Blue Sky Alternative Investments Limited ABN 73 136 866 236

Appendix 4D Half-year report
for the half-year ended 31 December 2017

The following information sets out the requirements of Appendix 4D, with the stipulated information either provided below or cross-referenced to the 2018 Interim Financial Report, which is attached.

1. Details of the reporting period and the prior corresponding period

Current period: 1 July 2017 to 31 December 2017

Prior corresponding period: 1 July 2016 to 31 December 2016

2. Results for announcement to the market

Key information	6 months to 31 December 2017 $'M	6 months to 31 December 2016 $'M	Movement $'M	Movement (%)	
Underlying results					
Total income	51.4	36.4	15.0	41%	Up
Net profit attributable to members	16.1	10.1	6.0	59%	Up
Net profit after tax	16.1	10.1	6.0	59%	Up
Statutory results					
Total income	43.3	41.7	1.6	4%	Up
Net profit attributable to members	9.8	10.3	-0.5	-5%	Down
Net profit after tax	8.5	10.8	-2.3	-21%	Down

Details of dividends

On 19 February 2018, the Directors resolved not to pay a dividend in relation to the current reporting period, being 1 July 2017 to 31 December 2017.

	6 months to 31 December 2017 $'000	6 months to 31 December 2016 $'000
Final dividends paid during the periods (fully franked)	15,719	10,783
Cents per share	23	16

3. Net tangible assets per share

Net tangible assets	As at 31 December 2017	As at 31 December 2016
Net tangible assets per share – underlying results[1]	$2.2335	$1.9882
Net tangible assets per share – statutory results[1]	$1.8257	$1.7500

[1] Under the Listing Rules NTA backing must be determined by deducting from total tangible assets all claims on those assets ranking ahead of the ordinary securities (i.e. all liabilities, preference shares, outside equity interest etc.).

4. Entities over which control has been gained or lost during the period

Refer to the 2018 Interim Financial Report attached:

4.1 Note 19 to the Interim Consolidated Financial Statements

5. Details of associates and joint ventures

Refer to the 2018 Interim Financial Report attached:

5.1 Note 18 to the Interim Consolidated Financial Statements

6. Accounting standards used by foreign entities

Not applicable

7. Audit

This report is based on the Interim Consolidated Financial Statements to which one of the following applies:

	The accounts have been audited. (refer attached interim financial report)	√	The accounts have been subject to review. (refer attached Interim Financial Report)
	The accounts are in the process of being audited or subject to review.		The accounts have not yet been audited or reviewed.

Signed: .... Date: 19 February 2018

John Kain

Chair

Blue Sky Alternative Investments Limited

ABN 73 136 866 236

Interim Financial Report for the half-year ended 31 December 2017

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Blue Sky Alternative Investments Limited
Directors' report
For the half-year ended 31 December 2017

The Directors present their report, together with the Interim Financial Report of Blue Sky Alternative Investments Limited (‘Company’, ‘parent entity’, or ‘Blue Sky’) and the entities it controlled (‘the Group’) for the half-year ended 31 December 2017.

Directors

The Directors of the Company are:

John Kain (Chair)
Timothy Wilson (Deputy Chair)
Nicholas Dignam
Michael Gordon
Philip Hennessy
Alexander McNab
Kim Morison
Robert Shand
Elaine Stead

The Directors have been in office since the start of the financial year to the date of this report.

Company secretary

Blue Sky’s company secretary is Jane Prior.

Principal activities

Blue Sky’s principal activities are the management of funds and investments across the four major alternative asset classes: Private Equity, Private Real Estate, Real Assets and Hedge Funds.

Operating and financial review

Financial performance and financial position – Underlying Results[1]

	Underlying Results		**Consolidated Group Results**[2]	
	1H FY18	1H FY17	1H FY18	1H FY17
Total income	$51.4m	$36.4m	$43.3m	$41.7m
Net profit after tax[3]	$16.1m	$10.1m	$9.8m	$10.3m
Net tangible assets	$153.6m	$134.0m	$125.6m	$118.0m

Blue Sky has had a solid start to FY18 with underlying net profit after tax ('NPAT') for the period of $16.1 million, up 59% from $10.1 million in the prior corresponding period ('pcp'). This result was driven by a substantial increase in fee-earning assets under management ('AUM') which stood at $3.9 billion at 31 December 2017, an increase of close to $1.2 billion over the last twelve months. As highlighted in prior periods, we have been very focused on building scale to capitalise on the opportunity that exists in the alternatives investment industry. It has therefore been pleasing to see this momentum continue.

Growth in fee-earning AUM led to a 41% increase in underlying revenue to $51.4 million (1H FY17: $36.4 million), including a 48% increase in management fees. Growth in performance fees was more modest however (up 9.7% vs. pcp), and reflects that $1.8 billion (or 46%) of our fee-earning AUM has recently been deployed in the eighteen months since 30 June 2016.

[1]The Underlying Results are non-IFRS financial information and are based on all investments held by Blue Sky in funds and fund related entities that it manages being accounted for at Fair Value through Profit and Loss under AASB 139 *Financial Instruments* using the same approach as outlined in AASB 13 *Fair Value Measurement* (rather than being consolidated or accounted for using the equity method). The non-IFRS financial information has been subject to review by Blue Sky’s auditor (Ernst & Young).

[2] The Consolidated Group Results reflect Blue Sky’s statutory results. These results include investments in a range of Blue Sky managed funds and fund related entities that have been consolidated or equity accounted in accordance with AASB 10 *Consolidated Financial Statements*.

[3] Excludes non-controlling interests where applicable.

Operating and financial review (cont'd)

Financial performance and financial position – Underlying Results (cont'd)

We continue to invest for growth - which has included expanding our team to 116 full time equivalents at 31 December 2017 - but have been careful to ensure expenses grow at a more modest rate than revenue. This discipline saw EBITDA[4] margins expand to 43.4% in 1H FY18 (1H FY17: 41.2%). Looking forward, we expect continued expansion in EBITDA margins as our business scales.

A key driver of Blue Sky's growth has been the mandates awarded by institutional investors, a subset of which require co-investment of alignment capital from our balance sheet. We invested $11.3 million during the period into funds and fund related entities that we manage, and now hold a total of $81.1 million of investments across 24 separate funds, two operating businesses and two joint ventures. Gains on these investments, particularly within student accommodation and retirement living, were the primary driver of increased investment income which grew to $10.2 million for the period (representing a 16.1% gain on balance sheet investments held at fair value at the start of the period). We expect to make further co-investments as existing mandates are deployed and new mandates are secured.

Net tangible assets ('NTA') increased from $150.6 million at 30 June 2017 to $153.6 million at 31 December 2017 (or $2.23 per share). This includes a net cash balance of $44.6 million at 31 December 2017, with the reduction in this balance driven primarily by the payment of the FY17 dividend to our shareholders as well as the $11.3 million of co-investments made during the period.

Net cash from operating activities increased from $9.3 million in 1H FY17 to $10.3 million in 1H FY18, reflecting the growth in (and deployment of) fee-earning AUM across all four of our investment teams. The growth was, however, more muted than growth in prior periods and reflects several factors, including lower cash from performance fees in the period (due to a limited number of funds being realised in 1H FY18 and no performance fees received from the Blue Sky Water Fund), as well as the investments that we are making to grow our platform.

FY18 guidance

The Directors have maintained previous guidance for the full FY18 year with underlying NPAT anticipated to be between $34.0 million and $36.0 million, an increase of between 33% - 41% on FY17.

The Directors also anticipate that fee-earning AUM at 30 June 2018 will be between $4.25 billion and $4.75 billion (up from previous guidance of between $4.0 billion and $4.5 billion) and are targeting between $5.5 billion and $6.0 billion in fee-earning AUM by 30 June 2019.

Fee-earning AUM

Fee-earning AUM stood at $3.9 billion at 31 December 2017. Given that the vast majority of our fee-earning AUM are in long-dated closed-ended funds, this sets a new baseline that we expect will grow in the years ahead.

Each of our three investor segments continued to expand, with our institutional investor segment growing most quickly. Sixteen institutions now invest with Blue Sky (including eleven international institutions), representing 40% of fee-earning AUM. During the period, we deployed institutional mandates across all four asset classes and we anticipate this segment will grow to over 50% in the coming years as existing mandates are deployed and new mandates are secured.

Being awarded these institutional mandates has been important for a range of reasons: not only is it a strong endorsement of our team, the track record we have built and the platform we have established, but they also help grow and further diversify our investor base, a key strategic goal for our business. Given they mostly have long-term investment horizons, these mandates should help drive further increases in fee-earning AUM in the future as undeployed capital is invested.

Our wholesale investor segment - which includes sophisticated investors such as family offices and high net worth individuals - continued to grow. Blue Sky's business was built with the support of these investors, and it is a segment that remains a core focus and a large opportunity. Importantly, it is a segment that also provides valuable diversification within our investor base, and is an important source of proprietary deal flow for our investment teams.

[4] Earnings Before Interest, Tax, Depreciation and Amortisation.

Operating and financial review (cont'd)

Fee-earning AUM (cont'd)

For retail investors, Blue Sky established and manages the Blue Sky Alternatives Access Fund ('BAF') which is the only listed investment company on the Australian Securities Exchange ('ASX') that allows investors to make a strategic allocation to a diverse portfolio of directly managed alternative assets. The market capitalisation of this platform has grown from approximately $60 million at listing in 2014 to over $250 million at 31 December 2017, with the demand for alternative assets from retail investors clearly demonstrated in November 2017 with BAF's $49 million capital raise heavily oversubscribed.

Across the market, allocations to alternative assets have increased, the continuation of a trend that has been unfolding for over two decades. Alternative assets are the fastest growing asset class in Australia and are forecast to eclipse allocations to Australian equities in the next decade to become the largest asset class in the industry.[5] We expect these long-term trends will provide significant positive momentum for our business for many years to come.

Investment performance

Since inception, we have delivered overall investor returns of 15.0% per annum (net of fees).[6] This eleven year track record is an important source of value to Blue Sky and a critical ingredient in securing a range of investment mandates, particularly from institutions.

Given the vast majority of the funds we manage have long-term timeframes, our business is not focused on predicting short-term market movements. Rather, our focus is on making multi-year investments in private markets that are underpinned by long-term structural tailwinds (such as demographic trends). This has led us to invest in sectors such as food, water, agriculture, healthcare, education, retirement and technology. We have confidence in the long-term growth prospects of these sectors and will continue to seek additional investments in these areas.

For our closed-ended funds (which represent 76 of the 80 funds we manage), we have a particular focus on investment opportunities where capital can be deployed to activity build (rather than buy) value. For example, in Private Equity, we deploy growth capital to help our portfolio companies expand. In Private Real Estate, we target opportunities to build and operate new student accommodation and retirement living assets. In Real Assets, we seek 'change of use' opportunities where capital can be invested to create a step change in the value of an agricultural asset. Consistent with this focus on building value, in each of these divisions our teams have significant influence (or control) at the asset level.

A critical component of our investment track record is the performance of our investments that have been realised. Since inception, we have exited 39 investments and our realised track record of 16.7% per annum (net of fees) is superior to our overall track record.[7] We built on this track record over the last year with nine investments exited, and are targeting a total of eight to ten realisations over the course of FY18.

Governance

At Blue Sky, we believe good governance is an integral part of being a good investor, as well as being a good fund manager. We are therefore committed to meeting or exceeding all twenty-nine recommendations made by the ASX Corporate Governance Principles and Recommendations. Reflecting this commitment, we have methodically evolved our board and governance structures since listing in January 2012 and are continuously looking to make further improvements as we grow. In the six years since our listing, Blue Sky has grown from having a market capitalisation of approximately $33 million to over $900 million at 31 December 2017. Over this period, we have evolved through three key stages: (i) the transition from private to public business; (ii) the transition from a founder-led enterprise; and (iii) the transition into the ASX300.

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[5] Rainmaker Roundup - Volume 20 Number 3 (September Quarter 2016).

[6] Investor returns are equity-weighted returns since inception through to 31 December 2017 and include both realised and unrealised investments. Past performance is not a reliable indicator of future performance. Refer to the 1H FY18 Results Presentation for further details.

[7] 'Realised returns' are equity-weighted returns since inception through to 31 December 2017 and include returns generated by open ended funds (namely the Blue Sky Water Fund and our Hedge Funds) where investors have redemption rights. Past performance is not a reliable indicator of future performance.

Operating and financial review (cont'd)

Governance (cont'd)

As we have evolved through these stages, so too have our governance structures. During the first stage (transition from private to public) the board comprised of an independent non-executive chair and three executive directors who each deeply understood and were aligned to the business and its culture. During the second stage (transition from founder-led business) the board added three executive directors who each led important growth sectors within the business. During the third stage (transition to ASX300) the board added two independent non-executive directors ('NEDs') and restructured the committees to each be comprised of independent chairs and a majority of independent NEDs. At the same time, the composition of the Audit Committee was changed to be comprised entirely of NEDs.

This evolution in governance will continue. The board, in anticipation of a transition from the ASX300 to the ASX200, has resolved to move to a majority of independent directors. At the same time, the board's intention is that the composition of the Nomination and Remuneration Committee will change so that it will be comprised solely of independent directors (including an independent chairperson). Following these changes, Blue Sky will meet all twenty-nine recommendations made by the ASX Corporate Governance Principles and Recommendations.

Strategy

In the prospectus that accompanied our listing in 2012, we summarised our strategy as follows:

> *"Over the next five years, BSAIL's goal is to become Australia's leading alternative investment fund manager with institutional grade products across a broad range of alternative asset classes. In order to achieve this goal, BSAIL will focus on:*
>
> - *Continuing to deliver exceptional investment returns to Fund Investors;*
> - *Ongoing development of innovative investment products with a low degree of correlation to traditional asset classes;*
> - *Significantly increasing the Blue Sky Group's AUM, with a substantial portion of those assets coming from offshore Fund Investors;*
> - *Deepening BSAIL's distribution capability, both within Australia and offshore, and across all Fund Investor groups; and*
> - *Retaining BSAIL's key investment professionals."*

Our current business strategy remains entirely consistent with the goals we outlined at the time of our listing. The only difference now is that we have a much larger platform, as well as a significantly enhanced team, track record and domestic and international investor network. With this platform in place, we will continue to focus on generating compelling risk-adjusted returns for our investors whilst also building scale to capture the opportunity within the rapidly growing alternatives industry.

✠✠✠

Financial performance and financial position – Statutory Results

Blue Sky holds balance sheet investments in a range of funds and fund related entities that we manage, primarily as alignment capital where we have invested alongside institutional investors. Given that Blue Sky both: (i) holds an economic interest in these funds; and (ii) as the investment manager of these funds, exerts a degree of control over these funds, we are required under the accounting standards to consolidate or account for these funds using the equity method rather than accounting for them at fair value. This approach is required under the AASB 10 *Consolidated Financial Statements* ('AASB 10') accounting standard.

In accordance with AASB 10, four funds are consolidated into the Group's 1H FY18 Interim Financial Report and a further 22 funds and two joint ventures are accounted for using the equity method in accordance with AASB 128 *Investments in Associates and Joint Ventures* ('AASB 128').

This accounting treatment has a range of impacts, including:

- In the Group's statutory financial results, management and other fees that are paid to Blue Sky are eliminated upon consolidation and as such do not appear in the consolidated results of the Group - the statutory results include all of the revenue and expenses attributable to funds that have been consolidated;
- For those funds that are required to be consolidated, units owned by Blue Sky in those funds are eliminated upon consolidation and all of the assets and liabilities of those funds (that are held by the fund on behalf of investors in those funds) appear on the consolidated Group's interim statement of financial position; and
- For funds that are accounted for using the equity method, a share of the profit or loss - rather than the fair value of the units held by Blue Sky in those funds - appears in the interim consolidated results of the Group.

Operating and financial review (cont'd)

Financial performance and financial position – Statutory Results (cont'd)

Given that AASB 10 has these impacts on Blue Sky's statutory results, the business is managed on a day to day basis using exactly the same approach that is presented in our underlying results. In our underlying results, all balance sheet investments in funds and fund related entities that we manage are reported at Fair Value through Profit or Loss under AASB 139 *Financial Instruments* using the same principles of fair value that are included in AASB 13 *Fair Value Measurement*. This is the only difference between our underlying and statutory results, and reflects the approach used by a range of large global alternative asset managers that have investments in their underlying funds (and as such are impacted by IFRS 10, the global equivalent of the AASB 10 accounting standard).

Blue Sky's underlying results are non-IFRS financial information and have been subject to review by Blue Sky's auditor (Ernst & Young).

In relation to the Group's statutory results, in 1H FY18 the Group reported a 4% increase in revenue to $43.3 million (1H FY17: $41.7 million) and a net profit after tax attributable to members of $9.8 million, a decrease from $10.3 million in 1H FY17. While there is a divergence from Blue Sky's underlying result, as noted previously these statutory results exclude items such as management, performance and other fees earned by Blue Sky from funds eliminated upon consolidation as required under AASB 10. In addition, they include the revenue and expenses from funds Blue Sky has invested in and is deemed to control. For example, the statutory results include the revenue and expenses associated with the operation of retirement villages and management and letting rights. All of these revenue and expense items are attributable to the unitholders of funds managed by Blue Sky, rather than Blue Sky itself.

The Group's statutory NTA at 31 December 2017 were $125.6 million, down from $130.4 million at 30 June 2017. These statutory results exclude the value of investments Blue Sky has made in funds it manages and which it is deemed to control as the value of these investments is eliminated upon consolidation in accordance with AASB 10. The Group's consolidated statement of financial position includes the assets and liabilities of those funds that have been consolidated in accordance with AASB 10. For example, the Group's consolidated statement of financial position includes $88.0 million of 'Investment property - retirement villages' that is owned by Aura Australia Holding Trust ('Aura') and funded by a range of funds managed by Blue Sky.

Comparative tables that reconcile Blue Sky's statutory results with Blue Sky's underlying results have been provided (starting at page 25).

Rounding

The amounts contained in this report and in the interim consolidated financial statements have been rounded to the nearest $1,000 (unless otherwise stated) under the option available to the Company under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. The Company is an entity to which the Instrument 2016/191 applies.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 6.

On behalf of the Directors

John Kain
Chair

19 February 2018

Ernst & Young
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Auditor's independence declaration to the directors of Blue Sky Alternative Investments Limited

As lead auditor for the review of Blue Sky Alternative Investments Limited for the half-year ended 31 December 2017, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Blue Sky Alternative Investments Limited and the entities it controlled during the financial period.

Ernst & Young

Mike Reid
Partner
19 February 2018

Interim Financial Report of Blue Sky Alternative Investments Limited
For the half-year ended 31 December 2017

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General information

The Interim Financial Report covers Blue Sky Alternative Investments Limited ('Company', 'parent entity' or 'Blue Sky') as a consolidated entity consisting of the Company and the entities it controlled (the 'Group'). The interim consolidated financial statements are presented in Australian dollars, which is the Company's functional and presentation currency.

The Interim Financial Report consists of the interim financial statements, notes to the interim financial statements and the Directors' Declaration.

The Company is a publicly listed company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Level 46, 111 Eagle Street
Brisbane QLD 4000

The Interim Financial Report was authorised for issue, in accordance with a resolution of Directors, on the date that the Directors' Declaration was signed. The Directors have the power to amend and reissue the Interim Financial Report.

Blue Sky Alternative Investments Limited
Interim Consolidated Statement of Comprehensive Income
For the half-year ended 31 December 2017

		Half-year ended	
		31 December 2017	**31 December 2016**
	Notes	**$'000**	**$'000**
Revenue			
Operating revenue	2	39,158	32,813
Share of profit of associates and joint ventures		3,236	3,315
Other income	3	885	5,558
Expenses			
Employee benefits		(16,561)	(12,999)
Occupancy		(1,140)	(1,090)
External service providers		(2,585)	(1,499)
Consultancy		(632)	(445)
Marketing		(971)	(919)
Administrative		(484)	(797)
Travel and entertainment		(1,501)	(1,347)
Other expenses	4	(7,817)	(5,965)
Finance costs		(550)	(595)
Depreciation and amortisation		(263)	(1,124)
Profit before income tax		10,775	14,906
Income tax expense	7	(2,251)	(4,116)
Profit after income tax		**8,524**	**10,790**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Other comprehensive income - net of tax		-	-
Total comprehensive income		**8,524**	**10,790**
Profit is attributable to:			
Non-controlling interests		(1,292)	500
Owners of Blue Sky Alternative Investments Limited		9,816	10,290
		8,524	**10,790**
Total comprehensive income is attributable to:			
Non-controlling interests		(1,292)	500
Owners of Blue Sky Alternative Investments Limited		9,816	10,290
		8,524	**10,790**
		Cents	**Cents**
Earnings per share			
Basic earnings per share (profit per share)	5	14.35	15.27
Diluted earnings per share (profit per share)	5	14.08	15.15

The above Interim Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Blue Sky Alternative Investments Limited
Interim Consolidated Statement of Financial Position
As at 31 December 2017

	Notes	As at 31 December 2017 $'000	30 June 2017 $'000
Assets			
Current assets			
Cash and cash equivalents		51,263	72,187
Trade and other receivables	8	37,526	38,371
Inventory	9	491	491
Other assets		5,187	4,651
Total current assets		94,467	115,700
Non-current assets			
Trade and other receivables	8	59,899	48,481
Inventory	9	2,072	1,986
Investment property - retirement villages	10	87,980	54,917
Investments in associates and joint ventures	18	49,857	51,567
Property, plant and equipment	11	4,826	4,783
Intangible assets	12	11,151	11,038
Total non-current assets		215,785	172,772
Total assets		**310,252**	**288,472**
Liabilities			
Current liabilities			
Trade and other payables	13	25,655	35,667
Borrowings	16	9,374	16,726
Deferred revenue	14	12,610	9,061
Income tax		86	1,345
Employee benefits		3,092	4,424
Resident loans - retirement villages	15	14,649	14,849
Total current liabilities		65,466	82,072
Non-current liabilities			
Deferred revenue	14	6,152	3,637
Employee benefits		642	506
Borrowings	16	72,735	37,164
Other liabilities		16,394	12,781
Deferred tax liabilities		12,144	10,875
Total non-current liabilities		108,067	64,963
Total liabilities		**173,533**	**147,035**
Net assets		**136,719**	**141,437**
Equity			
Contributed equity		122,230	120,613
Reserves		(4,430)	(5,547)
Accumulated profits		20,761	26,664
Total equity, attributable to the owners of Blue Sky Alternative Investments Limited		**138,561**	**141,730**
Non-controlling interests		(1,842)	(293)
Total equity		**136,719**	**141,437**

The above Interim Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

Blue Sky Alternative Investments Limited
Interim Consolidated Statement of Changes in Equity
For the half-year ended 31 December 2017

	Notes	Contributed equity $'000	Reserves $'000	Accumulated profits $'000	Non-controlling interests $'000	Total equity $'000
Balance at 1 July 2017		**120,613**	**(5,547)**	**26,664**	**(293)**	**141,437**
Profit after income tax for the half-year		-	-	9,816	(1,292)	8,524
Other comprehensive income for the half-year, net of tax		-	-	-	-	-
Total comprehensive income for the half-year		-	-	9,816	(1,292)	8,524
Transactions with owners in their capacity as owners:						
Contributions of equity, net of transaction costs		1,617	-	-	-	1,617
Employee share option reserve		-	1,117	-	-	1,117
Increase/(decrease) in non-controlling interests		-	-	-	11	11
Dividends	17	-	-	(15,719)	(268)	(15,987)
Balance at 31 December 2017		**122,230**	**(4,430)**	**20,761**	**(1,842)**	**136,719**
Balance at 1 July 2016		**119,611**	**(6,633)**	**16,813**	**17,650**	**147,441**
Profit after income tax for the half-year		-	-	10,290	500	10,790
Other comprehensive income for the half-year, net of tax		-	-	-	-	-
Total comprehensive income for the half-year		-	-	10,290	500	10,790
Transactions with owners in their capacity as owners:						
Contributions of equity, net of transaction costs		150	-	-	-	150
Employee share option reserve		-	695	-	-	695
Increase/(decrease) in non-controlling interests		-	-	-	(12,312)	(12,312)
Dividends	17	-	-	(10,783)	(5,671)	(16,454)
Balance at 31 December 2016		**119,761**	**(5,938)**	**16,320**	**167**	**130,310**

The above Interim Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Blue Sky Alternative Investments Limited
Interim Consolidated Statement of Cash Flows
For the half-year ended 31 December 2017

	Half-year ended 31 December 2017 $'000	Half-year ended 31 December 2016 $'000
Cash flows from operating activities		
Receipts from customers (inclusive of GST)	43,809	31,800
Payments to suppliers and employees (inclusive of GST)	(33,432)	(27,274)
	10,377	4,526
Interest received	1,043	1,345
Interest and other finance costs paid	(554)	(657)
Income taxes paid	(2,236)	(2,326)
Net cash from operating activities	**8,630**	**2,888**
Cash flows from investing activities		
Payments for equity investments	(10,775)	(5,007)
Proceeds from disposal of equity investments (including distributions)	4,633	21,132
Payments for property, plant and equipment	(331)	(482)
Payments for investment property	(8,304)	(24,274)
Payments for intangible assets	(101)	(39)
Bridging finance and loans to funds (net)	(7,275)	(7,152)
Net cash used in investing activities	**(22,153)**	**(15,822)**
Cash flows from financing activities		
Proceeds from issue of shares	1,694	168
Share issue transaction costs	(58)	(175)
Proceeds from borrowings	30,510	39,371
Repayment of borrowings	(23,560)	(14,445)
Dividends paid	(15,987)	(16,454)
Net cash (used in)/from financing activities	**(7,401)**	**8,465**
Net decrease in cash and cash equivalents	**(20,924)**	**(4,469)**
Cash and cash equivalents at the beginning of the half-year	72,187	63,828
Cash and cash equivalents at the end of the half-year	**51,263**	**59,359**

The above Interim Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

Section 1: About this Report

Note 1. Significant accounting policies

Basis of preparation

These interim consolidated financial statements for the half-year ended 31 December 2017 have been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

These interim consolidated financial statements do not include all the information and disclosures required in the annual financial statements. Accordingly, these interim consolidated financial statements should be read in conjunction with the annual report for the year ended 30 June 2017 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the *Australian Securities Exchange Listing Rules*.

New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial report for the year ended 30 June 2017 unless otherwise mentioned. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. New standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2017 have not affected any of the amounts recognised in current or prior periods.

For FY19, adoption of AASB 15 *Revenue from Contracts with Customers* will be mandatory. Whilst it is likely that the new standard will affect the timing of performance fee revenue recognition, the Group has decided not to adopt this standard early as full analysis of its impact is still to be finalised. The impact will be quantified when that assessment is complete.

Section 2: Results for the Period

Note 2. Operating revenue

	Half-year ended	
	31 December 2017	31 December 2016
	$'000	$'000
Management fees	23,685	16,093
Performance fees	10,150	9,291
Responsibility entity and trustee fees	496	824
Sales commissions	260	223
Interest revenue	1,557	1,751
Other revenue	1,442	981
Supply of water utilities	-	1,851
Apartment sales revenue	-	291
Management and letting rights revenue	1,276	1,508
Deferred management fees - retirement villages	292	-
Total operating revenue[1]	**39,158**	**32,813**

[1] Total revenue from Blue Sky managed funds for the half-year ended 31 December 2017 was $33,447,261 (31 December 2016: $28,188,832).

Note 3. Other income

	Half-year ended 31 December 2017 $'000	Half-year ended 31 December 2016 $'000
Gain on disposal of subsidiary[1]	-	5,231
Unrealised gain/(loss) in fair value of investment properties (Note 10)	975	-
Unrealised gain/(loss) in fair value of resident loans (Note 15)	(259)	-
Other	169	327
Total other income	**885**	**5,558**

[1] This balance relates to the sale of the Water Utilities Australia Group ('WUG') by the Water Utilities Australia Fund 1 ('WUA Fund 1') during the half-year ended 31 December 2016.

Note 4. Other expenses

	Half-year ended 31 December 2017 $'000	Half-year ended 31 December 2016 $'000
Fee rebate expenses to BAF	(2,958)	(2,182)
External capital raising costs for funds	(1,838)	(1,140)
Insurance	(321)	(321)
Costs associated with supply of water utilities	-	(601)
Costs associated with apartment sales	-	(244)
Management and letting rights expenses	(1,001)	(1,243)
Retirement village operator expenses	(468)	(104)
Other	(1,231)	(130)
Total other expenses	**(7,817)**	**(5,965)**

Note 5. Earnings per share

	Half-year ended 31 December 2017 $'000	Half-year ended 31 December 2016 $'000
Profit after income tax	8,524	10,790
Non-controlling interests	1,292	(500)
Total earnings	**9,816**	**10,290**

	'000	'000
Number of shares		
Weighted average number of ordinary shares used in calculating basic earnings per share	68,403	67,391
Weighted average number of ordinary shares and ordinary shares under option used in calculating diluted earnings per share	69,712	67,919
Statutory EPS (cents)	**14.35**	**15.27**
Diluted statutory EPS (cents)	**14.08**	**15.15**

Note 6. Operating segments

Identification of reportable operating segments

The Group's core operating segment is Alternative Asset Management. This operating segment is based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources. The financial information below in relation to the core operating segment incorporates the results, assets and liabilities of the wholly owned subsidiaries of the Group.

There is no aggregation of operating segments.

The Group's non-core operating segment includes the various funds where control and/or significant influence exists. The management and performance of these entities is currently not reviewed at an operating segment level by the CODM in the same manner at which the core operating segment is reviewed. However, the management and performance of these entities is reviewed regularly by the appropriate Investment Manager.

The CODM review both adjusted earnings before interest, tax, depreciation and amortisation (segment result) and net profit before income tax (segment result). The information is reported to the CODM on at least a monthly basis.

Types of products and services

The principal products and services of the core operating segment is Alternative Asset Management.

Half-year ended 31 December 2017	**Core segment**	**Non-core segment**	**Adjustments and eliminations**	**Consolidated**
	$'000	**$'000**	**$'000**	**$'000**
Total income	39,835	5,618	(2,174)	43,279
Profit/(loss) before income tax	10,072	2,825	(2,122)	10,775
Half-year ended 31 December 2016				
Total income	31,366	11,646	(1,326)	41,686
Profit/(loss) before income tax	9,440	5,742	(276)	14,906
As at 31 December 2017				
Total assets	206,415	117,717	(13,880)	310,252
Total liabilities	90,799	90,580	(7,846)	173,533
As at 30 June 2017				
Total assets	217,379	73,806	(2,713)	288,472
Total liabilities	93,377	60,684	(7,026)	147,035

Note 7. Income tax expense

The income tax expense for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities. The major components of income tax expense are detailed below.

	Half-year ended	
	31 December 2017	**31 December 2016**
	$'000	**$'000**
Income tax expense		
Current tax	(1,417)	(2,010)
Deferred tax	(834)	(2,106)
Aggregate income tax expense	**(2,251)**	**(4,116)**

Note 7. Income tax expense (cont'd)

The lower effective income tax rate for the period is due to the impact of the recently legislated US tax reform. This resulted in a one-off tax benefit due to a reduction in deferred tax balances relating to Blue Sky's US business which will now be realised at a lower tax rate.

Section 3: Operating Assets and Liabilities

Note 8. Trade and other receivables

	As at 31 December 2017 $'000	As at 30 June 2017 $'000
Current		
Trade receivables	1,143	797
Other receivables	256	367
Performance fees receivable - Blue Sky managed funds	3,457	3,012
Receivables from Blue Sky managed funds[1]	32,670	34,195
Total current trade and other receivables	**37,526**	**38,371**

[1] This balance relates to bridging finance provided to Blue Sky managed funds and management fees expected to be paid within 12 months.

	As at 31 December 2017 $'000	As at 30 June 2017 $'000
Non-current		
Other receivables	240	-
Performance fees receivable - Blue Sky managed funds	37,138	28,845
Receivables from Blue Sky managed funds[2]	22,521	19,636
Total non-current trade and other receivables	**59,899**	**48,481**

[2] This balance relates to investments structured as loans into Blue Sky managed funds and management fees expected to be paid in greater than 12 months.

Note 9. Inventory

	As at 31 December 2017 $'000	As at 30 June 2017 $'000
Current		
Cost of land acquisition - Riverside Gardens Trust	67	67
Development work in progress - Riverside Gardens Trust	388	388
Interest capitalised - Riverside Gardens Trust	36	36
Total current inventory	**491**	**491**

	As at 31 December 2017 $'000	As at 30 June 2017 $'000
Non-current		
Cost of land acquisition - Riverside Gardens Trust	434	402
Development work in progress - Riverside Gardens Trust	1,357	1,372
Interest capitalised - Riverside Gardens Trust	281	212
Total non-current inventory	**2,072**	**1,986**

Note 10. Investment property – retirement villages

	As at	
	31 December 2017	**30 June 2017**
	$'000	**$'000**
At fair value		
Balance at the beginning of the year - Aura	54,917	-
Acquisition of investment properties - Aura	-	16,969
Acquisition of development land - Aura	9,439	6,425
Capitalised subsequent expenditure - Aura	22,649	28,954
Unrealised gain/(loss) in fair value of investment properties (Note 3) - Aura[1]	975	2,569
Balance at the end of the year	**87,980**	**54,917**

[1]This balance excludes the change in fair value of resident loans.

The investment property assets above relate to retirement villages owned by Aura, an entity established to own, operate and manage retirement villages throughout Australia including Blue Sky's portfolio of retirement villages.

Investment property has increased significantly during the period due to the continued expansion of the retirement village portfolio including the acquisition of new sites as well as the ongoing development and construction of existing retirement village sites.

At 31 December 2017, the fair value of investment properties has been determined using the discounted cash flow valuation method. These valuations are based on projected cash flows using resident contracts and the current market value of individual retirement units.

Estimates of fair value are prepared by management and are independently reviewed by qualified experts where material.

Retirement villages are classified as level 3 in the fair value hierarchy, meaning key assumptions used in management's valuations are not directly observable. The key assumptions used are as follows:

- Discount rate of 14.3% to 17.3% (30 June 2017: 13.2% to 15.6%);
- Property price growth rates of 4% in the medium term and 4% in the long term (30 June 2017: 4%);
- Average subsequent tenure period of 10 years for independent living units (30 June 2017: 10 years); and
- Aggregate current market value of individual retirement units of $17,259,748 (30 June 2017: $16,819,685).

Increasing assumptions made on aggregate current market value of individual retirement units and property price growth rates would increase the fair value of the retirement villages (and vice-versa). Increasing assumptions made about the discount rate and average tenure period would reduce the fair value of the retirement villages (and vice-versa).

Note 11. Property, plant and equipment

	As at	
	31 December 2017	**30 June 2017**
	$'000	**$'000**
Non - current		
Land and buildings - at cost	1,620	1,619
Less: Accumulated depreciation	(201)	(182)
	1,419	1,437
Plant and equipment - at cost	186	130
Less: Accumulated depreciation	(17)	(8)
	169	122
Motor vehicles - at cost	112	111
Less: Accumulated depreciation	(43)	(37)
	69	74

Note 11. Property, plant and equipment (cont'd)

	As at 31 December 2017 $'000	As at 30 June 2017 $'000
Office equipment - at cost	1,728	1,547
Less: Accumulated depreciation	(840)	(756)
	888	791
Leased asset - fit out	3,313	3,204
Less: Accumulated depreciation	(1,040)	(852)
	2,273	2,352
Office equipment – under lease	122	120
Less: Accumulated depreciation	(114)	(113)
	8	7
Total property, plant and equipment	**4,826**	**4,783**

Note 12. Intangible assets

	As at 31 December 2017 $'000	As at 30 June 2017 $'000
Non-current		
Goodwill - at cost	6,648	6,627
Less: Accumulated impairment	-	-
	6,648	6,627
Management rights - at cost	4,438	4,438
Less: Accumulated amortisation	(455)	(403)
	3,983	4,035
Licenses and trademarks - at cost	3	11
Accumulated amortisation	-	-
	3	11
Website - at cost	217	153
Less: Accumulated amortisation	(76)	(61)
	141	92
Software - at cost	959	794
Less: Accumulated amortisation	(594)	(535)
	365	259
Other - at cost	34	34
Less: Accumulated amortisation	(23)	(20)
	11	14
Total intangible assets	**11,151**	**11,038**

Note 13. Trade and other payables

	As at	
	31 December 2017	30 June 2017
	$'000	$'000
Current		
Trade payables	4,746	5,453
Other payables	46	20
Accrued expenses	1,653	1,695
Lease incentive liability	352	359
Payables to Blue Sky managed funds[1]	18,858	28,140
Total current trade and other payables	**25,655**	**35,667**

[1] This balance relates to committed but uncalled capital regarding investments in Blue Sky managed funds and fee rebates.

Note 14. Deferred revenue

	As at	
	31 December 2017	30 June 2017
	$'000	$'000
Current		
Unearned income	11,636	8,355
Unearned deferred management fees - Aura	974	706
Total current deferred revenue	**12,610**	**9,061**
Non-current		
Unearned income	6,152	3,637
Total non-current deferred revenue	**6,152**	**3,637**

Note 15. Resident loans – retirement villages

	As at	
	31 December 2017	30 June 2017
	$'000	$'000
Opening balance	14,849	-
Deferred management fees	(559)	(1,410)
Unrealised gain/(loss) in fair value of resident loans (Note 3)	259	283
Net cash receipts on resident departures and arrivals	100	15,976
Closing balance	**14,649**	**14,849**

The resident loan liabilities above relate to retirement villages owned by Aura, an entity established to own, operate and manage retirement villages throughout Australia including Blue Sky's portfolio of retirement villages.

Resident loans are classified as level 3 in the fair value hierarchy, meaning that a key assumption used in their valuation is not directly observable. A capital growth rate assumption of 4% (30 June 2017: 4%) has been used when determining the aggregate market value of occupied retirement units of $17,259,748 (30 June 2017: $16,819,685). This was determined on the same basis as the market value of the underlying units used as an input into the fair value of Investment Property - Retirement Villages (Note 10). If the value used for this input was 5% higher, the fair value of these loans would be $1,541,568 higher (30 June 2017: $1,077,579), and if the input was 5% lower, the fair value of these loans would be $1,472,829 lower (30 June 2017: $1,052,026).

Section 4: Capital and Financial Risk Management

The Group's activities expose it to a variety of financial risks, for example market risk (including interest rate risk), credit risk (including counter party default risk) and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

Vigilant liquidity risk management requires the Group to maintain sufficient liquid assets (primarily cash and cash equivalents and available borrowing facilities) to be able to pay debts as and when they become due and payable. The Group manages liquidity risk by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

In determining the level of liquidity to maintain, regard is had to liquidity obligations over the next 12 months during a period of liquidity stress in which capital would not be readily available, regulatory obligations such as Australian Financial Services Licence requirements and financial covenants attached to relevant contractual obligations of the Group.

Note 16. Borrowings

	As at	
	31 December 2017	**30 June 2017**
	$'000	**$'000**
Current		
Bank loans - Blue Sky	6,419	7,902
Bank loans - Aura	2,625	8,060
Other borrowings	330	764
Total current borrowings	**9,374**	**16,726**
Non-current		
Bank loans - Blue Sky RAMS Management Rights Income Fund 2	2,449	2,480
Bank loans - Aura	13,750	-
Other borrowings - Aura[1]	56,536	34,684
Total non-current borrowings	**72,735**	**37,164**

[1] This balance relates to borrowings from a number of Blue Sky Retirement Living Funds that are managed by the Group, in accordance with the fund constituent documents.

Other than ‘Bank loans - Blue Sky’, the above borrowings all relate to funds and fund related entities that have been consolidated by Blue Sky. Other than ‘Bank loans - Blue Sky’, borrowings are guaranteed by the respective funds and fund related entities with no recourse to Blue Sky Alternative Investments Limited or its wholly owned subsidiaries.

Note 17. Dividends

	Half-year ended	
	31 December 2017	**31 December 2016**
	$'000	**$'000**
Cash dividends to the equity holders of Blue Sky		
Dividends on ordinary shares declared and paid:		
Final dividend in relation to the 2017 financial year: 23.0 cents fully franked per share (2016 financial year: 16.0 cents fully franked per share)	**15,719**	**10,783**

Section 5: Group Structure

Note 18. Investments in associates and joint ventures

	As at	
	31 December 2017	**30 June 2017**
	$'000	**$'000**
Non-current		
Atira Student Living Pty Ltd	6,639	4,855
Blue Sky Private Equity Vinomofo Fund	4,686	4,500
Blue Sky Private Equity Retirement Village Fund	117	217
Blue Sky Retirement Living Parkwood Fund	1,665	2,007
Blue Sky Strategic Australian Agriculture Fund	4,706	4,739
Blue Sky Student Accommodation Funds (5-9)	11,641	10,822
Cove Operating Company LLC	12,709	11,397
Valterra Hops Holdings LLC	-	5,172
Other investments accounted for using the equity method	7,694	7,858
Total investments accounted for using the equity method	**49,857**	**51,567**

Note 19. Business combinations

There are no entities over which control has been gained or lost during the period, unless otherwise mentioned.

Aura Australia Holding Trust ('Aura')

On 15 September 2016, Blue Sky acquired 50% of the units and voting interests in the Aura. Aura was established to own, operate and manage retirement villages throughout Australia including Blue Sky's portfolio of retirement villages.

In accordance with AASB 10, Blue Sky is deemed to have controlled Aura from 15 September 2016 given: (a) the percentage of voting interests held; (b) the size and variable nature of returns arising from the equity investment; and (c) the relative dispersion of the remaining interests not held. As a result, Blue Sky is required to consolidate the assets, liabilities and results of Aura from the date of acquisition.

The fair values of identifiable net assets recorded on acquisition date are final and have not changed since the provisional assessment in accordance with AASB 3 *Business Combinations*.

Section 6: Other

Note 20. Share-based payments

For the period ended 31 December 2017, 3,741,666 options were issued to senior executives and staff under the Blue Sky Alternative Investments Limited Share Option Plan. The fair value at grant date is estimated using a binomial pricing model, taking into account the terms and conditions upon which the options were granted. The information below lists the inputs to the models used for the period ended 31 December 2017:

	Issue 1	**Issue 2**	**Issue 3**	**Issue 4**	**Issue 5**	**Issue 6**
Dividend yield (%)	2.50%	2.17%	1.86%	1.76%	1.75%	1.70%
Expected volatility (%)	32.50%	32.50%	32.50%	32.50%	32.50%	32.50%
Risk-free interest rate (%)	2.01%	2.24%	2.37%	2.18%	2.17%	2.27%
Expected life of options (years)	6.0	6.0	6.0	6.0	6.0	6.0
Weighted average strike price ($)	$10.00	$10.00	$10.00	$10.00	$13.14	$12.50
Model used	Binomial	Binomial	Binomial	Binomial	Binomial	Binomial

The weighted average fair value of options granted during the period was $391,885 (31 December 2016: $442,161).

During the period, Blue Sky recognised $1,116,821 of share based payments expenses (31 December 2016: $695,000).

Note 21. Events occurring subsequent to the reporting date

No matter or circumstance has arisen since the end of the period that has significantly affected or may significantly affect the operations of the Group, the result of those operations or the state of affairs of the Group in subsequent financial years.

Blue Sky Alternative Investments Limited
Directors' Declaration
For the half-year ended 31 December 2017

In accordance with a resolution of the Directors of the Company, the Directors declare that:

1. the interim consolidated financial statements and notes, as set out on pages 8 to 21, are in accordance with the *Corporations Act 2001* and:

   (a) comply with Australian Accounting Standard AASB 134 *Interim Financial Reporting* as stated in accounting policy Note 1 to the interim consolidated financial statements, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

   (b) give a true and fair view of the Group's financial position as at 31 December 2017 and of the performance for the half-year ended on that date;

2. in the Directors' opinion there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

On behalf of the Directors

John Kain
Chair

19 February 2018

Building a better
working world

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Independent auditor's review report to the members of Blue Sky Alternative Investments Limited

Report on the half-year financial report

Conclusion

We have reviewed the accompanying half-year financial report of Blue Sky Alternative Investments Limited (the Group), which comprises the interim consolidated statement of financial position as at 31 December 2017, the interim consolidated statement of comprehensive income, interim consolidated statement of changes in equity and interim consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated financial position of the Group as at 31 December 2017 and of its consolidated financial performance for the half-year ended on that date; and

b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Directors' responsibility for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's consolidated financial position as at 31 December 2017 and its consolidated financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Ernst & Young

Mike Reid
Partner
Brisbane
19 February 2018

Blue Sky Alternative Investments Limited
Appendix A
For the half-year ended 31 December 2017

1H FY18: Reconciliation of Statutory Results with Underlying Results

In AUD $Ms	**Consolidated statement of comprehensive income ('statutory results')**	**Impact where investments are consolidated or equity accounted rather than reported at fair value**	**Underlying results**
Revenue			
Management fees	$23.7m	$2.2m	$25.9m
Performance fees	$10.2m	-	$10.2m
Investment income	$0.9m	$9.3m	$10.2m
Share of profit of associates and joint ventures	$3.2m	-$1.9m	$1.3m
Other income	$5.3m	-$1.5m	$3.8m
Total revenue	**$43.3m**	**$8.1m**	**$51.4m**
Expenses			
Employee benefits	-$16.6m	$1.0m	-$15.6m
Fee rebates to BAF	-$3.0m	-	-$3.0m
External capital raising costs	-$1.8m	-	-$1.8m
External service providers	-$2.6m	$0.1m	-$2.5m
Travel and entertainment	-$1.5m	-	-$1.5m
Occupancy	-$1.1m	-	-$1.1m
Finance costs	-$0.5m	-	-$0.5m
Depreciation and amortisation	-$0.3m	$0.1m	-$0.2m
Other expenses	-$5.1m	$1.5m	-$3.6m
Total expenses	**-$32.5m**	**$2.7m**	**-$29.8m**
Profit before income tax	**$10.8m**	**$10.8m**	**$21.6m**
Income tax expense	-$2.3m	-$3.2m	-$5.5m
Profit after income tax for the period	**$8.5m**	**$7.6m**	**$16.1m**
Total comprehensive income for the period			
Profit is attributable to:			
Non-controlling interests	-$1.3m	$1.3m	-
Owners of Blue Sky Alternative Investments Limited	$9.8m	$6.3m	$16.1m

1H FY18: Reconciliation of Statutory Results with Underlying Results

In AUD $Ms	**Consolidated statement of financial position ('statutory results')**	**Impact where investments are consolidated or equity accounted rather than reported at fair value**	**Underlying results**
Current assets			
Cash and cash equivalents	$51.3m	-$0.3m	$51.0m
Trade and other receivables	$37.5m	-$0.2m	$37.3m
Inventory	$0.5m	-$0.5m	-
Other assets	$5.2m	-	$5.2m
Total current assets	**$94.5m**	**-$1.0m**	**$93.5m**
Non-current assets			
Trade and other receivables	$59.9m	$6.8m	$66.7m
Inventory	$2.1m	-$2.1m	-
Investment property – retirement villages	$88.0m	-$88.0m	-
Investments in associates and joint ventures	$49.8m	-$37.0m	$12.8m
Financial assets at fair value through profit and loss	-	$68.3m	$68.3m
Property, plant and equipment	$4.8m	-$1.6m	$3.2m
Intangible assets	$11.1m	-$5.3m	$5.8m
Total non-current assets	**$215.7m**	**-$58.9m**	**$156.8m**
Total assets	**$310.2m**	**-$59.9m**	**$250.3m**
Current liabilities			
Trade and other payables	$25.7m	$0.3m	$26.0m
Borrowings	$9.4m	-$2.9m	$6.5m
Deferred revenue	$12.6m	-$1.0m	$11.6m
Income tax	$0.1m	-	$0.1m
Employee benefits	$3.1m	-$0.2m	$2.9m
Resident loans – retirement villages	$14.6m	-$14.6m	-
Total current liabilities	**$65.5m**	**-$18.4m**	**$47.1m**
Non-current liabilities			
Deferred revenue	$6.2m	-	$6.2m
Employee benefits	$0.6m	-	$0.6m
Borrowings	$72.7m	-$72.7m	-
Other non-current liabilities	$16.4m	-	$16.4m
Deferred tax liabilities	$12.1m	$8.5m	$20.6m
Non-current liabilities	**$108.0m**	**-$64.2m**	**$43.8m**
Total liabilities	**$173.5m**	**-$82.6m**	**$90.9m**
Net assets	**$136.7m**	**$22.7m**	**$159.4m**
Equity			
Contributed equity	$122.2m	-	$122.2m
Reserves	-$4.4m	-	-$4.4m
Accumulated profits	$20.8m	$20.8m	$41.6m
Total equity attributable to the owners of Blue Sky	**$138.6m**	**$20.8m**	**$159.4m**
Non-controlling interests	-$1.9m	$1.9m	-
Total equity	**$136.7m**	**$22.7m**	**$159.4m**

1H FY18: Reconciliation of Statutory Results with Underlying Results

In AUD $Ms	**Consolidated statement of cash flows ('statutory results')**	**Impact where investments are consolidated rather than reported at fair value**	**Underlying results**
Cash flows from operating activities			
Receipts from customers (inclusive of GST)	$43.8m	-$1.2m	$42.6m
Payments to suppliers and employees (inclusive of GST)	-$33.4m	$2.8m	-$30.6m
Interest received	$1.0m	-	$1.0m
Interest and other finance costs paid	-$0.6m	$0.1m	-$0.5m
Income taxes paid	-$2.2m	-	-$2.2m
Net cash from operating activities	**$8.6m**	**$1.7m**	**$10.3m**
Cash flows from investing activities			
Payments for equity investments	-$10.8m	-$0.5m	-$11.3m
Proceeds from disposal of equity investments (including distributions)	$4.6m	$0.1m	$4.7m
Payments for property, plant and equipment	-$0.3m	-	-$0.3m
Payments for investment property	-$8.3m	$8.3m	-
Payments for intangible assets	-$0.1m	-	-$0.1m
Bridging finance and loans to funds (net)	-$7.2m	-$0.1m	-$7.3m
Net cash used in investing activities	**-$22.1m**	**$7.8m**	**-$14.3m**
Cash flows from financing activities			
Proceeds from issue of shares	$1.7m	-	$1.7m
Share issue transaction costs	-$0.1m	-	-$0.1m
Proceeds from borrowings	$30.5m	-$13.9m	$16.6m
Repayment of borrowings	-$23.5m	$5.4m	-$18.1m
Dividends paid	-$16.0m	$0.3m	-$15.7m
Net cash used in financing activities	**-$7.4m**	**-$8.2m**	**-$15.6m**
Net decrease in cash and cash equivalents	**-$20.9m**	**$1.3m**	**-$19.6m**
Cash and cash equivalents at the beginning of the half-year	$72.2m	-$1.6m	$70.6m
Cash and cash equivalents at the end of the half-year	**$51.3m**	**-$0.3m**	**$51.0m**

1H FY17: Reconciliation of Statutory Results with Underlying Results

In AUD $Ms	**Consolidated statement of comprehensive income (‘statutory results’)**	**Impact where investments are consolidated or equity accounted rather than reported at fair value**	**Underlying results**
Revenue			
Management fees	$16.1m	$1.4m	$17.5m
Performance fees	$9.3m	-	$9.3m
Investment income	$5.6m	-$3.0m	$2.6m
Share of profit of associates and joint ventures	$3.3m	-$0.2m	$3.1m
Other income	$7.4m	-$3.5m	$3.9m
Total revenue	**$41.7m**	**-$5.3m**	**$36.4m**
Expenses			
Employee benefits	-$13.0m	$0.9m	-$12.1m
Fee rebates to BAF	-$2.2m	-	-$2.2m
External capital raising costs	-$1.1m	-	-$1.1m
External service providers	-$1.5m	$0.2m	-$1.3m
Travel and entertainment	-$1.4m	$0.1m	-$1.3m
Occupancy	-$1.1m	$0.1m	-$1.0m
Finance costs	-$0.6m	$0.3m	-$0.3m
Depreciation and amortisation	-$1.1m	$0.9m	-$0.2m
Other expenses	-$4.8m	$2.4m	-$2.4m
Total expenses	**-$26.8m**	**$4.9m**	**-$21.9m**
Profit before income tax	**$14.9m**	**-$0.4m**	**$14.5m**
Income tax expense	-$4.1m	-$0.3m	-$4.4m
Profit after income tax for the period	**$10.8m**	**-$0.7m**	**$10.1m**
Total comprehensive income for the period			
Profit is attributable to:			
Non-controlling interests	$0.5m	-$0.5m	-
Owners of Blue Sky Alternative Investments Limited	$10.3m	-$0.2m	$10.1m

Blue Sky Alternative Investments Limited
Appendix A (cont'd)
For the half-year ended 31 December 2017

Full year FY17: Reconciliation of Statutory Results with Underlying Results

In AUD $Ms	**Consolidated statement of financial position ('statutory results')**	**Impact where investments are consolidated or equity accounted rather than reported at fair value**	**Underlying results**
Current assets			
Cash and cash equivalents	$72.2m	-$1.6m	$70.6m
Trade and other receivables	$38.4m	-$0.4m	$38.0m
Inventory	$0.5m	-$0.5m	-
Other assets	$4.6m	-	$4.6m
Total current assets	**$115.7m**	**-$2.5m**	**$113.2m**
Non-current assets			
Trade and other receivables	$48.5m	$4.3m	$52.8m
Inventory	$2.0m	-$2.0m	-
Investment property – retirement villages	$54.9m	-$54.9m	-
Investments in associates and joint ventures	$51.6m	-$40.1m	$11.5m
Financial assets at fair value through profit and loss	-	$63.4m	$63.4m
Property, plant and equipment	$4.8m	-$1.6m	$3.2m
Intangible assets	$11.0m	-$5.4m	$5.6m
Total non-current assets	**$172.8m**	**-$36.3m**	**$136.5m**
Total assets	**$288.5m**	**-$38.8m**	**$249.7m**
Current liabilities			
Trade and other payables	$35.7m	$0.9m	$36.6m
Borrowings	$16.7m	-$8.3m	$8.4m
Deferred revenue	$9.1m	-$0.7m	$8.4m
Income tax	$1.3m	-	$1.3m
Employee benefits	$4.4m	-$0.1m	$4.3m
Resident loans – retirement villages	$14.9m	-$14.9m	-
Total current liabilities	**$82.1m**	**-$23.1m**	**$59.0m**
Non-current liabilities			
Deferred revenue	$3.6m	$1.4m	$5.0m
Employee benefits	$0.5m	-	$0.5m
Borrowings	$37.2m	-$37.2m	-
Other non-current liabilities	$12.8m	-	$12.8m
Deferred tax liabilities	$10.9m	$5.3m	$16.2m
Total non-current liabilities	**$65.0m**	**-$30.5m**	**$34.5m**
Total liabilities	**$147.1m**	**-$53.6m**	**$93.5m**
Net assets	**$141.4m**	**$14.8m**	**$156.2m**
Equity			
Contributed equity	$120.6m	-	$120.6m
Reserves	-$5.6m	-	-$5.6m
Accumulated profits	$26.7m	$14.5m	$41.2m
Total equity attributable to the owners of Blue Sky	**$141.7m**	**$14.5m**	**$156.2m**
Non-controlling interests	-$0.3m	$0.3m	-
Total equity	**$141.4m**	**$14.8m**	**$156.2m**

1H FY17: Reconciliation of Statutory Results with Underlying Results

In AUD $Ms	**Consolidated statement of cash flows ('statutory results')**	**Impact where investments are consolidated rather than reported at fair value**	**Underlying results**
Cash flows from operating activities			
Receipts from customers (inclusive of GST)	$31.8m	$3.4m	$35.2m
Payments to suppliers and employees (inclusive of GST)	-$27.3m	$2.7m	-$24.6m
Interest received	$1.4m	-$0.1m	$1.3m
Interest and other finance costs paid	-$0.7m	$0.3m	-$0.4m
Income taxes paid	-$2.3m	$0.1m	-$2.2m
Net cash from operating activities	**$2.9m**	**$6.4m**	**$9.3m**
Cash flows from investing activities			
Payments for equity investments	-$5.0m	-$0.6m	-$5.6m
Proceeds from disposal of equity investments (including distributions)	$21.1m	-$9.8m	$11.3m
Payments for property, plant and equipment	-$0.5m	$0.4m	-$0.1m
Payments for investment property	-$24.3m	$24.3m	-
Bridging finance and loans to funds (net)	-$7.1m	-$0.2m	-$7.3m
Net cash used in investing activities	**-$15.8m**	**$14.1m**	**-$1.7m**
Cash flows from financing activities			
Proceeds from issue of shares	$0.2m	-	$0.2m
Share issue transaction costs	-$0.2m	-	-$0.2m
Proceeds from borrowings	$39.4m	-$26.9m	$12.5m
Repayment of borrowings	-$14.4m	$0.2m	-$14.2m
Dividends paid	-$16.5m	$5.7m	-$10.8m
Net cash from/(used in) financing activities	**$8.5m**	**-$21.0m**	**-$12.5m**
Net decrease in cash and cash equivalents	**-$4.4m**	**-$0.5m**	**-$4.9m**
Cash and cash equivalents at the beginning of the half-year	$63.8m	-$0.9m	$62.9m
Cash and cash equivalents at the end of the half-year	**$59.4m**	**-$1.4m**	**$58.0m**