park in the first five months of 2007 has significantly improved its performance. We remain confident of the long term value of this car park to Ariadne and the S & K Car Park Group.

The lower level contribution from property was offset by an increase in investment contributions, as a consequence of the sale of a 10% shareholding in International Parking Group and the restructuring of investment activities undertaken with Babcock & Brown Limited. Whilst a relatively small investment, the joint venture with Babcock & Brown, International Infrastructure Pty Ltd, has positioned Ariadne to potentially participate with Babcock & Brown in certain marine infrastructure asset and investment opportunities on a co-investment basis.

Ariadne's primary objective moving forward is to build on the quality asset base, with a good balance between property and investment supported by recurring income activities.

**PROPERTY**

The Board and Management of Ariadne maintain an ongoing review of its property portfolio. Ariadne has demonstrated historically it has the ability to identify strategic property sites, which have upside potential with options to exit at various stages in the value add delivery process. The most recent review, undertaken with Jones Lang LaSalle, resulted in the decision to review our holdings by way of an Expressions of Interest Campaign, which closes on the 7 December 2006. There is strong interest nationally from medium and large size property industry players and private equity groups in this portfolio. The rationalisation of our property holdings will enable Ariadne to freshen up its portfolio and for new property development transactions to be shaped around marina development activities. I will speak more about that later.

The only major project completed during the reporting period, was Element on Coolum Stage 2. This project completed in April 2006 comprises 48 residential units and 6 retail shops. This is an outstanding mixed residential and retail development, which has set new development standards in the Central Coolum precinct. 42 units and 5 retail shops have been sold. We expect to complete the sale program for the remaining units over the next few months.

Ariadne has been reviewing a number of build / own / operate / transfer (BOOT) car park construction opportunities. These projects which are typically undertaken for hospitals and tertiary education institutions have very long lead times. The skill base of the Ariadne Property Group and the S & K Car

Park Management team enables the group to create competitive advantages in this area of car park development. We are at an advanced stage of finalising our first transaction.

In the event of the successful sale of the three properties taken to market, Element on Coolum Stage 3, Portal Stage III and Morris Marina & Caravan Park, Ariadne will still hold quality sites in various stages of the development cycle. These include Viridian Noosa (a 50% shareholding), Mariner's Cove (a 50% shareholding), and The CBD Skyline Residential development, a joint venture with Watpac and Seymour Group. The Botanic land development joint venture with Watpac is 90% complete, only ten residential lots remain to be sold.

In July 2006, Ariadne acquired the Port Macquarie Marina, which will be redeveloped over the next three years. The redevelopment will include land based retail and leisure developments alongside the marina. Ariadne is reviewing three marina and property related sites, both for ownership and management and has entered into an exclusive due diligence period on one of these sites.

## AS STRATA SERVICES PTY LTD

Consistent with our objective of developing recurring earnings, in addition to development opportunities, Ariadne has established with Watpac a joint venture management rights and facilities management company, AS Strata Services Pty Ltd. AS Strata has been operating for four months and in this time has established an operational structure and acquired, or has contracted to acquire the management rights for approximately 400 units. The management rights industry is fragmented despite the presence of a number of corporate players. Watpac and Ariadne perceive a niche opportunity to establish an operation of critical mass generating very acceptable cash & equity returns. The opportunity in this industry is not unlike that of the car park industry - a fragmented industry which in some areas is under managed and in need of a more professional interface with owners. AS Strata is finalising the development of a brand which will be launched early 2007.

## S & K CAR PARKING GROUP

The S & K Car Parking Group, in which Ariadne is a 50% shareholder, completed its second year as a merged operation. As I said in last years review, the integration of the Kings and Secure businesses in Queensland and New South Wales has been very successful. Trading conditions in those two markets remain relatively strong, particularly in Queensland. Retention of market share, the successful acquisition of new management contracts, Sydney Airport and post balance date, Parramatta City Council, to name two important ones, and strong management supported by a stable operational environment has underpinned a strong performance. However, overall performance in 2006 was adversely affected by continuing problems in the Melbourne market. The introduction of a congestion levy in January 2006 and the continuation of management issues and weak market conditions have affected performance. Management changes have been made and the results are improving. Having said that, market conditions remain tough. The congestion levy continues to impact and the use of public transport in Victoria increases.

On a national basis S & K continues to enhance its position as a market leader. A re-branding exercise is successfully underway in Victoria and New South Wales. (There is material available at this meeting for you on the re-branding, and an S & K Capabilities Statement.)

New technology applications, new HR developments and process control improvements together with the re-branding exercise, has provided a platform for aggressive market development. Marketing initiatives linked to web-based marketing, the Club Secure program and implementation of the Advantage Parker card program to the corporate market, coupled with enhanced landlord and property owner services are being well received in the market place.

## US SAVINGS AND LOANS CORPORATION

During the financial year, the settlement was completed for the long outstanding legal proceedings brought against the United States Government, by the Southern California Savings and Loans Association, with whom Ariadne is a joint plaintiff. Ariadne has pursued this litigation in conjunction with its US Associates at no cost to Ariadne. The end result is a very small gain for Ariadne. While our US Associates continue to review the outcome it is highly unlikely that Ariadne will receive any further payments from the settlement.

## GENERAL

Ariadne has a high quality asset base. With the development and growth of our recurring income activities, car parking, marina management and management rights business, our strategic framework is developing around property and property related activities from which a combination of development profits and ongoing management income can be generated. We believe this over time will lift the overall financial strength of Ariadne and the potential profit profile of the group.

You may or may not have noticed that the Ariadne brand and logo has been revitalised. The brand has been around for a long time and the revitalisation program was appropriate and desirable.

I know our Chairman will shortly speak about the shareholder changes when the special items of business are discussed. However, on behalf of the management team I would like to express our thanks to Mr Kevin Seymour for his support and guidance and the very proactive role that he has played in the reconstruction and continued development of Ariadne over the past 15 years. We are fortunate that whilst Kevin is reducing his shareholding, he will remain an active Director. Kevin is a great person to work with. His skills, foresight and the generous availability of his time to assist management is a great help to the senior management team and me personally. Kevin, once again many thanks.

It is pleasing to announce that Ariadne declared again a 1 cent per ordinary share, a continuation of its dividend paying policy.

Finally I would like to thank the Board, Management, and all staff for their support and contribution over the past 12 months. Ariadne stakeholders are fortunate to have a high calibre Board and competent Management team to continue the building of a sustainable and profitable base for the future.