

# Appendix 4E

## Preliminary final report

### Full year ended 30 June 2014

**BLUE SKY ALTERNATIVE INVESTMENTS LIMITED**  
**ABN 73 136 866 236**

The following information sets out the requirements of Appendix 4E with the stipulated information either provided here or cross-referenced to the 2014 Annual Financial Report, which is attached.

**1. Statutory Results**

Current reporting period: 30 June 2014  
Previous Reporting period: 30 June 2013

**2. Results for announcement to the market**

Item	2014	2013	Movement	Movement	
	\$	\$	\$	%	
Revenues from Ordinary Activities	32,216,500	10,595,709	21,620,791	204%	Up
Profit (loss) before tax from Ordinary Activities	3,630,903	939,481	2,691,422	286%	Up
Profit (loss) after tax from Ordinary Activities	994,762	(587,074)	1,581,836	269%	Up
Net profit (loss) after tax for the period attributable to members	3,862,748	1,551,934	2,310,814	149%	Up

On 25 August 2014, the Directors resolved to pay a final fully franked dividend of 7 cents per share in relation to the 2014 financial year. The record date for this dividend will be 12 September 2014 and the payment date will be 3 October 2014.

**3. Statement of Comprehensive Income with notes to the statement**

Refer 2014 Annual Financial Report attached:

- 3.1. Consolidated Statement of Comprehensive Income
- 3.2. Notes to the Consolidated Statement of Comprehensive Income

**4. Statement of Financial Position with notes to the statement**

Refer 2014 Annual Financial Report attached:

- 4.1. Consolidated Statement of Financial Position
- 4.2. Notes to the Consolidated Statement of Financial Position

**5. Statement of Cash Flows with notes to the statement**

Refer 2014 Annual Financial Report attached:

5.1. Consolidated Statement of Cash Flows

5.2. Notes to the Consolidated Financial Statements

**6. Dividends**

Refer 2014 Annual Financial Report attached:

6.1. Refer to the Directors' Report in the Annual Financial Report

**7. Dividend reinvestment plan**

Not applicable.

**8. Statement of Changes in Equity**

Refer 2014 Annual Financial Report attached:

8.1. Consolidated Statement of Changes in Equity

8.2. Notes to the Consolidated Financial Statements

**9. Net tangible assets per security**

	2014	2013
Net tangible asset backing per ordinary share	\$1.07	\$0.36

**10. Entities over which control has been gained during the period**

<b>Name of Subsidiary</b>	<b>Date Control Gained</b>
Blue Sky RAMS Management Rights Income Fund 2	30 September 2013
Willunga Basin Water Company Pty Limited	25 October 2013
Water Utilities Australia Fund 2	23 December 2013
Blue Sky Mezzanine Fund 4	2 January 2014
BSAAF Management Pty Limited	3 April 2014
Investment Science Pty Limited (now called "Blue Sky Investment Science Pty Limited") and its subsidiaries	30 April 2014

Refer to 2014 Annual Financial Report attached:

10.1. Notes 41 and 44 to the Consolidated Financial Statements

**11. Details of associates and joint ventures**

Refer to 2014 Annual Financial Report attached:

11.1. Notes 16 and 43 to the Consolidated Financial Statements

**12. Any other significant information needed by an investor to make an informed assessment of the Group's financial performance and financial position**

No significant changes in the state of affairs occurred during the period.

**13. For foreign entities, which set of accounting standards is used in compiling this report**

Not applicable.

**14. Commentary on the results**

Refer 2014 Annual Financial Report attached:

14.1. Directors' Report – Operating and Financial Review

**15. Status of audit**

These financial statements have been audited and an unqualified opinion has been issued.

**16. Dispute or qualification if not yet audited**

Not applicable.

**17. Dispute or qualification if audited**

Not applicable.

Signed:

  
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John Kain  
Chairman

Date: 26 August 2014



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**Blue Sky Alternative Investments Limited**

**ACN 136 866 236**

**Consolidated Annual Financial Report for the year ended 30 June 2014**

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**Directors' Report**  
**For the year ended 30 June 2014**

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The Directors present their report, together with the Financial Report of Blue Sky Alternative Investments Limited ('Company' or 'parent entity') and the entities it controlled ('Blue Sky' or 'Group') for the financial year ended 30 June 2014.

**Directors**

The Directors of the Company at any time during or since the end of the financial year are:

- Mark Sowerby
- John Kain
- Tim Wilson
- Alexander McNab

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

**Principal Activities**

The principal activities of the Group during the financial year consisted of managing alternative assets across four major alternative asset classes - Private Equity, Private Real Estate, Hedge Funds and Real Assets (focused on water rights, water infrastructure and agribusiness).

**Dividends**

On 25 August 2014, the Directors resolved to pay a final fully franked dividend of 7 cents per share in relation to the 2014 financial year. The record date for this dividend will be 12 September 2014 and the payment date will be 3 October 2014.

Dividends paid during the previous financial years were as follows:

	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Dividends paid during the year (fully franked)	2,339,339	1,952,796

## **Operating and Financial Review**

### *Financial performance and financial position – Underlying Results<sup>1</sup>*

The Directors are pleased to report the Group earned an underlying net profit after tax in the 2014 financial year of \$6.2 million, an increase of ~60% on the previous financial year (2013: \$3.9 million NPAT<sup>2</sup>).

Underlying operating revenue increased ~51% on the previous corresponding period, driven by higher management fees and performance fees as additional capital was raised and deployed across private equity, private real estate, hedge funds and real assets. Expenses increased by 75% for the reporting period reflecting continued investment in our marketing and distribution teams, payment of performance fees to staff, costs involved in preparing for the successful IPO of Blue Sky Alternatives Access Fund Limited (the 'Alternatives Fund') and additional employees required for future growth.

The Group generated net operating cash flows of \$4.4 million for the reporting period, and the Group's underlying cash position was \$14.8 million at 30 June 2014.

The Group's underlying financial position strengthened during the 2014 financial year, with underlying net assets increasing from \$17.6 million at 30 June 2013 to \$55.9 million at 30 June 2014. This reflects the successful ASX capital raisings undertaken for Blue Sky in the first half which raised a combined \$34.6 million, a significant portion of which has been deployed into co-investment opportunities. This deployment is reflected in the growth in the direct investments held by Blue Sky in the funds that it manages, which have grown from \$8.1 million at 30 June 2013 to \$39.1 million at 30 June 2014. In addition to the deployment into co-investment opportunities, the growth in these investments has come through an overall increase in the value of these investments as well as Blue Sky electing to take equity in the funds it manages in lieu of cash fees.

### *Financial performance and financial position – Statutory Results*

The Group earned a statutory net profit after tax in the 2014 financial year of \$1.0 million. The key driver of the difference between this figure and the underlying net profit after tax of \$6.2 million is that, in relation to any fund in which the Group has invested that is consolidated or accounted for using the equity method, any changes in the fair value of these investments are either eliminated upon consolidation or accounted for in the 'share of profits of associates'. In this Financial Report, the Company has consolidated five of the funds in which it has invested and a further 22 investments have been accounted for using the equity method (with one investment being accounted for at fair value).

At 30 June 2014, the Group's consolidated statutory cash position was \$16.3 million and statutory net assets were \$79.0 million. The key driver of the difference between these figures and the underlying cash and net asset position was the impact of consolidating and accounting for using the equity method the majority of the investments held by the Company.

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<sup>1</sup> The Underlying Results are non-IFRS financial information and are based on all investments held by Blue Sky in funds that it manages being accounted for at fair value using the same approach as outlined in AASB 13 *Fair Value Measurement* (rather than being consolidated or accounted for using the equity method). See page 4 for further details. Note that a reconciliation of Underlying Results to the Consolidated Group Results is provided starting on page 8.

The non-IFRS financial information has been subject to review by Blue Sky's auditor (Ernst & Young).

<sup>2</sup> Note that the FY13 previously reported NPAT was \$3.6 million. This was restated in Blue Sky's Half Year Report for the period ended 31 December 2013 following the adoption of the revised AASB 10 *Consolidated Financial Statements*. The restated underlying earnings for FY13 were \$3.9 million. Refer to page 11 for a full reconciliation.

**Directors' Report (cont'd)**  
**For the year ended 30 June 2014**

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For further details, as well as a reconciliation between the statutory results and the underlying results, please refer to page 8 of this report.

*Investment performance*

In FY14, the Group's key investment themes were a structurally high Australian dollar, low and stable interest rates, relatively slow global and domestic growth, and an economy undergoing transition and reform. These factors continued throughout the year and remain a feature of the current investment environment. This has driven us to invest into private equity and venture capital opportunities, real assets such as water entitlements and water infrastructure, and residential real estate.

Investment returns across all asset classes since inception to the end of June 2014 were 14.8% per annum compounding net of fees. This eight year track record is a critical source of value to Blue Sky and its shareholders, and remains a source of competitive advantage. Replicating this performance would be challenging for new entrants and is a significant barrier to entry.

Looking forward, we anticipate FY15 will provide a number of exit opportunities for our private equity and venture capital teams. Bank lending to businesses remains constrained, providing us with further opportunities to invest into growing Australian businesses. Completion of a number of exits in private equity is important for our growth and successful execution would represent another value creation point for our Company.

*Capital raising activities*

Assets under management increased by approximately \$340 million through the course of FY14 to over \$700 million reflecting our increased deal flow activity, increased demand from private investors and further penetration of international markets, institutional investors and family offices. This growth exceeded our FY14 target of \$500 million in assets under management and can in part be attributed to the continued mainstreaming of alternative assets as an investment choice.

According to Rainmaker data, alternative asset allocations in Australia have grown from 5% in 1997 to over 17% today and are the fastest growing asset class. These tailwinds should remain beneficial for our business over the medium to long term as Australian investors catch up with international norms. Given the relative lack of incumbent alternative asset managers in Australia, we are well positioned to participate in these trends.

The successful launch of the Blue Sky Alternatives Access Fund Limited ( 'Alternatives Fund') in June 2014 was an important milestone for the Company. Over \$60 million was raised to deploy across funds managed by the Group and provides investors with a listed, diversified exposure to our alternative asset investment opportunities. Strategically, this Listed Investment Company (ASX:BAF) is a critical platform for retail and wholesale investors – done well, this structure can be the alternative asset "fund of choice", especially for financial planners, private wealth advisors, and Self Managed Super Funds.

Domestic and international institutional interest in our investment ideas is increasing, and we anticipate continued progress with this investor group.

*Acquisition of Investment Science*

In April 2014, the Group completed the acquisition of a multi-award winning hedge fund manager, Investment Science. This acquisition was small in the context of the Group, however it provides a platform for growth in Blue Sky's hedge funds as well as adding to the investment capabilities of the Group.

*Adoption of Revised AASB 10 Accounting Standard by the Blue Sky Group*

The Group consists of Blue Sky Alternative Investments Limited and its wholly owned subsidiaries. These subsidiaries manage a range of funds across Private Equity, Private Real Estate, Hedge Funds and Real Assets on behalf of investors in each of those funds. The Group also holds investments in a number of the funds that it manages from which it seeks to derive investment income.

Blue Sky adopted the revised AASB 10 *Consolidated Financial Statements* accounting standard ('AASB 10') for the first time in its FY14 half year report and the standard continues to apply to the Group's full year financial statements. Following the adoption of the new control framework provided in AASB 10, the accounting treatment of a number of Blue Sky's funds has changed from previous financial years, with five funds consolidated into the Group's FY14 full year Financial Report and a further 22 investments accounted for using the equity method (including the Company's investment in the Alternatives Fund). The accounting treatment of each of these funds is discussed in more detail below.

The adoption of the revised AASB 10 means that Blue Sky is also required to re-state prior period comparative figures. Other than accounting for the impact of the revised control framework, no other adjustments have been made to the restated prior period figures.

In order to provide shareholders with meaningful insight into the financial condition and performance of the Group, comparative tables have been provided in this report (starting at page 8) that reconcile Blue Sky's statutory Financial Report with Blue Sky's underlying results. These underlying results are those that would be produced if Blue Sky reported all of its investments using the same principles of fair value that are included in AASB 13 *Fair Value Measurement*. Management and the Board review the performance of Blue Sky on the basis of its underlying results on at least a monthly basis (and often more frequently) throughout each year; the performance of Blue Sky on the basis of its statutory results are only reviewed semi-annually at the time of preparing Blue Sky's half and full-year financial reports.

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

**Comparative Tables**

*Investments Consolidated in Blue Sky's Statutory Financial Report*

Following the adoption of the revised AASB 10, the Group consolidates all of the entities it controls through a majority voting interest or otherwise, including those funds managed by Blue Sky in which it holds units and is presumed to have control. In relation to the funds in which Blue Sky holds units, the Company is presumed to have control based on a range of quantitative and qualitative factors that include:

- the economic interest that Blue Sky derives from its ownership in the relevant fund;
- whether Blue Sky or its related parties has control or significant influence over the relevant fund; and
- the management, performance and other fees Blue Sky is entitled to as manager of the fund.



**Directors' Report (cont'd)**  
**For the year ended 30 June 2014**

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At 30 June 2014, five of the funds that Blue Sky manages are consolidated into the Group's Financial Report and the Group's statutory profit includes the financial performance of these funds:

1. Blue Sky Private Real Estate Riverside Gardens Trust ('Riverside Gardens Trust')

The Riverside Gardens Trust is managed by Blue Sky's Private Real Estate division. This trust owns a parcel of land in Townsville that is being developed into approximately 110 apartments across three stages. Stage 1 of this development is complete with sales of Stage 2 currently underway. Blue Sky owns 1.2 million units in this trust.

Prior to the adoption of the revised AASB 10, Blue Sky was not deemed to control the Riverside Gardens Trust and accounted for the investment it held using the equity method.

2. Water Utilities Australia Fund and Water Utilities Australia Fund 2 (collectively the 'WUA Funds')

The WUA Funds are managed by Blue Sky's Real Assets division and invest in the Water Utilities Group, a business established by Blue Sky in 2012 to invest in water infrastructure in Australia. The Water Utilities Group currently owns two assets: the Willunga Basin Water Company and the Lightview Re-Water Infrastructure Network. Blue Sky owns 9.375 million units across the WUA Funds.

Prior to the adoption of the revised AASB 10, Blue Sky was not deemed to control the Water Utilities Australia Fund and accounted for the investment it held in this fund using the equity method. Water Utilities Australia Fund 2 was launched during 1H FY14 and was consolidated from that time.

3. Blue Sky RAMS Management Rights Income Fund 2 ('Management Rights Fund 2')

The Management Rights Fund 2 is managed by Blue Sky's Private Real Estate division. The trust owns management rights for a range of apartment complexes in Townsville. As at 30 June 2014, there were approximately 250 apartments in the letting pool managed by this trust. Blue Sky owns 1.2 million units in the Management Rights Fund 2.

This Fund has only been consolidated since 1H FY14 when Blue Sky was deemed to have control.

4. Blue Sky Mezzanine Fund 4 – Kelvin Grove ('Mezzanine Fund 4')

The Mezzanine Fund 4 is managed by Blue Sky's Private Real Estate division. The trust has provided a mezzanine debt facility to a third party property developer to partially fund a 27 apartment development at Kelvin Grove in Brisbane.

The Mezzanine Fund 4 has only been consolidated since 2H FY14 when Blue Sky was deemed to have control. It is anticipated that returns from this fund will be realised in 1H FY15.

*Investments Accounted for Using the Equity Method in Blue Sky's Statutory Financial Report*

As a result of the control considerations outlined in AASB 10, Blue Sky has re-assessed where it is deemed to exert significant influence, but not control its funds, which are accounted for using the equity method of accounting. Under the equity method of accounting, Blue Sky's share of earnings and/or losses from equity method investments are included in the Statement of Comprehensive Income and the carrying amounts reflected in the Consolidated Statement of Financial Position.

As at 30 June 2014, Blue Sky held investments in the following funds that have been accounted for using the equity method:

- 44 Brookes Street Bowen Hills Trust
- Alice Street Kedron Trust
- Carl Street Woolloongabba Trust
- Blue Sky Agriculture Fund
- Blue Sky Alternatives Access Fund Limited
- Blue Sky Private Equity 2010 Institutional Trust
- Blue Sky Private Equity Software Services Fund
- Blue Sky Private Equity Retirement Village Fund
- Blue Sky RAMS Management Rights Income Fund
- Blue Sky RAMS Management Rights Income Fund 3
- Blue Sky RAMS Management Rights Income Fund 4
- Blue Sky Mezzanine Fund 3
- Blue Sky Residential Asset Income Fund 1
- Blue Sky VC2012 Fund LP
- Blue Sky Venture Capital Milk Fund
- Blue Sky Water Fund
- Coronation Drive Toowong Trust
- Grantson Street Windsor Trust
- Railway Terrace Milton Trust
- Regent Street Woolloongabba Trust
- Regina Street Greenslopes Trust
- 37 Regent Street Woolloongabba Trust

In financial reports prior to 1H FY14, these investments (where relevant) were accounted for as a financial assets at fair value.

*Measurement of Fair Value*

The Group's underlying result is based on accounting for all investments held by the Group at fair value using the same principles of fair value that are included in *AASB 13 Fair Value Measurement*. In the comparative tables that follow (and where relevant throughout Blue Sky's Financial Report), the same fair value hierarchy that is outlined in AASB 13 has been adopted. Specifically:

- 'Level 1' inputs

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. To date, Level 1 inputs are not used to value any assets owned by the Group.

- 'Level 2' inputs

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. They include quoted prices for similar assets or liabilities in active markets. Level 2 inputs are used to value the shares and options held by the Group in the Alternatives Fund.

- 'Level 3' inputs

Level 3 inputs are unobservable inputs for an asset or liability. Unobservable inputs have been used to measure fair value where relevant observable inputs are not available (for example, in private equity where there is little, if any, market activity for the asset or liability at the measurement date).

In the absence of observable market prices, Blue Sky values its investments using valuation methodologies applied on a consistent basis. For some investments little market activity may exist; management's determination of fair value is then based on the best information available in the circumstances, and may incorporate management's own assumptions and involves a significant degree of judgement. Investments for which market prices are not observable include private investments in the equity of operating companies (e.g. private equity and venture capital) and real estate properties.

*Private Equity and Venture Capital Investments* – The fair value of private equity investments are determined by reference to actual and projected revenue, net earnings, earnings before interest, taxes, depreciation and amortisation ('EBITDA'), public market and/or private market transactions, valuations for comparable companies and other measures which, in many cases, are unaudited at the time received. Valuations may be derived by reference to observable valuation measures for comparable companies or transactions (for example, multiplying a key performance metric of the investee company such as EBITDA by a relevant valuation multiple observed in a range of comparable companies or transactions, adjusted by management for differences between the investment and the referenced comparables). All private equity and venture capital investments that have a material impact on Blue Sky's financial performance are independently reviewed by a suitably qualified accounting firm at least annually.

*Private Real Estate Investments* – The fair value of private real estate investments are determined by considering the projected operating cash flows and sales of comparable assets (if any). The methods used to estimate the fair value of real estate investments include the discounted cash flow method and/or capitalisation rates ('cap rates') analysis. Valuations may be derived by reference to observable valuation metrics such as sales value of similar stock in similar locations. In relation to investments involving management rights, valuations may also be derived by reference to observable valuation measures for comparable companies or assets (for example, multiplying a key performance metric of the investee company or asset, such as net income, by a relevant valuation multiple observed in a range of comparable transactions), adjusted by management for differences between the investment and the referenced comparables.

*Real Assets Investments (Water Entitlements)* – The fair value of the water entitlements held by the Blue Sky Water Fund are independently valued by a suitably qualified valuer monthly, and the net asset value ('NAV') of the fund is calculated monthly by an independent accounting firm.

*Real Assets Investments (Other)* – The fair value of Water Infrastructure and Agribusiness investments held by the group are determined using the same approach as for Private Equity and Venture Capital investments.

*Hedge Funds* – At 30 June 2014, the Group held no investments in its Hedge Funds.

**Directors' Report (cont'd)**  
**For the year ended 30 June 2014**

*FY14: Reconciliation of Consolidated Statement of Comprehensive Income with Underlying Results*

*In AUD \$Ms*

	<b>Consolidated Statement of Comprehensive Income (‘Statutory Profit’)</b>	<b>Impact where investments are consolidated or equity accounted rather than reported at fair value</b>	<b>Underlying Results</b>
<b>Revenue</b>			
Operating Revenue	\$32.2m	-\$12.2m	\$20.0m
Share of gain/(loss) of associates accounted for using the equity method	\$2.7m	-\$2.7m	-
Other income	\$0.3m	\$3.7m	\$4.0m
<b>Total revenue</b>	<b>\$35.2m</b>	<b>-\$11.2m</b>	<b>\$24.0m</b>
<b>Expenses</b>			
Employee benefits expense	-\$8.5m	\$2.4m	-\$6.1m
Depreciation and amortisation expense	-\$1.6m	\$1.3m	-\$0.3m
Finance costs	-\$0.5m	\$0.2m	-\$0.3m
Other expenses	-\$21.0m	\$12.6m	-\$8.4m
<b>Total expenses</b>	<b>-\$31.6m</b>	<b>\$16.5m</b>	<b>-\$15.1m</b>
<b>Profit/(loss) before income tax</b>	<b>\$3.6m</b>	<b>\$5.3m</b>	<b>\$8.9m</b>
Income tax (expense)/benefit	-\$2.6m	-\$0.1m	-\$2.7m
<b>Profit/(loss) after income tax for the period</b>	<b>\$1.0m</b>	<b>\$5.2m</b>	<b>\$6.2m</b>
<b>Total comprehensive income/(loss) for the period</b>	<b>\$1.0m</b>	<b>\$5.2m</b>	<b>\$6.2m</b>
Profit/(loss) attributable to:			
Non-controlling interests	-\$2.8m	\$2.8m	-
Owners of Blue Sky Alternative Investments Limited	\$3.8m	\$2.4m	\$6.2m

**Directors' Report (cont'd)**  
**For the year ended 30 June 2014**

*FY14: Reconciliation of Consolidated Statement of Financial Position with Underlying Results*

*In AUD \$Ms*

	Consolidated Statement of Financial Position	Impact where investments are consolidated or equity accounted rather than reported at fair value	Underlying Results
<b>Current Assets</b>			
Cash and cash equivalents	\$16.3m	-\$1.5m	\$14.8m
Trade and other receivables	\$13.4m	-\$5.2m	\$8.2m
Inventory	\$3.1m	-\$3.1m	-
Other assets	\$1.5m	-\$0.7m	\$0.8m
<b>Total current assets</b>	<b>\$34.3m</b>	<b>-\$10.5m</b>	<b>\$23.8m</b>
<b>Non-current assets</b>			
Receivables	\$4.1m	\$1.5m	\$5.6m
Non-Current Inventory	\$1.5m	-\$1.5m	-
Investments accounted for using the equity method	\$25.2m	-\$25.2m	-
Financial assets at fair value through profit and loss	\$0.2m	\$38.9m	\$39.1m
Property, plant and equipment	\$28.0m	-\$27.6m	\$0.4m
Intangible assets	\$18.9m	-\$13.3m	\$5.6m
Deferred tax assets	\$0.1m	-\$0.1m	-
<b>Total non-current assets</b>	<b>\$78.0m</b>	<b>-\$27.3m</b>	<b>\$50.7m</b>
<b>Total assets</b>	<b>\$112.3m</b>	<b>-\$37.8m</b>	<b>\$74.5m</b>
<b>Current Liabilities</b>			
Trade and other payables	\$4.6m	-\$1.2m	\$3.4m
Borrowings	\$10.9m	-\$3.9m	\$7.0m
Deferred revenue	\$2.2m	-	\$2.2m
Income tax	\$1.4m	-\$0.4m	\$1.0m
Employee benefits	\$1.1m	-\$0.1m	\$1.0m
<b>Total current liabilities</b>	<b>\$20.2m</b>	<b>-\$5.6m</b>	<b>\$14.6m</b>
<b>Non-current liabilities</b>			
Deferred revenue	\$2.2m	-\$1.2m	\$1.0m
Provisions	\$0.1m	-	\$0.1m
Borrowings	\$3.3m	-\$3.3m	-
Other non-current liabilities	\$0.5m	\$0.6m	\$1.1m
Deferred tax liabilities	\$7.0m	-\$5.2m	\$1.8m
<b>Total non-current liabilities</b>	<b>\$13.1m</b>	<b>-\$9.1m</b>	<b>\$4.0m</b>
<b>Total liabilities</b>	<b>\$33.3m</b>	<b>-\$14.7m</b>	<b>\$18.6m</b>
<b>Net assets</b>	<b>\$79.0m</b>	<b>-\$23.1m</b>	<b>\$55.9m</b>
<b>Equity</b>			
Contributed equity	\$53.1m	-	\$53.1m
Reserves	-\$7.1m	-	-\$7.1m
Accumulated profits/(losses)	\$5.2m	\$4.7m	\$9.9m
<b>Total equity attributable to the owners of Blue Sky</b>	<b>\$51.2m</b>	<b>\$4.7m</b>	<b>\$55.9m</b>
Non-controlling interest	\$27.8m	-\$27.8m	-
<b>Total Equity</b>	<b>\$79.0m</b>	<b>-\$23.1m</b>	<b>\$55.9m</b>

**Directors' Report (cont'd)**  
**For the year ended 30 June 2014**

*FY14: Reconciliation of Consolidated Statement of Cash Flow with Underlying Results*

*In AUD \$Ms*

	<b>Consolidated Statement of Cash Flow</b>	<b>Impact where investments are consolidated or equity accounted rather than reported at fair value</b>	<b>Underlying Results</b>
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of GST)	\$30.5m	-\$11.1m	\$19.4m
Payments to suppliers and employees (inclusive of GST)	-\$28.5m	\$13.8m	-\$14.7m
Interest received	\$0.5m	-	\$0.5m
Interest and other finance costs paid	-\$0.5m	\$0.5m	-
Income taxes paid	-\$1.2m	\$0.4m	-\$0.8m
<b>Net cash used in operating activities</b>	<b>\$0.8m</b>	<b>\$3.6m</b>	<b>\$4.4m</b>
<b>Cash flow from investing activities</b>			
Payment for acquisition of controlled entity, net of cash acquired	-\$24.0m	\$24.0m	-
Cash acquired on purchased of controlled entity, net of cash payment for acquisition	\$2.1m	-\$2.1m	-
Payment for investments	-\$31.8 m	\$5.9m	-\$25.9m
Payment for property, plant and equipment	-\$4.4m	\$4.1m	-\$0.3m
Payments for intangible assets	-\$5.1m	\$4.5m	-\$0.6m
Proceeds from disposal of subsidiary, net of cash transferred	\$0.9m	-	\$0.9m
<b>Net cash used in investing activities</b>	<b>-\$62.3m</b>	<b>\$36.4m</b>	<b>-\$25.9m</b>
<b>Cash flow from financing activities</b>			
Proceeds from issue of shares	\$34.6m	-	\$34.6m
Issue of shares to NCI	\$37.5m	-\$37.5m	-
Share issue transaction costs	-\$1.7m	\$0.2m	-\$1.5m
Proceeds from borrowings	\$24.8m	-\$12.9m	\$11.9m
Repayment of borrowings	-\$14.4m	\$9.4m	-\$5.0m
Loans (to)/from related parties	-\$6.4m	-\$0.6m	-\$7.0m
Dividends paid	-\$3.2m	\$0.9m	-\$2.3m
<b>Net cash from financing activities</b>	<b>\$71.2m</b>	<b>-\$40.5m</b>	<b>\$30.7m</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>\$9.7m</b>	<b>-\$0.5m</b>	<b>\$9.2m</b>
Cash and cash equivalents at the beginning of the year	\$6.6m	-\$1.0m	\$5.6m
<b>Cash and cash equivalents at the end of the year</b>	<b>\$16.3m</b>	<b>-\$1.5m</b>	<b>\$14.8m</b>

**Directors' Report (cont'd)**  
**For the year ended 30 June 2014**

*FY13: Reconciliation of Consolidated Statement of Comprehensive Income with Underlying Results*

*In AUD \$Ms*

	<b>Consolidated Statement of Comprehensive Income (‘Statutory Profit’)</b>	<b>Impact where investments are consolidated or equity accounted rather than reported at fair value</b>	<b>Underlying Results</b>
<b>Revenue</b>			
Operating Revenue	\$10.6m	\$2.6m	\$13.2m
Share of gain/(loss) of associates accounted for using the equity method	\$0.2m	-\$0.2m	-
Other income	\$0.1m	\$0.9m	\$1.0m
<b>Total revenue</b>	<b>\$10.9m</b>	<b>\$3.3m</b>	<b>\$14.2m</b>
<b>Expenses</b>			
Employee benefits expense	-\$4.3m	-\$0.2m	-\$4.5m
Depreciation and amortisation expense	-\$0.2m	-\$0.1m	-\$0.3m
Finance costs	-\$0.1m	-	-\$0.1m
Other expenses	-\$5.4m	\$1.7m	-\$3.7m
<b>Total expenses</b>	<b>-\$10.0m</b>	<b>\$1.4m</b>	<b>-\$8.6m</b>
<b>Profit/(loss) before income tax</b>	<b>\$0.9m</b>	<b>\$4.7m</b>	<b>\$5.6m</b>
Income tax (expense)/benefit	-\$1.5m	-\$0.2m	-\$1.7m
<b>Profit/(loss) after income tax for the period</b>	<b>-\$0.6m</b>	<b>\$4.5m</b>	<b>\$3.9m</b>
<b>Total comprehensive income/(loss) for the period</b>	<b>-\$0.6m</b>	<b>\$4.5m</b>	<b>\$3.9m</b>
Profit/(loss) attributable to:			
Non-controlling interests	-\$2.2m	\$2.2m	-
Owners of Blue Sky Alternative Investments Limited	\$1.6m	\$2.3m	\$3.9m

**Directors' Report (cont'd)**  
**For the year ended 30 June 2014**

*FY13: Reconciliation of Consolidated Statement of Financial Position with Underlying Results*

*In AUD \$Ms*

	<b>Consolidated Statement of Financial Position</b>	<b>Impact where investments are consolidated or equity accounted rather than reported at fair value</b>	<b>Underlying Results</b>
<b>Current Assets</b>			
Cash and cash equivalents	\$6.6m	-\$1.0m	\$5.6m
Trade and other receivables	\$2.6m	-\$0.4m	\$2.2m
Inventory	\$1.4m	-\$1.4m	-
Other assets	\$0.3m	-\$0.1m	\$0.2m
<b>Total current assets</b>	<b>\$10.9m</b>	<b>-\$2.9m</b>	<b>\$8.0m</b>
<b>Non-current assets</b>			
Receivables	\$1.2m	-	\$1.2m
Non-Current Inventory	\$2.1m	-\$2.1m	-
Investments accounted for using the equity method	\$3.4m	-\$3.4m	-
Financial assets at fair value through profit and loss	\$0.3m	\$7.8m	\$8.1m
Investments in controlled entities	-	-	-
Property, plant and equipment	\$2.2m	-\$2.1m	\$0.1m
Intangible assets	\$5.6m	-\$0.7m	\$4.9m
Deferred tax assets	-	-	-
<b>Total non-current assets</b>	<b>\$14.8m</b>	<b>-\$0.5m</b>	<b>\$14.3m</b>
<b>Total assets</b>	<b>\$25.7m</b>	<b>-\$3.4m</b>	<b>\$22.3m</b>
<b>Current Liabilities</b>			
Trade and other payables	\$2.4m	-\$0.1m	\$2.3m
Borrowings	\$1.5m	-\$1.5m	-
Deferred revenue	\$1.1m	-\$0.5m	\$0.6m
Income tax	\$0.9m	-	\$0.9m
Employee benefits	\$0.3m	-	\$0.3m
<b>Total current liabilities</b>	<b>\$6.2m</b>	<b>-\$2.1m</b>	<b>\$4.1m</b>
<b>Non-current liabilities</b>			
Deferred revenue			
Provisions	\$0.1m	-	\$0.1m
Non-current borrowings	\$1.6m	-\$1.6m	-
Deferred tax liabilities	\$0.3m	\$0.2m	\$0.5m
<b>Total non-current liabilities</b>	<b>\$2.0m</b>	<b>-\$1.4m</b>	<b>\$0.6m</b>
<b>Total liabilities</b>	<b>\$8.2m</b>	<b>-\$3.5m</b>	<b>\$4.7m</b>
<b>Net assets</b>	<b>\$17.5m</b>	<b>\$0.1m</b>	<b>\$17.6m</b>
<b>Equity</b>			
Contributed equity	\$18.7m	-	\$18.7m
Reserves	-\$7.1m	-	-\$7.1m
Accumulated profits/(losses)	\$3.7m	\$2.3m	\$6.0m
<b>Total equity attributable to the owners of Blue Sky</b>	<b>\$15.3m</b>	<b>\$2.3m</b>	<b>\$17.6m</b>
Non-controlling interest	\$2.2m	-\$2.2m	-
<b>Total Equity</b>	<b>\$17.5m</b>	<b>\$0.1m</b>	<b>\$17.6m</b>



**Directors' Report (cont'd)**  
**For the year ended 30 June 2014**

*FY13: Reconciliation of Consolidated Statement of Cash Flow with Underlying Results*

*In AUD \$Ms*

	<b>Consolidated Statement of Cash Flow</b>	<b>Impact where investments are consolidated or equity accounted rather than reported at fair value</b>	<b>Underlying Results</b>
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of GST)	\$11.5m	-\$0.4m	\$11.1m
Payments to suppliers and employees (inclusive of GST)	-\$11.6m	\$2.4m	-\$9.2m
Interest received	\$0.1m	-	\$0.1m
Interest and other finance costs paid	-\$0.2m	\$0.2m	-
Income taxes paid	-\$1.0m	-	-\$1.0m
<b>Net cash used in operating activities</b>	<b>-\$1.2m</b>	<b>\$2.2m</b>	<b>\$1.0m</b>
<b>Cash flow from investing activities</b>			
Payment for acquisition of controlled entity, net of cash acquired	-\$1.4m	\$1.4m	-
Cash acquired on purchased of controlled entity, net of cash payment for acquisition	\$0.1m	-\$0.1m	-
Payment for investments	-	-	-
Payment for property, plant and equipment	-	-	-
Payments for intangible assets	-	-	-
Proceeds from disposal of subsidiary, net of cash transferred	\$1.3m	-	\$1.3m
<b>Net cash used in investing activities</b>	<b>-\$0.0m</b>	<b>\$1.3m</b>	<b>\$1.3m</b>
<b>Cash flow from financing activities</b>			
Proceeds from issue of shares	-	-	-
Issue of shares to NCI	\$3.9m	-\$3.9m	-
Share issue transaction costs	-	-	-
Proceeds from borrowings	\$1.6m	-\$1.6m	-
Repayment of borrowings	-\$1.2m	\$1.2m	-
Loans (to)/from related parties	-\$0.4m	-	-\$0.4m
Repayment of leases and hire purchases	-	-	-
Dividends paid	-\$2.0m	-	-\$2.0m
<b>Net cash from financing activities</b>	<b>\$1.9m</b>	<b>-\$4.3m</b>	<b>-\$2.4m</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>\$0.7m</b>	<b>-\$0.8m</b>	<b>-\$0.1m</b>
Cash and cash equivalents at the beginning of the year	\$5.9m	-\$0.2m	\$5.7m
<b>Cash and cash equivalents at the end of the year</b>	<b>\$6.6m</b>	<b>-\$1.0m</b>	<b>\$5.6m</b>

**Significant changes in the state of affairs**

No significant changes in the state of affairs occurred during the period.

**Matters subsequent to the end of the financial year**

On 25 August 2014, the Directors resolved to pay a final fully franked dividend of 7 cents per share in relation to the 2014 financial year. The record date for this dividend will be 12 September 2014 and the payment date will be 3 October 2014. Other than this matter, there are no other subsequent events.

**Likely developments and expected results of operations**

The Group does not expect a change in the nature of its operations and will continue its existing operations and explore new opportunities for growth in the future.

**Environmental regulation**

The Group is not subject to any particular or significant environmental regulation under Commonwealth, State or Territory legislation.

**Information on Current Directors**

<b>Name:</b>	<b>John Kain</b> <b>Chairman</b> <b>Non-Executive Director (non-independent)</b>
<b>Qualifications:</b>	John graduated from Adelaide University and was admitted to legal practice in South Australia in 1990. He was subsequently admitted to practice in England and Wales, and in New South Wales.
<b>Experience and expertise:</b>	<p>John is a corporate lawyer with over 20 years of experience in corporate advisory, private equity and mergers and acquisitions. John is managing director of Kain C+C Lawyers, a specialist legal consulting company working exclusively in corporate, commercial and mergers and acquisitions law.</p> <p>John is currently chairman of a widely held private investment company and a member of the Financial Council of the Roman Catholic Archdiocese of Adelaide. He has also served on a number of boards, including as a director of public charitable trusts, as chairman of a Commonwealth government advisory panel and as director of a number of private companies. He is also a Fellow of the Australian Institute of Company Directors.</p>
<b>Other current directorships of listed entities:</b>	Blue Sky Alternatives Access Fund Limited (Appointed 4 April 2014)
<b>Former directorships of listed entities (in the last 3 years):</b>	None
<b>Interests in shares:</b>	1,077,873 shares
<b>Interests in options:</b>	None

**Directors' Report (cont'd)**  
**For the year ended 30 June 2014**

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<b>Name:</b>	<b>Mark Sowerby</b> <b>Managing Director</b>
Qualifications:	Mark holds a Bachelor of Agricultural Science from the University of Queensland, a Graduate Diploma of Applied Finance from the Financial Services Institute of Australia, and a Masters of Business Administration from the University of Queensland. Mark has also completed the Private Equity and Venture Capital course at Harvard Business School, Boston, USA.
Experience and expertise:	<p>Mark is the founder and Managing Director of the Group. Mark manages the strategic direction of the Group and plays an active role in all facets of the business, including the sourcing of investment opportunities and management of the investment portfolio.</p> <p>Before founding the Group, Mark worked for 12 years in commodity trading, living and working in a variety of locations including the US, Mexico, Central America, Europe and Asia. He developed a strong understanding of global trade and economics, logistics, operations, finance and derivatives. The experience Mark gained during this time has been instrumental in the establishment of the values and principles on which the Group is based.</p>
Other current directorships of listed entities:	Commstrat Limited (Appointed 8 April 2009)
Former directorships of listed entities (in the last 3 years):	None
Interests in shares:	10,000,000 shares
Interests in options:	None

<b>Name:</b>	<b>Tim Wilson</b> <b>Executive Director</b>
Qualifications:	Tim holds a Bachelor of Commerce / Laws from the University of Queensland, a Graduate Diploma of Applied Finance and Investment and a Master of Science in Finance from the London Business School. Tim has also undertaken the Private Equity and Venture Capital course at Harvard Business School, Boston, USA.
Experience and expertise:	<p>Tim is the Managing Director of the Group's private equity team. He is responsible for leading this team, sourcing and negotiating deals, advising portfolio companies on financing, entry and exit negotiation and building the Group's network. Tim has been involved in private equity for the last sixteen years (including with Blue Sky Private Equity), and previously through investment banking roles in London, Sydney and Brisbane. He began his career as a commercial lawyer in Brisbane with Minter Ellison before moving to London where he lived for six years, working in investment banking roles with Paribas and Credit Suisse First Boston. Tim then returned to Australia and worked in finance roles with Babcock &amp; Brown, Westpac Institutional Bank and Investec before joining Blue Sky in 2009 to run the private equity group.</p>
Other current directorships of listed entities:	None
Former directorships of listed entities (in the last 3 years):	None
Interests in shares:	1,800,480 shares
Interests in options:	None

**Name:** **Alexander McNab**  
**Executive Director**

**Qualifications:** Alexander holds a Bachelor of Economics (University Medal) and a Bachelor of Laws from the University of Queensland. Alexander is also a graduate of the Royal Military College of Australia and is an INSEAD graduate with a Masters of Business Administration (Honours).

**Experience and expertise:** Alexander joined Blue Sky in 2009 as a partner in Blue Sky's private equity business. In that capacity, Alexander is responsible for sourcing potential investments, leading due diligence, negotiating and executing transactions and managing Blue Sky's portfolio of private equity investments. Alexander sits on the boards of Readify, Alcidion Corporation, Milk & Company, CommStrat and Balance Carbon.

Alexander also takes a broader investing role across Blue Sky, sitting on the board or investment committee of Blue Sky Venture Capital, Blue Sky Private Real Estate, Blue Sky Investment Science and Blue Sky Water Partners.

Prior to joining Blue Sky, Alexander spent eight years at Bain & Company, a global strategy consulting firm. During his time at Bain & Company, Alexander formulated corporate and business unit strategies, led performance improvement projects and influenced management teams to drive results. In this capacity, Alexander worked with clients across a range of industries, including financial services, telecommunications, retail and technology.

**Other current directorships of listed entities:** Commstrat Limited (Appointed 15 February 2011)  
Blue Sky Alternatives Access Fund Limited (Appointed 4 April 2014)

**Former directorships of listed entities (in the last 3 years):** None

**Interests in shares:** 1,003,504 shares

**Interests in options:** None

## **Company Secretary**

### **Jane Prior**

Jane holds a Bachelor of Arts and a Bachelor of Laws and is admitted as a solicitor of the Supreme Courts of QLD and NSW. Jane has worked in law firms in Brisbane and London where she advised on fund establishments and investments as well as a range of joint venture, private equity and merger and acquisition transactions.

## **Meeting of Directors**

During the financial year, 11 full meetings of Directors were held. Due to the size of the business the entire Board forms the Remuneration Committee, and the entire Board with the exception of the Managing Director forms the Audit and Risk Committee. Four meetings of the Audit and Risk Committee and one meeting of the Remuneration Committee occurred during the financial year all with full attendance.

Attendances by each Director during the year were as follows:

	Full meetings of Directors	
	A	B
John Kain	11	11
Mark Sowerby	11	11
Tim Wilson	11	11
Alexander McNab	11	11

A = Number of meetings attended

B = Number of meetings held during the time the Director held office or was a member of the committee during the year.

### **Shares under option**

As at the date of this report, there were 1,485,000 unissued ordinary shares under option.

### **Indemnity and insurance of officers**

The Company has indemnified the Directors for costs incurred in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the Company paid a premium in respect of a contract to insure the Directors against a liability to the extent permitted by the *Corporations Act 2001* ('Act'). The contract of insurance prohibits disclosure of the nature of liability and the amount of the premium.

### **Indemnification of auditors**

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

### **Proceedings on behalf of the Company**

No person has applied to the Court under section 237 of the Act for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

### **Non-audit services**

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in Note 37 to the financial statements.

The Directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Act.

The Directors are of the opinion that the services as disclosed in Note 37 to the financial statements do not compromise the external auditor's independence for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor, and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional

and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

**Officers of the Company who are former audit partners of Ernst & Young**

There are no officers of the Company who are former audit partners of Ernst & Young.

**Auditor's independence declaration**

A copy of the auditor's independence declaration as required under section 307C of the Act is set out on page 25.

**Auditor**

Ernst & Young continues in office in accordance with section 327 of the Act.

**Remuneration Report (audited)**  
**For the year ended 30 June 2014**

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This Remuneration Report for the financial year ended 30 June 2014 outlines the remuneration arrangements of the Group in accordance with the requirements of the Act and its regulations. This information has been audited as required by section 308(3C) of the Act.

This Remuneration Report details the remuneration arrangements for key management personnel ('KMP').

The Remuneration Report is presented under the following sections:

- (i) Individual key management personnel disclosures
- (ii) Remuneration at a glance
- (iii) Board oversight of remuneration
- (iv) Non-executive director remuneration arrangements
- (v) Executive remuneration arrangements
- (vi) Company performance and the link to remuneration
- (vii) Executive contractual arrangements

**i. Individual key management personnel disclosures**

KMP are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

The Company has determined that its KMP under the requirements of AASB 124 *Related Party Disclosures* are defined and determined as follows:

- (a) its directors and officers;
- (b) any other person considered by the Board as KMP on the basis that they have authority and responsibility for planning, directing and controlling the activities of the Company either directly or indirectly.

The Company has determined that there are no persons other than its directors and officers listed below who are considered KMP.

Details of KMP are set out below.

*Key Management Personnel*

**Non-Executive Director**

John Kain	Chairman	(Appointed 1 July 2011)
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**Executive Directors**

Mark Sowerby	Director	(Appointed 23 September 2011)
Tim Wilson	Director	(Appointed 23 September 2011)
Alexander McNab	Director	(Appointed 23 September 2011)

**Other Key Management Personnel**

Jane Prior	Company Secretary
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There were no changes of KMP between the reporting date and the date the Financial Report was authorised for issue.

**ii. Remuneration at a glance**

The Company's remuneration strategy is designed to attract, motivate and retain employees by identifying and rewarding high performers and recognising the contribution of each employee to the continued growth and success of the Group.

The Board of Directors ('Board') has agreed that the best policy to ensure this result is to offer each KMP a fixed remuneration package reflecting the person's duties and responsibilities. This policy has been developed in light of the fact that each of the KMP are also shareholders of the Company. The Board has also endorsed a policy of contributing 25% of all performance fees realised by individual investment management entities to a performance bonus pool for its respective staff with the physical payment being made when the performance fees are realised ('Investment Company Bonus Policy'). The Board has discretion on the amount of bonus to be paid, if any. There is no constructive obligation to pay these amounts.

During the year, the Board exercised its discretion to pay bonuses to staff in relation to performance fees realised, in accordance with the Investment Company Bonus Policy. The Board also exercised its discretion to not record a provision to pay bonuses to staff in relation to certain performance fee income accrued during the year.

**iii. Board oversight of remuneration**

*Remuneration Committee*

All of the members of the Board (including both executive and the non-executive director) are members of the Remuneration Committee. This is considered appropriate given the small executive management team, and the stage of development of the Company.

The remuneration policy has been developed to ensure that remuneration packages properly reflect each person's duties and responsibilities and that remuneration is competitive in attracting, retaining and motivating people of the highest quality.

**iv. Non-executive director remuneration arrangements**

The remuneration of the non-executive director for the year ended 30 June 2014 and 30 June 2013 is detailed in Table 1 and Table 2 respectively of this report. The remuneration of the non-executive director is determined and reviewed on an annual basis based on the anticipated level of services to be rendered.

**v. Executive remuneration arrangements**

The Group aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the Group and aligned with market practice.

As such, the Group rewards each executive with a fixed remuneration package, the value of which is determined by the remuneration committee based on the remuneration policy noted above. In the 2014 financial year, remuneration of KMP is not dependent on sales targets or any other performance measures (however KMP may receive a portion of the 25% bonus pool from performance fee based on their performance). This policy has been developed in light of the fact that each of the KMP are also shareholders of the Company. The Board has endorsed the Investment Company Bonus Policy noted above.



**Remuneration Report (audited) (cont'd)**  
**For the year ended 30 June 2014**

**Structure**

In the 2014 financial year, the executive remuneration framework consisted of the following two components:

(a) *Fixed remuneration*

This component has been negotiated by each KMP with the Board, based on their experience and duties. The remuneration of KMP for the year ended 30 June 2014 and 30 June 2013 is disclosed in Table 1 and Table 2.

(b) *Share option plan (equity settled)*

At the Annual General Meeting of the Company on 21 November 2013, the shareholders approved the implementation of a new Employee Share Option Plan ('ESOP'). Any director, employee or consultant of the Company who is determined by the Board to be eligible may participate in the ESOP. All options are to be offered to eligible participants for no consideration. The ESOP rules enable the Board to determine the applicable vesting criteria and to set a timetable for vesting of options in the relevant offer document. The Board has the discretion to set performance hurdles or to link vesting solely to a defined service period in order to drive key staff retention and reward longevity of service.

The options may be exercised, in part or full, subject to the option holder continuing to be employed at the relevant vesting dates. Subject to the accelerated expiry terms set out in the ESOP, options will expire five years after the date of grant subject to the option holder remaining employed by the Company. Unexercised options will automatically lapse upon expiry.

**Table 1: Remuneration of Key Management Personnel for the year-ended 30 June 2014 (Consolidated)**

	Short-Term	Post Employment	Long Term	Share-based Payment		Total	Performance related
	Salary & Fees	Superannuation	Long Service Leave	Share Options	Rights		
	\$	\$	\$	\$	\$	\$	%
<b>Non-executive Directors</b>							
John Kain	54,500	-	-	-	-	54,500	0%
Sub-Total	54,500	-	-	-	-	54,500	0%
<b>Executive Directors</b>							
Mark Sowerby	300,000	19,835	20,683	-	-	340,518	0%
Alexander McNab	260,962	19,639	11,832	-	-	292,433	0%
Tim Wilson	299,519	19,951	13,997	-	-	333,447	0%
Sub-Total	860,481	59,425	46,492	-	-	966,398	0%
<b>Other Key Management Personnel</b>							
Jane Prior	183,750	16,138	312	951	-	201,151	0.47%
Sub-Total	183,750	16,138	312	951	-	201,151	0.47%
<b>Total</b>	<b>1,098,731</b>	<b>75,563</b>	<b>46,804</b>	<b>951</b>	<b>-</b>	<b>1,222,049</b>	<b>0.47%</b>

**Remuneration Report (audited) (cont'd)**  
**For the year ended 30 June 2014**

**Table 2: Remuneration of Key Management Personnel for the year-ended 30 June 2013 (Consolidated)**

	Short-Term	Post Employment	Long Term	Share-based Payment		Total	Performance related
	Salary & Fees	Superannuation	Long Service Leave	Share Options	Rights		
	\$	\$	\$	\$	\$	\$	%
<b>Non-executive Directors</b>							
John Kain	54,500	-	-	-	-	54,500	0%
Sub-Total	54,500	-	-	-	-	54,500	0%
<b>Executive Directors</b>							
Mark Sowerby	300,000	19,473	3,057	-	-	322,530	0%
Alexander McNab	185,000	16,650	168	-	-	201,818	0%
Tim Wilson	275,000	20,159	275	-	-	295,434	0%
Subtotal	760,000	56,282	3,500	-	-	819,782	0%
<b>Other Key Management Personnel</b>							
Jane Prior	149,712	13,474	152	-	-	163,338	0%
Sub-Total	149,712	13,474	152	-	-	163,338	0%
<b>Total</b>	<b>964,212</b>	<b>69,756</b>	<b>3,652</b>	<b>-</b>	<b>-</b>	<b>1,037,620</b>	<b>0%</b>

**Loans to Key Management Personnel and their related parties**

(i) Details of loans to key management personnel and their related parties

	Balance at beginning of period	Interest charged	Interest not charged	Balance at end of period	Highest balance during period
	\$	\$	\$	\$	\$
John Kain	-	1,260	-	251,260	501,112
Alexander McNab	-	704	-	250,704	250,704
<b>Total</b>	<b>-</b>	<b>1,964</b>	<b>-</b>	<b>501,964</b>	<b>751,816</b>

(ii) Terms and conditions of loans to key management personnel and their related parties

The Company provided loans to the above mentioned KMP during the year with the proceeds used to purchase shares and options in the Alternatives Fund, a related party of the Company.

Interest has been charged at the rate of 5.41% per annum.

vi. **Company performance and the link to remuneration**

Currently no elements of the remuneration of the Directors, KMP or other personnel are linked to the Group's performance.

vii. **Executive contractual arrangements**

Each executive director has entered into an executive service contract with the Company on substantially similar terms other than specific remuneration.

Each agreement commenced on the date of listing of the Company on the ASX and continues until terminated in accordance with the agreement. During the term, either party may terminate the

**Remuneration Report (audited) (cont'd)**  
**For the year ended 30 June 2014**

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agreement by giving 6 months' notice. Grounds of termination by the Company without notice include misconduct and bankruptcy.

The Directors believe that the remuneration of each executive director is appropriate for the duties allocated to them, the size of the Company's business and the industry in which the Company operates. Remuneration is reviewed at least annually.

Non-compete covenants and customary post-termination restraints apply to each executive director for up to one year after termination of employment.

**Directors' Report (cont'd)**  
**For the year ended 30 June 2014**

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This report is made in accordance with a resolution of Directors, pursuant to section 298(2)(a) of the *Corporations Act 2001*.

On behalf of the Directors

  
\_\_\_\_\_  
John Kain  
Chairman

26 August 2014  
Brisbane



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## Auditor's independence declaration to the directors of Blue Sky Alternative Investments Limited

In relation to our audit of the financial report of Blue Sky Alternative Investments Limited for the financial year ended 30 June 2014, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

A handwritten signature in black ink that reads 'Ernst &amp; Young'.

Ernst & Young

A handwritten signature in black ink that reads 'PMcLuskie'.

Paula McLuskie  
Partner  
26 August 2014

**Corporate Governance Statement**  
**For the year ended 30 June 2014**

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The Company's Corporate Governance Statement is available at the following internet address:  
<http://blueskyfunds.com.au/board-of-directors/corporate-governance/corporate-governance-statement>.

**Financial Report of Blue Sky Alternative Investments Limited**  
**For the year ended 30 June 2014**

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**General information**

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

The financial report consists of the financial statements, notes to the 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 2, 40 Edward Street  
Brisbane QLD 4000

A description of the nature of the Group's operations and its principal activities are included in the Directors' Report, which is not part of the financial report.

The 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 financial report.

**Consolidated Statement of Comprehensive Income**  
**For the year ended 30 June 2014**

		<b>Consolidated</b>	
		<b>2014</b>	<b>2013</b>
			<b>Restated*</b>
	<b>Note</b>	<b>\$</b>	<b>\$</b>
<b>Revenue</b>			
Operating revenue	4	32,216,500	10,595,709
Share of profit of associates accounted for using the equity method	5	2,699,151	242,735
Other income	6	306,591	60,007
<b>Expenses</b>			
Employee benefits expense	7	(8,506,630)	(4,349,399)
Depreciation and amortisation expense	7	(1,616,350)	(202,487)
Consultancy		(947,412)	(494,887)
External service providers		(2,701,053)	(1,137,159)
Distribution		(825,189)	(710,909)
Marketing		(606,447)	(376,211)
Occupancy	7	(782,131)	(393,852)
Administrative		(1,477,378)	(963,349)
Travel & entertainment		(867,830)	(532,782)
Other expenses	8	(12,769,896)	(728,209)
Finance costs	7	(491,023)	(69,726)
<b>Profit / (loss) before income tax</b>		<b>3,630,903</b>	<b>939,481</b>
Income tax (expense) / benefit	9	(2,636,141)	(1,526,555)
<b>Profit / (loss) after income tax for the year</b>		<b>994,762</b>	<b>(587,074)</b>
<b>Other comprehensive income</b>			
<b>Items that may be reclassified subsequently to profit or loss</b>			
Gain on the revaluation of available-for-sale financial assets, net of tax		-	-
Other comprehensive income for the year, net of tax		-	-
<b>Total comprehensive income/(loss) for the year</b>		<b>994,762</b>	<b>(587,074)</b>
Profit / (loss) for the year is attributable to:			
Non-controlling interest		(2,867,986)	(2,139,008)
Owners of Blue Sky Alternative Investments Limited	33	3,862,748	1,551,934
		<b>994,762</b>	<b>(587,074)</b>
Total Comprehensive income/(loss) for the year is attributable to:			
Non-controlling interest		(2,867,986)	(2,139,008)
Owners of Blue Sky Alternative Investments Limited		3,862,748	1,551,934
		<b>994,762</b>	<b>(587,074)</b>
<b>Earnings per share</b>		<b>Cents</b>	<b>Cents</b>
Basic earnings per share (profit/(loss) per share)	47	8.16	4.77
Diluted earnings per share (profit/(loss) per share)	47	8.12	4.77

\* Certain numbers shown here do not correspond to the 2013 financial statements and reflect adjustments made, refer to Note 1(f).

The above statement of comprehensive income should be read in conjunction with the accompanying notes.



**Consolidated Statement of Financial Position**  
**As at 30 June 2014**

		<b>Consolidated</b>	
		<b>2014</b>	<b>2013</b>
			<b>Restated*</b>
	<b>Note</b>	<b>\$</b>	<b>\$</b>
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	10	16,278,129	6,556,496
Trade and other receivables	11	13,377,091	2,595,176
Inventory	12	3,051,691	1,429,671
Other assets	13	1,543,547	291,315
Total current assets		<u>34,250,458</u>	<u>10,872,658</u>
<b>Non-current assets</b>			
Receivables	14	4,086,001	1,154,327
Inventory	15	1,530,475	2,060,002
Investments accounted for using the equity method	16	25,209,841	3,382,010
Financial assets at fair value through profit and loss	17	180,000	355,500
Property, plant and equipment	18	28,038,096	2,202,873
Intangible assets	19	18,942,667	5,622,292
Deferred tax assets	20	40,186	44,126
Total non-current assets		<u>78,027,266</u>	<u>14,821,130</u>
<b>Total assets</b>		<b><u>112,277,724</u></b>	<b><u>25,693,788</u></b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	21	4,552,607	2,488,669
Current borrowings	22	10,870,014	1,522,354
Deferred revenue	23	2,207,789	1,081,713
Income tax	24	1,369,521	859,784
Employee benefits	25	1,069,378	333,554
Total current liabilities		<u>20,069,309</u>	<u>6,286,074</u>
<b>Non-current liabilities</b>			
Deferred Revenue	26	2,201,330	-
Provisions	27	105,161	35,171
Non-current borrowings	28	3,333,629	1,586,992
Other non-current liabilities	29	502,107	-
Deferred tax liabilities	30	7,033,748	329,337
Total non-current liabilities		<u>13,175,975</u>	<u>1,951,500</u>
<b>Total liabilities</b>		<b><u>33,245,284</u></b>	<b><u>8,237,574</u></b>
<b>Net assets</b>		<b><u>79,032,440</u></b>	<b><u>17,456,214</u></b>

**Consolidated Statement of Financial Position (cont'd)**  
**As at 30 June 2014**

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		<b>Consolidated</b>	
		<b>2014</b>	<b>2013</b>
			<b>Restated*</b>
	<b>Note</b>	<b>\$</b>	<b>\$</b>
<b>Equity</b>			
Contributed equity	31	53,086,816	18,676,705
Reserves	32	(7,048,082)	(7,104,181)
Accumulated profits/(losses)	33	5,187,163	3,663,754
<b>Total equity, attributable to the owners of Blue Sky Alternative Investments Limited</b>		<b>51,225,897</b>	<b>15,236,278</b>
Non-controlling interests		27,806,543	2,219,936
<b>Total Equity</b>		<b>79,032,440</b>	<b>17,456,214</b>

*\* Certain numbers shown here do not correspond to the 2013 financial statements and reflect adjustments made, refer to Note 1(f).*

*The above statement of financial position should be read in conjunction with the accompanying notes.*

**Consolidated Statement of Changes in Equity**  
**For the year ended 30 June 2014**

<b>Consolidated</b>	<b>Contributed equity</b>	<b>Reserves</b>	<b>Accumulated profits / (losses)</b>	<b>Non-controlling interests</b>	<b>Total equity</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Balance at 1 July 2012 as previously reported	18,676,705	(7,104,181)	4,079,578	-	15,652,102
Impact of changes in accounting policies	-	-	(14,962)	396,454	381,492
Restated balance at 1 July 2012	18,676,705	(7,104,181)	4,064,616	396,454	16,033,594
Profit / loss after tax	-	-	1,551,934	(2,139,008)	(587,074)
Other comprehensive income for the year	-	-	-	-	-
Total comprehensive income for the year	-	-	1,551,934	(2,139,008)	(587,074)
Transactions with owners:					
Contributions of equity, net of transaction costs	-	-	-	983,166	983,166
Share based payments	-	-	-	-	-
Increase / (decrease) in NCI due to acquisition	-	-	-	2,979,324	2,979,324
Revaluation surplus reserve	-	-	-	-	-
Dividends	-	-	(1,952,796)	-	(1,952,796)
Balance at 30 June 2013	<b>18,676,705</b>	<b>(7,104,181)</b>	<b>3,663,754</b>	<b>2,219,936</b>	<b>17,456,214</b>

*The above statement of changes in equity should be read in conjunction with the accompanying notes.*

**Consolidated Statement of Changes in Equity (cont'd)**  
**For the year ended 30 June 2014**

<b>Consolidated</b>	<b>Contributed equity</b>	<b>Reserves</b>	<b>Accumulated profits / (losses)</b>	<b>Non-controlling interests</b>	<b>Total equity</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Balance at 1 July 2013 as previously reported	18,676,705	(7,104,181)	5,713,675	-	17,286,199
Impact of changes in accounting policies	-	-	(2,049,921)	2,219,936	170,015
Restated balance at 1 July 2013	18,676,705	(7,104,181)	3,663,754	2,219,936	17,456,214
Profit / loss after tax	-	-	3,862,748	(2,867,986)	994,762
Other comprehensive income for the year	-	-	-	-	-
Total comprehensive income for the year	-	-	3,862,748	(2,867,986)	994,762
Transactions with owners:					
Contributions of equity, net of transaction costs	34,410,111	-	-	-	34,410,111
Share based payments	-	-	-	-	-
Employee Share Option Reserve	-	56,099	-	-	56,099
Increase / (decrease) in NCI due to acquisition	-	-	-	28,958,404	28,958,404
Revaluation surplus reserve	-	-	-	-	-
Dividends	-	-	(2,339,339)	(503,812)	(2,843,151)
Balance at 30 June 2014	<b>53,086,816</b>	<b>(7,048,082)</b>	<b>5,187,163</b>	<b>27,806,543</b>	<b>79,032,440</b>

*The above statement of changes in equity should be read in conjunction with the accompanying notes.*

**Consolidated Statement of Cash Flows**  
**For the year ended 30 June 2014**

		<b>Consolidated</b>	
		<b>2014</b>	<b>2013*</b>
			<b>Restated</b>
	<b>Note</b>	<b>\$</b>	<b>\$</b>
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of GST)		30,548,149	11,496,832
Payments to suppliers and employees (inclusive of GST)		(28,500,598)	(11,682,099)
		<u>2,047,551</u>	<u>(185,267)</u>
Interest received		496,807	124,536
Interest and other finance costs paid		(576,816)	(184,165)
Income taxes paid		(1,154,678)	(981,551)
Net cash used in operating activities	46	<u><b>812,864</b></u>	<u><b>(1,226,447)</b></u>
<b>Cash flows from investing activities</b>			
Payment for acquisition of controlled entity, net of cash acquired		(23,983,432)	(1,375,000)
Cash acquired on purchase of controlled entity, net of cash payment for acquisition		2,062,160	113,777
Payments for investments		(31,763,094)	-
Payments for property, plant and equipment		(4,395,043)	(31,311)
Payments for intangibles		(5,133,357)	(16,786)
Proceeds of disposal of subsidiary, net of cash transferred		906,997	1,261,223
Net cash used in investing activities		<u><b>(62,305,769)</b></u>	<u><b>(48,097)</b></u>
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares		34,600,778	-
Issue of shares to NCI		37,534,148	3,901,750
Share issue transaction costs		(1,686,989)	(23,584)
Proceeds from borrowings		24,840,528	1,645,528
Repayment of borrowings		(14,439,591)	(1,150,000)
Loans from/(to) related and other parties		(6,459,754)	(437,958)
Payment of finance lease and hire purchase liabilities		-	(74,126)
Dividends paid		(3,174,582)	(1,952,796)
Net cash from financing activities		<u><b>71,214,538</b></u>	<u><b>1,908,814</b></u>
Net increase in cash and cash equivalents		9,721,633	634,270
Cash and cash equivalents at the beginning of the financial year		6,556,496	5,922,226
Cash and cash equivalents at the end of the financial year	10	<u><u><b>16,278,129</b></u></u>	<u><u><b>6,556,496</b></u></u>

\* Certain numbers shown here do not correspond to the 2013 financial statements and reflect adjustments made, refer to Note 1(f).

The above statement of cash flows should be read in conjunction with the accompanying notes.

## Note 1. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### Going concern

The consolidated financial report of the Group is prepared on a going concern basis.

### Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001. These financial statements also comply with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board ('IASB').

#### *Historical cost convention*

The financial statements have been prepared under the historical cost convention, except for, where applicable, financial assets and financial liabilities measured at fair value.

#### *Critical accounting estimates*

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 2.

### Changes in accounting policy, disclosures, standards and interpretations

Except as described below, the accounting policies applied in these financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 30 June 2013.

The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2013.

- AASB 10 *Consolidated Financial Statements*
- AASB 11 *Joint Arrangements*
- AASB 12 *Disclosure of Interests in Other Entities*
- AASB 13 *Fair Value Measurement*
- AASB 119 *Employee Benefits*
- AASB 2012-2 *Offsetting Financial Assets and Financial Liabilities*
- AASB 9 *Financial Instruments*

The Group has early adopted AASB 2013-5 *Amendments to Australian Accounting Standards – Investment Entities* from 1 July 2012 in relation to the accounting policies of a number of its associates. These amendments apply to investment entities, whose business purpose is to invest funds solely for returns from capital appreciation, investment income or both. The amendments provide relief from the requirement that this type of entity consolidate its subsidiaries, instead allowing subsidiaries to be measured at fair value through profit or loss in accordance with AASB 139.

Similarly and following the guidance provided in AASB 2013-5 *Amendments to Australian Accounting Standards – Investment Entities*, the Group has reassessed its application of AASB 128 - *Investments in Associates* from 1 July 2012 in relation to the accounting policies of a number of its associates, specifically applying the venture capital organisation exemption. This exemption provides relief from the requirement that this type of entity equity account its associates, instead allowing associates to be measured at fair value through profit or loss in accordance with AASB 139.

## Note 1. Significant accounting policies (cont'd)

The nature and the effect of the relevant changes are explained below.

### (a) Subsidiaries

As a result of AASB 10 *Consolidated Financial Statements*, the Group has reassessed its accounting policy for determining whether it has control over and consequently whether it consolidates its investees. AASB 10 *Consolidated Financial Statements* uses a new control model that broadens situations when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations, including when acting as a manager may give control, the impact of potential voting rights and when holding less than a majority of voting rights may give control.

In accordance with AASB 10 *Consolidated Financial Statements*, the Group reassessed the control conclusion for its investees at 1 January 2013. As a consequence, the Group reassessed its control conclusion in respect of its investment in the Blue Sky Private Real Estate Riverside Gardens Trust ('Riverside Gardens Trust') and the Water Utilities Australia Fund. This is due to a combination of a member of the Group's role as trustee, its variable returns arising from its equity investments, and the relative dispersion of the remaining interests not held by the Company in these funds.

Accordingly, the Group applied acquisition accounting to the investments at acquisition date, which was 1 December 2011 for the Riverside Gardens Trust and 24 December 2012 for the Water Utilities Australia Fund, as if the investees had been consolidated from that date.

For all financial years up to 30 June 2013, the Riverside Gardens Trust and the Water Utilities Australia Fund were considered to be associates under the previously existing AASB 128 *Investments in Associates*, and were accounted for using the equity method under AASB 128 *Investments in Associates*.

### (b) Associates

As a result of the considerations outlined in AASB 10 *Consolidated Financial Statements* relating to the new principal of control, the Group has reassessed its accounting policy for determining whether it has significant influence over and consequently whether it accounts for its investments in investees in accordance with the equity method.

As a consequence, the Group reassessed its significant influence conclusion with respect to its investment in the following investees:

- Blue Sky Private Equity 2010 Institutional Trust
- Blue Sky Private Equity Retirement Village Fund
- Blue Sky RAMS Management Rights Income Fund
- Blue Sky RAMS Residential Asset Income Fund 1
- Blue Sky Venture Capital Milk Fund
- Blue Sky VC2012 Fund LP

This is due to a combination of the size and nature of the Group's variable returns from the investees, the composition of the board of Directors of the trustee of the investees and the composition of the investee unit registers.

Accordingly, the Group applied equity accounting to its investment in the investees from the date at which significant influence was gained over each investee.

For all financial years up to 30 June 2013, the Group's investments in the above investees were considered to be financial assets at fair value through profit and loss and were accounted for at fair value in accordance with AASB 139.

**Note 1. Significant accounting policies (cont'd)**

(c) Joint Arrangements

AASB 11 *Joint Arrangements* uses the principle of control in AASB 10 *Consolidated Financial Statements* to define joint control, and therefore the determination of whether joint control exists. In addition, it removes the option to account for jointly controlled entities ('JCEs') using proportionate consolidation.

The adoption of AASB 11 *Joint Arrangements* has had no impact on the recognised assets, liabilities and comprehensive income of the Group.

(d) Disclosure of interests in other entities

AASB 12 *Disclosure of Interests in Other Entities* includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. New disclosures have been introduced about the judgements made by management to determine whether control exists, and to require summarised information about joint arrangements, associates, structured entities and subsidiaries with non-controlling interests.

The adoption of AASB 12 has resulted in the Group disclosing more financial and other information regarding its investments in associates and subsidiaries.

(e) Fair value measurement

AASB 13 *Fair Value Measurement* establishes a single source of guidance for determining the fair value of assets and liabilities. AASB 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value when fair value is required or permitted.

The Group has applied the new fair value measurement guidance prospectively, and has not provided any comparative information for new disclosures. Notwithstanding the above, the change had no significant impact on the measurements of the Group's assets and liabilities.

(f) Summary of quantitative impact

The following tables summarise the material impacts resulting from the above changes in accounting policies on the Group's financial position, comprehensive income and cash flows.



**Note 1. Significant accounting policies (cont'd)**

**Condensed Consolidated Statement of Financial Position**

**Effect of changes in accounting policies**

	As previously reported \$	Subsidiaries and Associates \$	As restated \$
<b>1 July 2012</b>			
<b>Assets</b>			
Cash and cash equivalents	5,736,702	185,524	5,922,226
Current trade and other receivables	1,429,784	51,920	1,481,704
Other current assets	290,416	69,819	360,235
Non-current trade and other receivables	1,624,494	-	1,624,494
Non-current trading stock	-	2,935,315	2,935,315
Investments accounted for using the equity method	1,161,203	1,358,205	2,519,408
Financial assets at fair value through profit and loss	2,595,159	(2,595,159)	-
Property, Plant and Equipment	2,258,547	1	2,258,548
Intangible assets	4,591,175	663,299	5,254,474
Deferred tax assets	255,020	28,835	283,855
<b>Total assets</b>	<b>19,942,500</b>	<b>2,697,759</b>	<b>22,640,259</b>
<b>Liabilities</b>			
Current trade and other payables	2,467,361	44,631	2,511,992
Current borrowings	75,784	960,000	1,035,784
Deferred revenue	570,000	-	570,000
Income tax	883,846	-	883,846
Employee benefits	219,451	-	219,451
Provisions	20,132	-	20,132
Non-current borrowings	53,824	1,311,635	1,365,459
<b>Total liabilities</b>	<b>4,290,398</b>	<b>2,316,266</b>	<b>6,606,664</b>
<b>Net assets</b>	<b>15,652,102</b>	<b>381,493</b>	<b>16,033,595</b>
<b>Equity</b>			
Contributed equity	18,676,705	-	18,676,705
Reserves	(7,104,181)	-	(7,104,181)
Accumulated profits/(losses)	4,079,578	(14,961)	4,064,617
Non-controlling interests	-	396,454	396,454
<b>Total Equity</b>	<b>15,652,102</b>	<b>381,493</b>	<b>16,033,595</b>

**Note 1. Significant accounting policies (cont'd)**

**Condensed Consolidated Statement of Financial Position**

**Effect of changes in accounting policies**

	As previously reported \$	Subsidiaries and Associates \$	As restated \$
<b>30 June 2013</b>			
<b>Assets</b>			
Cash and cash equivalents	5,552,348	1,004,148	6,556,496
Current trade and other receivables	2,157,453	437,723	2,595,176
Current Inventory	-	1,429,671	1,429,671
Other current assets	228,888	62,427	291,315
Non-current trade and other receivables	1,154,327	-	1,154,327
Non-current inventory	-	2,060,002	2,060,002
Investments accounted for using the equity method	3,637,265	(255,255)	3,382,010
Financial assets at fair value through profit and loss	4,053,462	(3,697,962)	355,500
Property, Plant and Equipment	108,269	2,094,604	2,202,873
Intangible assets	4,898,238	724,054	5,622,292
Deferred tax assets	44,126	-	44,126
<b>Total assets</b>	<b>21,834,376</b>	<b>3,859,412</b>	<b>25,693,788</b>
<b>Liabilities</b>			
Current trade and other payables	2,280,890	207,779	2,488,669
Current borrowings	54,423	1,467,931	1,522,354
Current deferred revenue	599,160	482,553	1,081,713
Income tax	859,784	-	859,784
Employee benefits	327,636	5,918	333,554
Provisions	35,171	-	35,171
Non-current borrowings	-	1,586,992	1,586,992
Deferred tax liabilities	391,113	(61,776)	329,337
<b>Total liabilities</b>	<b>4,548,177</b>	<b>3,689,397</b>	<b>8,237,574</b>
<b>Net assets</b>	<b>17,286,199</b>	<b>170,015</b>	<b>17,456,214</b>
<b>Equity</b>			
Contributed equity	18,676,705	-	18,676,705
Reserves	(7,104,181)	-	(7,104,181)
Accumulated profits/(losses)	5,713,675	(2,049,921)	3,663,754
Non-controlling interests	-	2,219,936	2,219,936
<b>Total Equity</b>	<b>17,286,199</b>	<b>170,015</b>	<b>17,456,214</b>

**Note 1. Significant accounting policies (cont'd)**

**Condensed Consolidated Statement of Comprehensive Income**

**For the year ended 30 June 2013**

**Effect of changes in accounting policies**

	As previously reported	Subsidiaries and Associates	As restated
	\$	\$	\$
<b>Revenue</b>			
Operating revenue	13,202,841	(2,607,132)	10,595,709
Share of profit/(loss) of associates accounted for using the equity method	(398,939)	641,674	242,735
Other income	933,501	(873,494)	60,007
<b>Expenses</b>			
Employee benefits expense	(4,557,210)	207,811	(4,349,399)
Depreciation and amortisation expense	(268,570)	66,083	(202,487)
Consultancy	(312,973)	(181,914)	(494,887)
External service providers	-	(1,137,159)	(1,137,159)
Distribution	(294,640)	(416,269)	(710,909)
Marketing	(68,269)	(307,942)	(376,211)
Occupancy	(355,369)	(38,483)	(393,852)
Administrative	(2,510,402)	1,547,053	(963,349)
Travel & entertainment	-	(532,782)	(532,782)
Other expenses	(154,259)	(573,950)	(728,209)
Finance costs	(69,323)	(403)	(69,726)
<b>Profit / (loss) before income tax</b>	<b>5,146,388</b>	<b>(4,206,907)</b>	<b>939,481</b>
Income tax (expense) / benefit	(1,559,496)	32,941	(1,526,555)
<b>Profit / (loss) after income tax for the year</b>	<b>3,586,892</b>	<b>(4,173,966)</b>	<b>(587,074)</b>
Other comprehensive income			
<b>Total comprehensive income/(loss) for the year</b>	<b>3,586,892</b>	<b>(4,173,966)</b>	<b>(587,074)</b>
Profit / (loss) for the year is attributable to:			
Non-controlling interest	-	(2,139,008)	(2,139,008)
Owners of Blue Sky Alternative Investments Limited	3,586,892	(2,034,958)	1,551,934
	<b>3,586,892</b>	<b>(4,173,966)</b>	<b>(587,074)</b>

**Note 1. Significant accounting policies (cont'd)**

**Condensed Consolidated Statement of Cash Flows**

**For the year ended 30 June 2013**

**Effect of changes in accounting policies**

	As previously reported	Subsidiaries and Associates	As restated
	\$	\$	\$
Net cash from operating activities	1,009,014	(2,235,461)	(1,226,447)
Net cash from investing activities	1,228,512	(1,276,609)	(48,097)
Net cash from financing activities	(2,421,880)	4,330,694	1,908,814
Cash and cash equivalents at end of financial year	5,552,348	1,004,148	6,556,496

**Parent entity information**

In accordance with the Act, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in Note 40.

**Principles of consolidation**

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Company as at 30 June 2014 and the results of all subsidiaries for the year then ended or from when control was obtained. The Company and its subsidiaries together are referred to in these financial statements as the 'Group'.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. Refer to the 'business combinations' accounting policy for further details. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent entity.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of comprehensive income and statement of financial position of the Group. Losses incurred by the Group are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Where the Group loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Group recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

## **Note 1. Significant accounting policies (cont'd)**

### **Operating segments**

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM are responsible for the allocation of resources to operating segments and assessing their performance.

### **Revenue recognition**

The following specific revenue recognition criteria must also be met before revenue is recognised:

#### *Management fees*

Management fees for ongoing management services and for one-off transactional services are charged on a regular basis and recognised as income at the time the services are provided.

#### *Performance fees*

Performance fees are recognised when financial performance outcomes of the underlying Fund or Unit Trust can be reliably measured. Performance fees are accrued when any outperformance of stated benchmarks within the respective Fund disclosure document are exceeded. In order to ensure reliable measurement, performance fees are recognised and accrued after verification of the Fund Manager's valuation by independent experts or valuers.

#### *Responsible entity and trustee fees*

Blue Sky Private Equity Limited which is a 100% owned subsidiary of the Company acts as the appointed Responsible Entity and Trustee for a number of Funds. Fees are charged to the respective funds consistent with disclosures within the respective Fund's disclosure document and consistent with that allowed under the respective Fund's Constitution or Trust Deed.

#### *Interest*

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

#### *Apartment sales revenue*

Revenue from the sale of residential development properties is recognised when the developments are completed and sales are settled.

#### *Management and letting rights revenue*

Revenue from the rendering of property management and holiday agency services is recognised on an accruals basis when the right to receive the revenue is established, it can be reliably measured and it is probable that the revenue will be received.

## **Note 1. Significant accounting policies (cont'd)**

### *Supply of water revenue*

Revenue from the supply of water is recognised on an accruals basis in accordance with the contractual terms of supply agreements with customers.

### *Other revenue*

Other revenue is recognised when it is received or when the right to receive payment is established.

All revenue is stated net of the amount of goods and services tax ('GST').

## **Income tax**

The income tax expense or benefit 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 attributable to temporary differences and unused tax losses and under and over provision in prior periods, where applicable.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entity's which intend to settle simultaneously.

### *Tax Consolidation*

The Company and its wholly-owned Australian subsidiaries elected to form a tax consolidated group effective from 1 July 2011. Entities that were acquired after this date and that are eligible join the tax consolidated group on acquisition or joining roll up date.

The parent entity and the tax consolidated group's wholly-owned tax consolidated entities continue to account for their current and deferred tax amounts. These tax amounts are measured based on a modified separate taxpayer within a Group approach (modified such that each entity continues to notionally recognise intra-group revenue and expenses, except that intra-group dividends are not assessable).

In addition to its current and deferred tax amounts, the Company also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from the tax consolidated Group's wholly-owned tax consolidated entities.

### **Note 1. Significant accounting policies (cont'd)**

The members of the tax consolidated Group have entered into a tax funding agreement under which the wholly-owned entities fully compensate Blue Sky Alternative Investments Limited for any current tax payable assumed and are compensated by Blue Sky Alternative Investments Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Blue Sky Alternative Investments Limited.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other Group entities. Any differences between the amounts assumed and amounts receivable or payable under the tax funding agreements are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

The members of the tax consolidated Group have also entered into a tax sharing agreement which sets out the allocation of income tax liabilities between the entities, should the head entity default on its tax payment obligations and the treatment of entities leaving the tax consolidated Group.

#### **Cash and cash equivalents**

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

#### **Trade and other receivables**

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Other receivables are recognised at amortised cost, less any provision for impairment.

#### **Associates**

Associates are entities over which the Group has significant influence but not control or joint control.

Investments in associates are accounted for in the consolidated financial statements using the equity method. Under the equity method, the share of the profits or losses of the associate is recognised in the statement of comprehensive income. Investments in associates are carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associates. Dividends received or receivable from associates reduce the carrying amount of the investment. Transactions between the Group and its associates are eliminated to the extent of the interest in the associate.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

## **Note 1. Significant accounting policies (cont'd)**

### **Financial Instruments**

#### *Financial assets*

Investments and other financial assets are measured at either amortised cost or fair value depending on their classification. Classification is determined based on the purpose of the acquisition and subsequent reclassification to other categories is restricted. The fair values of quoted investments are based on current bid prices. For unlisted investments, the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortised cost using the effective interest rate method. Gains and losses are recognised in statement of comprehensive income when the asset is derecognised or impaired.

#### *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are either: i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit; or ii) designated as such upon initial recognition, where they are managed on a fair value basis or to eliminate or significantly reduce an accounting mismatch. Fair value movements are recognised in the statement of comprehensive income.

#### *Impairment of financial assets*

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. Objective evidence includes significant financial difficulty of the issuer or obligor; a breach of contract such as default or delinquency in payments; the lender granting to a borrower concessions due to economic or legal reasons that the lender would not otherwise do; it becomes probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for the financial asset; or observable data indicating that there is a measurable decrease in estimated future cash flows.

The amount of the impairment allowance for loans and receivables carried at amortised cost is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. If there is a reversal of impairment, the reversal cannot exceed the amortised cost that would have been had the impairment not been recognised and is reversed to the statement of comprehensive income. The amount of the impairment allowance for financial assets carried at cost is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the current market rate of return for similar financial assets.

#### *Financial liabilities*

All financial liabilities are recognised initially at fair value and, in the case of loans, borrowings and payables, net of directly attributable transaction costs.

Financial liabilities are derecognised when the obligation under the liability is discharged or cancelled, or expires.

Interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method.



## Note 1. Significant accounting policies (cont'd)

### Property, plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line and diminishing balance basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives. The useful lives of assets acquired in the ordinary course of business are in line with Australian Taxation Office guidelines as follows:

Land and buildings	40 years
Plant and equipment (infrastructure assets)	5 - 80 years
Motor vehicles	6 – 8 years
Office equipment	2 – 20 years

The useful lives of infrastructure assets acquired as a part of a business combination are assessed via independent engineering review, taking into account obsolescence.

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Group. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

### Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the finance costs, so as to achieve a constant rate of interest on the remaining balance of the liability.

Leased assets acquired under a finance lease are depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease.

### Intangible assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the de-recognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangibles are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

## **Note 1. Significant accounting policies (cont'd)**

### *Goodwill*

Where an entity or operation is acquired in a business combination, the identifiable net assets acquired are measured at fair value. The excess of the fair value of the cost of the acquisition over the fair value of the identifiable net assets acquired is brought to account as goodwill. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

### *Website*

Significant costs associated with the development of the revenue generating aspects of the website, are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 2 to 4 years.

### *Software*

Significant costs associated with software are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 2.5 years.

### *Management and Letting Rights*

Management and letting rights are recognised at cost less any accumulated amortisation and any accumulated impairment losses. Management and letting rights are amortised over the life of the building with which they are associated on the basis that the useful life of the rights will equate to the period over which the building will be used for its current purpose. The Directors have assessed that the buildings over which the Group has management and letting rights have a finite useful life of not less than 40 years.

## **Impairment of non-financial assets**

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

## **Trade and other payables**

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

## **Borrowings**

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method. Where there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, the loans or borrowings are classified as non-current.

## Note 1. Significant accounting policies (cont'd)

### Finance costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred, including:

- interest on short-term and long-term borrowings;
- interest on hire purchases; and
- interest on finance leases.

### Provisions

Provisions are recognised when the Group has a present (legal or constructive) obligation as a result of a past event, it is probable the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability.

### Employee benefits

#### *Wages and salaries, annual leave*

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in current liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

#### *Long service leave*

The liability for long service leave is recognised in current and non-current liabilities, depending on the unconditional right to defer settlement of the liability for at least 12 months after the reporting date. The liability is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

#### *Share-based payments*

Equity-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares that are provided to employees in exchange for the rendering of services.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is determined by the Directors using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the Group receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to the statement of comprehensive income is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in the statement of comprehensive income for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

**Note 1. Significant accounting policies (cont'd)**

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

When an equity-settled award is cancelled, it is treated as if it vested on the date of cancellation and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award.

**Contributed equity**

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

**Dividends**

Dividends are recognised when declared during the financial year and no longer at the discretion of the Group.

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the Group, on or before the end of the financial year but not distributed at the reporting date.

**Business combinations**

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the Group assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the Group remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of contingent consideration classified as an asset or liability is recognised in the statement of comprehensive income. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

## **Note 1. Significant accounting policies (cont'd)**

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in the statement of comprehensive income by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

As at 30 June 2014, the initial accounting for all business combinations in the prior period has been completed. No adjustments to the amounts recorded in the prior period were required.

### **Earnings per share**

#### *Basic earnings per share*

Basic earnings per share is calculated by dividing the profit attributable to the owners of the Group excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year.

#### *Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

### **Goods and Services Tax ('GST') and other similar taxes**

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the consolidated statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

### **Inventory**

Inventories are carried at the lower of cost and net realisable value. Net realisable value is determined based on sales for each class of inventory in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale.

## Note 1. Significant accounting policies (cont'd)

### Development work in progress

Costs have been assigned to inventory quantities at balance date based on a proportion approach of Contribution Schedule Lot Entitlements as calculated for Body Corporate Levies. Cost comprises all costs of purchase and conversion including material, labour, sub-contract charges and direct contract expenses and an appropriate proportion of fixed and variable overheads.

The amount of any write-down of inventories to net realisable value is recognised as an expense in the statement of comprehensive income. The amount of any reversal of write-down of inventory arising from a change in the circumstances that gave rise to the original write-down is recognised as a reduction in the impairment of inventories recognised as an expense on the statement of comprehensive income.

### New Accounting Standards for Application in Future Periods

The AASB has issued new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods and which the Group has decided not to early adopt. A discussion of those future requirements and their impact on the Group is as follows:

Reference	Title	Summary	Application date of standard*	Application date for Group*
AASB 2012-3	Amendments to Australian Accounting Standards - <i>Offsetting Financial Assets and Financial Liabilities</i>	AASB 2012-3 adds application guidance to AASB 132 <i>Financial Instruments: Presentation</i> to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement.	1 January 2014	1 July 2014*
AASB 9	<i>Financial Instruments</i>	AASB 9 includes requirements for the classification and measurement of financial assets. It was further amended by AASB 2010-7 to reflect amendments to the accounting for financial liabilities.  These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139.	1 January 2018	1 July 2018*
AASB 2013-3	<i>Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets</i>	AASB 2013-3 amends the disclosure requirements in AASB 136 <i>Impairment of Assets</i> . The amendments include the requirement to disclose additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal.	1 January 2014	1 July 2014*
IFRS 15	Revenue from Contracts with Customers	IFRS 15 establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers.  The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.	1 January 2017	1 July 2017*

\* The Group continues to assess the impact of this standard but does not expect it to have a material financial impact.

## **Note 2. Critical accounting judgements, estimates and assumptions**

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events that management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

### *Revenue recognition - performance fees*

The Group determines the estimated performance fee revenue based on an assessment of each Fund or Unit Trust's expected financial performance against benchmarks specified within the Fund or Unit Trust Constitution and investor performance disclosure statements. Performance fees are accrued when any outperformance of stated benchmarks within the respective Fund disclosure document are exceeded and paid on realisation. In order to ensure reliable measurement, performance fees are recognised and accrued after verification of the Fund Manager's valuation by independent experts or valuers.

Key assumptions that are assessed vary based on the underlying Fund or Unit Trust but include:

- i. Fair value of underlying assets - the actual / expected fair value of assets within the Fund or Unit Trust. Independent valuations are used to determine fair value.
- ii. Timing of completion dates - the revenue expected to be generated from the development of real estate projects.

### *Share-based payment transactions*

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact the statement of comprehensive income and equity. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 48.

### *Fair value and hierarchy of financial instruments*

The Group is required to classify financial instruments, measured at fair value, using a three level hierarchy, being: Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities; Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs). An instrument is required to be classified in its entirety on the basis of the lowest level of valuation inputs that is significant to fair value.

## **Note 2. Critical accounting judgements, estimates and assumptions (cont'd)**

The fair value of financial instruments classified as Level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. See Note 35 for further disclosures.

### *Estimation of useful lives of assets*

The Group determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

### *Goodwill and other indefinite life intangible assets*

The Group tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in Note 1. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows. See Note 19 for further disclosures.

### *Impairment of non-financial assets other than goodwill and other indefinite life intangible assets*

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use.

The Group assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. If an impairment indicator exists, the recoverable amount of the asset is determined. This involves fair value less costs to sell or value-in-use calculations, which incorporate a number of key estimates and assumptions.

### *Recovery of deferred tax assets*

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority.

Deferred tax assets are recognised for deductible temporary differences only if the Group considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

### *Business combinations*

Business combinations are initially accounted for on a provisional basis. The fair value of assets acquired, liabilities and contingent liabilities assumed are initially estimated by the Group taking into consideration all available information at the reporting date. Fair value adjustments on the finalisation of the business combination accounting is retrospective, where applicable, to the period the combination occurred and may have an impact on the assets and liabilities, depreciation and amortisation reported.



## Note 2. Critical accounting judgements, estimates and assumptions (cont'd)

### *Subsidiaries and Associates*

The Group has investments in a number of investees and is therefore required to assess whether it has significant influence or control over these investees in accordance with the guidelines provided in AASB 128 *Investments in Associates and Joint Ventures* and AASB 10 *Consolidated Financial Statements*, respectively. An assessment is performed at each reporting date, or more frequently where appropriate, with reference to the guidelines in the applicable accounting standards. Both quantitative and qualitative factors are taken into account when making this assessment.

### *Investment entity and venture capital organisation exemption*

The Group has investments in a number of investees that are considered associates in accordance with AASB 128 *Investments in Associates and Joint Ventures*. Further, a number of the associates satisfy the criteria to be considered an investment entity in accordance with AASB 2013-5 *Amendments to Australian Accounting Standards – Investment Entities*, or a venture capital organisation in accordance with AASB 128 *Investments in Associates and Joint Ventures*. Both quantitative and qualitative factors are taken into account when making the determination as to whether the associates satisfy the above mentioned exemptions.

## Note 3. Operating segments

### *Identification of reportable operating segments*

The Group has one core operating segment: 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. There is no aggregation of operating segments.

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

Following the application of AASB 10 *Consolidated Financial Statements*, the Group has consolidated the various funds where control exists. These funds are the non-core segments. The management and performance of these entities is currently not being 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.

### *Types of products and services*

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

### Year ended 30 June 2014

	Core segment	Non-core segment	Adjustments and Eliminations	Consolidated
	\$	\$	\$	\$
Revenue	24,002,619	250,095	3,030,472	35,222,242
Profit / (loss) before income tax	6,238,882	(3,231,345)	(2,012,775)	994,762

### Year ended 30 June 2014

	Core segment	Non-core segment	Adjustments and Eliminations	Consolidated
	\$	\$	\$	\$
Total assets	74,521,941	57,741,088	(19,985,305)	112,277,724
Total liabilities	18,563,595	19,080,559	(4,398,870)	33,245,284

**Note 3. Operating segments (cont'd)**

**Year ended 30 June 2013**

	<b>Core segment</b>	<b>Non-core segment</b>	<b>Adjustments and Eliminations</b>	<b>Consolidated</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Revenue	13,737,403	111,449	(2,950,401)	10,898,451
Profit / (loss) before income tax	3,586,892	(1,977,454)	(2,196,512)	(587,074)

**Year ended 30 June 2013**

	<b>Core segment</b>	<b>Non-core segment</b>	<b>Adjustments and Eliminations</b>	<b>Consolidated</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Total assets	21,834,376	10,582,663	(6,723,251)	25,693,788
Total liabilities	4,548,177	3,833,323	(143,926)	8,237,574

**Note 4. Operating revenue**

	<b>Consolidated</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Management fees	13,922,609	8,612,517
Administration fees	45,000	80,198
Responsible entity and trustee fees	660,395	766,463
Performance fees	2,687,909	851,259
Apartment sales revenue	6,239,401	-
Supply of water	3,705,225	-
Management and letting rights revenue	4,046,448	-
Interest revenue	700,732	124,485
Other revenue	208,781	160,787
Total operating revenue	32,216,500	10,595,709

**Note 5. Share of profit of associates accounted for using the equity method**

	<b>Consolidated</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Share of profit – associates (refer to Note 43)	2,699,151	242,735

The Group had significant influence over a number of its investees during the year. As such, the Group is required to record its share of the investees' profit or loss for the period from the date that significant influence was obtained.

**Note 6. Other income**

	<b>Consolidated</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Gain/(loss) on financial assets held at fair value through profit or loss	96,591	-
Other income	210,000	60,007
Total other Income	306,591	60,007

**Note 7. Expenses**

	<b>Consolidated</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Profit / (loss) before income tax includes the following specific expenses:		
<i>Depreciation and amortisation</i>		
Depreciation	1,269,486	86,986
Amortisation	346,864	115,501
Total depreciation and amortisation	1,616,350	202,487
<i>Finance costs</i>		
Interest and finance charges paid/payable	488,286	61,688
Finance charges payable under finance leases and hire purchase contracts	2,737	8,038
Finance cost expensed	491,023	69,726
<i>Rental expense relating to operating leases</i>		
Occupancy costs	782,131	393,852
Total occupancy and lease payments expense	782,131	393,852
<i>Employee benefits expense</i>		
Defined contribution superannuation expense	587,211	311,298
Share-based payments expense	56,099	-
Other employee benefits expense	7,863,320	4,038,101
Total employee benefits expense	8,506,630	4,349,399

**Note 8. Other expenses**

	<b>Consolidated</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Costs associated with supply of water	(1,107,767)	(33,318)
Costs associated with apartment sales	(5,271,035)	-
Management and letting rights expenses	(3,827,787)	-
Rebates of transaction costs and establishment fees	(1,214,660)	-
Insurance	(195,782)	(237,108)
Fund establishment expenses	(1,125,621)	(167,395)
Other	(27,244)	(290,388)
Total other expenses	(12,769,896)	(728,209)

Refer to Note 39 for related party transactions.

**Note 9. Income Tax Expense / (Benefit)**

	<b>Consolidated</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
<i>Income tax expense / (benefit)</i>		
Current tax	1,403,557	1,103,586
Deferred tax	1,232,584	422,969
Aggregate income tax expense / (benefit)	2,636,141	1,526,555
Deferred tax included in income tax expense/(benefit) comprises:		
Decrease/(increase) in deferred tax assets (Note 20)	(406,893)	24,264
(Decrease)/increase in deferred tax liabilities (Note 30)	1,639,477	398,705
	1,232,584	422,969
<i>Numerical reconciliation of income tax expense/(benefit) to prima facie tax payable</i>		
Profit / (loss) before income tax	3,630,903	939,481
Tax at the Australian tax rate of 30%	1,089,271	281,844
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Franked distribution	(63,000)	-
Non-deductible expenses	72,896	15,580
Deferred tax balances not brought to account	1,536,974	1,229,131
Sundry items	-	-
Income tax expense / (benefit)	2,636,141	1,526,555
<i>Amounts charged directly to equity</i>		
Deferred tax assets (Note 20)	(449,580)	-
Deferred tax liabilities (Note 30)	-	-
	(449,580)	-

**Note 10. Current assets – cash and cash equivalents**

	<b>Consolidated</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Cash on hand	121	400
Cash at bank	16,278,008	6,556,096
Total cash and cash equivalents	16,278,129	6,556,496

As at 30 June 2014, \$108,654 relates to monies held on trust.

**Note 11. Current assets – trade and other receivables**

	<b>Consolidated</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Trade receivables	1,276,243	283,823
Other receivables	4,830,427	675,859
Performance fee receivable	970,751	-
Related party receivables (Note 39)	6,299,670	1,635,494
Total current trade and other receivables	13,377,091	2,595,176

*Impairment of receivables*

The Group has recognised a loss of \$nil (2013: \$nil) in profit or loss in respect of impairment of receivables for the year ended 30 June 2014.

	<b>Consolidated</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
0 – 1 month	829,570	42,766
1 – 2 months	109,520	22,452
Over 2 months	231,130	171,789
	1,170,220	237,007

*Past due but not impaired*

Customers with balances past due but without provision for impairment of receivables amount to \$1,170,220 as at 30 June 2014 (\$237,007 as at 30 June 2013). The Group did not adjust for credit risk on the aggregate balances after reviewing agency credit information and credit terms of customers based on recent collection practices.

**Note 12. Current assets – inventory**

	<b>Consolidated</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Cost of land acquisition	812,382	479,557
Development and other costs	1,958,659	879,916
Interest capitalised	280,650	70,198
Total current inventory	3,051,691	1,429,671

**Note 13. Current assets - other**

	<b>Consolidated</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Prepayments	1,543,547	291,315

**Note 14. Non-current assets - receivables**

	<b>Consolidated</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Related party receivables (Note 39)	1,230,067	-
Performance fee receivables	2,855,934	1,154,327
Total non-current receivables	4,086,001	1,154,327

**Note 15. Non-current assets - inventory**

	<b>Consolidated</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Cost of land acquisition	597,962	1,266,476
Development and other costs	758,416	608,138
Interest capitalised	174,097	185,388
Total non-current inventory	1,530,475	2,060,002

**Note 16. Non-current assets – investments accounted for using the equity method**

	<b>Consolidated</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Blue Sky Private Equity Retirement Village Fund	5,669,202	307,176
Blue Sky Private Equity Software Services Fund	5,064,856	-
Blue Sky Water Fund	4,986,985	-
Blue Sky Alternatives Access Fund Limited	4,959,076	-
Other investments accounted for using the equity method	4,529,722	3,074,834
Total non-current investments	25,209,841	3,382,010

At 30 June 2014, the Group held 5,000,000 ordinary shares and 5,000,000 options to acquire ordinary shares in Blue Sky Alternatives Access Fund Limited, an associate of the Group. The ordinary shares and options are subject to escrow for a period of 18 months from the date that the Blue Sky Alternatives Access Fund Limited was officially admitted to the Australian Securities Exchange. This date was 13 June 2014.

*Reconciliation*

	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Opening value	3,382,010	2,519,408
Additions – investments in associates	19,203,680	619,867
Disposals - investments in associates	(75,000)	-
Share of Profit/(Loss) of associates for the year	2,699,151	242,735
Closing value	25,209,841	3,382,010

Refer to Note 43 for additional information on investments in associates.

**Note 17. Non-current assets – financial assets at fair value through profit and loss**

	<b>Consolidated</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
<i>Investments held in related parties</i>		
Blue Sky Alternatives Access Fund Limited (Options)	180,000	-
Blue Sky RAMS Management Rights Income Fund 2	-	200,000
Water Utilities Australia Fund (Options)	-	155,500
Total non-current financial assets	180,000	355,500

*Reconciliation*

	<b>Consolidated</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Opening value	355,500	-
Additions	-	508,500
Movement in fair value of Water Utilities Australia Fund options	(155,500)	(153,000)
Movement in fair value of Blue Sky Alternatives Fund Limited options	180,000	-
Disposals	(200,000)	-
Closing value	180,000	355,500

**Note 18. Non-current assets - property, plant and equipment**

	<b>Consolidated</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Land and Buildings - at fair value	1,912,563	-
Less: Accumulated depreciation	(63,157)	-
	1,849,406	-
Plant and equipment – at fair value	26,871,710	2,121,438
Less: Accumulated depreciation	(1,131,289)	(26,834)
	25,740,421	2,094,604
Motor vehicles – at cost	71,074	38,495
Less: Accumulated depreciation	(34,658)	(28,511)
	36,416	9,984
Motor vehicles – under lease	50,168	50,168
Less: Accumulated depreciation	(35,958)	(31,222)
	14,210	18,946
Office equipment – at cost	632,336	103,146
Less: Accumulated depreciation	(254,937)	(53,691)
	377,401	49,455
Office equipment – under lease	119,276	119,276
Less: Accumulated depreciation	(99,034)	(89,392)
	20,242	29,884
Total property, plant and equipment	28,038,096	2,202,873

**Note 18. Non-current assets - property, plant and equipment (cont'd)**

*Reconciliations*

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	Land and Buildings	Plant and Equipment	Motor Vehicles	Leased motor vehicles	Office Equipment	Leased office Equipment	Total
	\$	\$	\$	\$	\$	\$	\$
<b>Consolidated</b>							
Balance at 1 July 2012	-	2,120,775	12,288	25,262	47,587	55,634	2,261,546
Additions	-	-	-	-	27,648	-	27,648
Disposals	-	-	-	-	-	-	-
Depreciation expense	-	(26,171)	(2,304)	(6,316)	(25,780)	(25,750)	(86,986)
Balance at 30 June 2013	-	2,094,604	9,984	18,946	49,455	29,884	2,202,873
Balance at 1 July 2013		2,094,604	9,984	18,946	49,455	29,884	2,202,873
Additions	1,912,563	24,738,652	32,579	-	420,915	-	27,104,709
Disposals	-	-	-	-	-	-	-
Depreciation expense	(63,157)	(1,092,835)	(6,147)	(4,736)	(92,969)	(9,642)	1,269,251
Balance at 30 June 2014	1,849,406	25,740,421	36,416	14,210	377,401	20,242	28,038,096



**Note 19. Non-current assets – intangibles**

	<b>Consolidated</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Goodwill - at cost	13,020,086	5,119,649
Less: Impairment	(190,290)	(190,290)
	12,829,796	4,929,359
Management rights – at cost	5,984,492	500,000
Less: Accumulated amortisation	(138,255)	-
	5,846,237	500,000
Licenses and trademarks	11,268	-
Less: Accumulated amortisation	-	-
	11,268	-
Formation costs – at cost	333,008	333,008
Less: Accumulated amortisation	(333,008)	(166,504)
	-	166,504
Website – at cost	41,479	41,479
Less: Accumulated amortisation	(37,994)	(32,495)
	3,485	8,984
Software – at cost	288,158	34,858
Less: Accumulated amortisation	(48,558)	(17,413)
	239,600	17,445
Borrowing – at cost	18,120	1,725
Less: Accumulated amortisation	(5,839)	(1,725)
	12,281	-
	18,942,667	5,622,292

**Note 19. Non-current assets – intangibles**

***Reconciliations***

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	Goodwill	Management Rights	Formation Costs	Licenses & Trademark	Borrowing Costs	Website Development	Software	Total
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Consolidated</b>								
Balance at 1 July 2012	4,880,236	-	256,278	-	271	16,077	24,882	5,177,744
Additions	49,123	500,000	-	-	143	4,920	5,863	560,049
Disposals	-	-	-	-	-	-	-	-
Amortisation expense	-	-	(89,774)	-	(414)	(12,013)	(13,300)	(115,501)
Balance at 30 June 2013	4,929,359	500,000	166,504	-	-	8,984	17,445	5,622,292
Balance at 1 July 2013	4,929,359	500,000	166,504	-	-	8,984	17,445	5,622,292
Additions	7,900,437	5,484,583	-	11,268	18,120	-	253,013	13,667,239
Disposals	-	-	-	-	-	-	-	-
Amortisation expense	-	(138,346)	(166,504)	-	(5,839)	(5,499)	(30,858)	(346,864)
Balance at 30 June 2014	12,829,796	5,846,237	-	11,268	12,281	3,485	239,600	18,942,667

## Note 19. Non-current assets – intangibles (cont'd)

### Impairment

AASB 136 *Impairment of Assets* requires an entity to assess at the end of each reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the entity shall estimate the recoverable amount of the asset. AASB 136 *Impairment of Assets* identifies, as a minimum, indications which could result in an asset being impaired. One such indication is if there is a significant change with an adverse effect on the entity from a technological, market, economic or legal environment in which the entity operates or in the market to which an asset is dedicated.

The Directors have determined that there are no indications of impairment for any assets held at 30 June 2014, unless stated otherwise below.

### Goodwill

Irrespective of whether any indications of impairment exist, an entity shall test goodwill acquired from business combinations on an annual basis under AASB 136 *Impairment of Assets*.

There was no impairment losses from goodwill during the financial year ended 30 June 2014 (30 June 2013 year: \$nil). The Group performed its annual impairment test as at 30 June 2014. Significant tests included:

1. Blue Sky Water Partners Pty Limited (a wholly owned subsidiary of the Company)

The recoverable amount of Blue Sky Water Partners Pty Limited (which trades as Blue Sky's Real Assets investment team) has been determined based on a value in use calculation using cash flow projections from financial budgets approved by senior management covering a three-year period. The projected cash flows have been updated to reflect the income and expenditure derived from managing funds. The pre-tax discount rate applied to cash flow projections is 12%.

As a result of this analysis, management has determined that no impairment is considered necessary.

### Key assumptions used in value in use calculations

The calculation of value in use for Blue Sky Water Partners Pty Limited are most sensitive to the following assumptions:

- (i) Procurement of assets under management in real assets: Management has made estimates of the total value of the assets under management to generate management and performance fees to the Group. Management has assumed that assets under management grow by an average of \$150m p.a. over the next three years across water entitlements, water infrastructure, agribusiness and other real assets sourced by Blue Sky. Management is aware that there is a risk associated with these estimates. A reduction in this average growth rate to \$100m p.a. over the next three years may result in an impairment to this asset.
- (ii) Discount rates: Discount rates represent the current market assessment of the risks specific to the cash-generating unit taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and is derived from its weighted average cost of capital ('WACC'). A reasonably expected change in key cash flow projections of 1% would not alter the impact of the impairment assessment.

The recoverable amount has been calculated as \$4,854,975.

**Note 19. Non-current assets – intangibles (cont'd)**

2. Willunga Basin Water Company Pty Limited

The acquisition assessment of Willunga Basin Water Company Pty Limited (WBWC) which completed on 25 October 2013 was supported by an assessment of future cash flows. The acquisition was accounted for under AASB 3 *Business Combinations*, with the cost of the business combination applied to the assets acquired and liabilities and contingent liabilities assumed. WBWC has three main categories of assets: (i) an irrigation distribution network (i.e. pipework and pumps); (ii) a long term water supply contract with SA Water and (iii) a range of long term customer contracts for use in agricultural irrigation (i.e. viticulture). The supply contract and the customer contracts were classified as intangible assets.

The key assumptions in assessing the value of these intangible assets were:

- (i) The growth in the volume of water supplied to customers: Management has assumed that the volume of contracted capacity will grow each year by approximately 4% of the contracted capacity at the time of acquisition through to 2038. If this growth is not able to be achieved, the value of these intangibles may need to be impaired.
- (ii) The value of the existing customer contracts: Management valued the existing customer contracts using a discounted cash flow approach, adopting a discount rate of 14%. Assumed volumes used by each customer were based on the minimum 'take or pay' percentage in each customer contract (typically 66.6%). All of these existing customer contracts remain in place. An increase in the discount rate of 3% or more may result in an impairment to this asset.

**Note 20. Non-current assets – deferred tax**

	<b>Consolidated</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
<i>The balance comprises temporary differences attributable to:</i>		
Tax losses	40,186	44,126
Property, plant & equipment	-	(747)
Employee benefits	180,839	93,646
Investments in associates	262,828	223,575
Accrued expenses	104,204	14,160
Transaction costs on share issue	440,139	122,423
Other	439,543	52,507
Deferred tax asset	1,467,739	549,690
Set-off of deferred tax liabilities pursuant to set-off provisions (Note 30)	(1,427,553)	(505,564)
Net deferred tax assets	40,186	44,126
<i>Movements in deferred tax asset:</i>		
Opening balance	549,690	720,052
Credited/(charged) to profit or loss (Note 9)	406,893	(24,264)
Credited to equity	449,580	-
Deferred tax acquired in business combination	65,516	-
Tax losses	(3,940)	(146,098)
Closing balance	1,467,739	549,690

**Note 21. Current liabilities – trade and other payables**

	<b>Consolidated</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Trade payables	2,523,463	1,173,457
Other payables	1,476,990	15,357
Accrued expenses	329,892	176,973
Funds held in trust	108,654	172,000
Related parties payable (Note 39)	113,608	950,882
	<u>4,552,607</u>	<u>2,488,669</u>

**Note 22. Current liabilities – borrowings**

	<b>Consolidated</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Bank Loans	7,015,186	961,971
Other borrowings	3,832,720	505,960
Lease liability	22,108	54,423
	<u>10,870,014</u>	<u>1,522,354</u>

On 25 September 2013, the Group entered into a revolving credit facility with one of Australia's leading financial institutions. The facility is to be used for general corporate working capital purposes including bridging finance. At 30 June 2014, the facility was fully drawn for \$7 million.

The facility is secured by fully interlocking guarantees and indemnities by the Company and its 100% controlled subsidiaries.

Current and other non-current borrowings include debt in relation to the Blue Sky Private Real Estate Riverside Gardens Trust and the Blue Sky RAMS Management Rights Income Fund 2. This debt is non-recourse and is guaranteed by the respective trusts, with no recourse to Blue Sky Alternative Investments Limited or its 100% controlled subsidiaries. Further, the above amounts are reflective of the fair value of the borrowings.

Interest rate risk in relation to the above borrowings and other financial assets and liabilities is considered in Note 35 Financial Risk Management of the financial statements.

Refer to Note 28 for further information on assets pledged as security and Note 35 for detailed information on financial instruments.

**Note 23. Current liabilities – deferred revenue**

	<b>Consolidated</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Unearned income	2,207,789	1,081,713
	<u>2,207,789</u>	<u>1,081,713</u>

**Note 24. Current liabilities – income tax**

	<b>Consolidated</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Provision for income tax	1,369,521	859,784
	<u>1,369,521</u>	<u>859,784</u>

**Note 25. Current liabilities – employee benefits**

	<b>Consolidated</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Employee provisions	459,055	243,699
Salaries and superannuation	610,323	89,855
	<u>1,069,378</u>	<u>333,554</u>

**Note 26. Non-current liabilities – deferred revenue**

	<b>Consolidated</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Unearned income – management fees	961,313	-
Payments in advance for sale of water	1,240,017	-
	<u>2,201,330</u>	<u>-</u>

*Reconciliation*

	<b>Consolidated</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Balance at 1 July	-	-
Deferred during the year	2,201,330	-
Balance at 30 June	<u>2,201,330</u>	<u>-</u>

**Note 27. Non-current liabilities – provisions**

	<b>Consolidated</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Employee provisions	105,161	35,171

**Note 28. Non-current liabilities – borrowings**

	<b>Consolidated</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Bank loans	3,320,742	-
Other borrowings	12,887	1,586,992
	<u>3,333,629</u>	<u>1,586,992</u>

Refer to Note 35 for detailed information on financial instruments.

*Financial guarantees*

The Group has provided guarantees for the lease of business premises in Brisbane and Sydney which commit the Group to make payments upon its failure to perform under the relevant terms of the terms of the contract. The Group has guaranteed leases to a maximum amount of \$149,408.

**Note 29. Non-current liabilities – other**

	<b>Consolidated</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Contingent consideration – Investment Science Pty Limited	502,107	-
	<u>502,107</u>	<u>-</u>

**Note 30. Non-current liabilities - deferred tax**

	<b>Consolidated</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
<i>The balance comprises temporary differences attributable to:</i>		
Property, plant & equipment	5,928,629	1,544
Accrued revenue	1,299,703	637,298
Revaluation of investments	1,231,940	194,753
Prepayments	1,029	1,306
Deferred tax liability	8,461,301	834,901
Set off of deferred tax liabilities as per set-off provisions (Note 20)	(1,427,553)	(505,564)
Net deferred tax liabilities	<u>7,033,748</u>	<u>329,337</u>
<i>Movements</i>		
Opening balance	834,901	436,196
Deferred tax acquired in business combination	5,986,922	-
Charged/(credited) to profit or loss (Note 9)	1,639,477	398,705
Charged to equity	-	-
Closing balance	<u>8,461,300</u>	<u>834,901</u>

**Note 31. Equity - contributed**

	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>Shares</b>	<b>Shares</b>	<b>\$</b>	<b>\$</b>
Ordinary shares – fully paid	56,308,360	32,546,018	53,086,816	18,676,705

*Movements in ordinary share capital*

<b>Details</b>	<b>Date</b>	<b>No of shares</b>	<b>Issue price</b>	<b>\$</b>
Opening Balance	1 July 2013	32,546,018		18,676,705
Share issue	20 August 2013	4,881,902	\$1.40	6,834,663
Share issue	4 September 2013	1,561,707	\$1.40	2,186,390
Share issue	5 December 2013	5,848,444	\$1.50	8,772,666
Share issue	10 December 2013	6,857,269	\$1.50	10,285,904
Share issue	31 December 2013	4,352,249	\$1.50	6,528,374
Share issue	4 June 2014	260,771	\$2.34	610,195
Equity raising costs				(808,081)
Closing Balance	30 June 2014	56,308,360		<u>53,086,816</u>

**Note 31. Equity – contributed (cont'd)**

*Summary of ordinary share capital:*

	<b>Consolidated 2014 \$</b>	<b>Consolidated 2013 \$</b>
Opening balance - ordinary shares	18,676,705	18,676,705
Movements in ordinary share capital:		
- Equity contributions	35,218,192	-
- Equity raising costs (net of tax)	(808,081)	-
Closing balance – ordinary shares	<u>53,086,816</u>	<u>18,676,705</u>

*Ordinary shares*

The Group had authorised share capital amounting to 56,308,360 ordinary shares at 30 June 2014.

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

*Capital risk management*

The Group's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group would look to raise capital when an opportunity to invest in a business or company was seen as value adding at the time of the investment.

There have been no events of default on the financing arrangements during the financial year.

A formal capital risk management policy is to be developed.

**Note 32. Equity - reserves**

	<b>Consolidated 2014 \$</b>	<b>Consolidated 2013 \$</b>
Capital reserve	(7,436,611)	(7,436,611)
Share-based payments reserve	332,430	332,430
Employee share options reserve	56,099	-
	<u>(7,048,082)</u>	<u>(7,104,181)</u>



**Note 32. Equity – reserves (cont'd)**

*Movements in reserves*

	Revaluation surplus reserve	Share based payments reserve	Capital reserve	Total reserves
	\$	\$	\$	\$
Balance at 30 June 2012	-	332,430	(7,436,611)	(7,104,181)
Balance at 30 June 2013	-	332,430	(7,436,611)	(7,104,181)
Employee share options reserve	-	56,099	-	56,099
Balance at 30 June 2014	-	388,529	(7,436,611)	(7,048,082)

*Capital reserve*

The reserve is used to recognise adjustments to equity arising from the acquisition of non-controlling interests in subsidiary companies.

*Revaluation surplus reserve*

The reserve is used to recognise increments and decrements in the fair value of intangibles at fair value.

*Share-based payments reserve*

The reserve is used to recognise the value of equity benefits provided to employees and Directors as part of their remuneration, and other parties as part of their compensation for services.

**Note 33. Equity – retained profits / (accumulated losses)**

	Consolidated	
	2014	2013
	\$	\$
Retained profits/(accumulated losses) at the beginning of the financial year	3,663,754	4,064,616
Profit / (loss) after income tax/benefit for the year	3,862,748	1,551,934
Dividend (Note 34)	(2,339,339)	(1,952,796)
Retained profits/(accumulated losses) at the end of the financial year	5,187,163	3,663,754

**Note 34. Equity – dividends**

*Dividends paid*

	Consolidated	
	2014	2013
	\$	\$
Dividends paid during the year (fully franked)	2,339,339	1,952,796
	2,339,339	1,952,796

**Note 34. Equity – dividends (cont'd)**

*Franking credits*

	<b>Consolidated</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Franking credits available at the reporting date based on a tax rate of 30%	582,095	265,078
Franking credits that will arise from the payment of the amount of the provision for income tax at the reporting date based on a tax rate of 30%	963,803	846,703
Franking credits that will arise from the payment of dividends recognised as a liability at the reporting date based on a tax rate of 30%	-	-
Franking credits available for subsequent financial years based on a tax rate of 30%	1,545,898	1,111,781
Franking credits that will be used from the payment of dividends declared subsequent to the reporting date based on a tax rate of 30%	(1,689,251)	-
Franking credits that will arise from the payment of income tax prior to 30 June 2015	143,353	-
	-	1,111,781

**Note 35. Financial assets and financial liabilities**

**Financial risk management objectives**

The Group's principal financial assets comprise of trade and other receivables and cash and cash equivalents. The Group also holds available for sale financial assets. The Group's principal financial liabilities comprise of loans and borrowings and trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations.

The Group's activities expose it to a variety of financial risks: market risk (including price risk and interest rate risk), credit 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. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, and ageing analysis for credit risk.

Risk management is carried out by senior finance executives ('Finance') and the Board. The Board identifies and monitors the risk exposure of the Group and determines appropriate procedures, controls and risk limits. Finance identifies, evaluates and monitors financial risks within the Group's operating units. Finance reports to the Board on a monthly basis.

*Price risk*

The Group is exposed to price risk on its financial assets at fair value through profit or loss arising from uncertainties about future values of the investments. The Group manages the equity price risk through diversification and by placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Group's senior management on a regular basis. The Group's Board of Directors reviews and approves all equity investment decisions.

**Note 35. Financial assets and financial liabilities (cont'd)**

Sensitivity analysis

Based on the financial assets held at fair value through profit or loss at 30 June 2014, the sensitivity on the Group's operating profit and equity from a 10% decrease in the overall earnings stream of the valuations performed could have the following impact:

	30 June 2014	30 June 2013
	\$	\$
Impact on net operating and equity	(18,000)	(35,550)

Alternatively, an increase of 10% would have an equal but opposite effect to the net operating profit and equity.

*Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flow of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk relates primarily to cash and cash equivalents and borrowings.

Sensitivity analysis

Based on the cash and cash equivalents, term deposits and borrowings held by the Group at balance date, the sensitivity on the Group's operating profit after tax and equity from a decrease of 50 basis points in floating interest rates, assuming all other variables remain constant is:

	30 June 2014	30 June 2013
	\$	\$
Impact on net operating profit after tax and equity	1,791	(27,973)

An increase of 50 basis points in floating interest rates would have an equal but opposite effect to the net operating profit after tax and equity.

*Credit risk*

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The Group obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The Group does not hold any collateral.

*Liquidity risk*

Vigilant liquidity risk management requires the Group to maintain sufficient liquid assets (mainly 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 maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

**Note 35. Financial assets and financial liabilities (cont'd)**

*Capital Management*

For the purpose of the Group's capital management, capital includes issued capital and all other equity reserves attributable to the equity holders of the parent. The primary objective of the Group's capital management is to maximise the shareholder value. In order to achieve this overall objective, the Group's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements. Breaches in meeting the financial covenants would permit the bank to immediately call loans and borrowings. There have been no breaches in the financial covenants of any interest-bearing loans and borrowing in the current period.

*Contractual maturities*

The following tables detail the Group's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid.

<b>Year ended 30 June 2014</b>	<b>1 year or less</b>	<b>Between 1 and 5 years</b>	<b>Over 5 years</b>	<b>Remaining contractual maturities</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Interest-bearing loans and borrowings	10,870,014	3,333,629	-	-
Trade and other payables	4,552,607	-	-	-
Other commitments (not recognised in liabilities)	396,494	331,679	-	-
<b>Total</b>	<b>15,792,115</b>	<b>3,665,308</b>	<b>-</b>	<b>-</b>

  

<b>Year ended 30 June 2013</b>	<b>1 year or less</b>	<b>Between 1 and 5 years</b>	<b>Over 5 years</b>	<b>Remaining contractual maturities</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Interest-bearing loans and borrowings	1,522,354	1,586,992	-	-
Trade and other payables	2,488,669	-	-	-
Other commitments (not recognised in liabilities)	348,614	790,287	-	-
<b>Total</b>	<b>4,359,637</b>	<b>2,377,279</b>	<b>-</b>	<b>-</b>

**Fair value of financial instruments**

The Group classifies the fair value measurements of financial assets and financial liabilities using the three level fair value hierarchy set out below, to reflect the source of valuation inputs when determining the fair value:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices)

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs)  
Fair value of unquoted available-for-sale financial assets is estimated using appropriate valuation techniques.

**Note 35. Financial assets and financial liabilities (cont'd)**

The table below presents the fair value measurement hierarchy of the Group's financial assets:

**Consolidated 2014**

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<i>Assets</i>				
Units in unlisted unit trusts – fair value through profit and loss	-	-	-	-
Options in listed securities	-	180,000	-	180,000
<b>Total assets</b>	<b>-</b>	<b>180,000</b>	<b>-</b>	<b>180,000</b>

**Consolidated 2013**

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<i>Assets</i>				
Units in unlisted unit trusts – fair value through profit and loss	-	-	355,500	355,500
Options in listed securities	-	-	-	-
<b>Total assets</b>	<b>-</b>	<b>-</b>	<b>355,500</b>	<b>355,500</b>

(i) Level 2 financial instruments

The fair value of financial instruments traded in active markets (such as the Australian Stock Exchange) is based on quoted market prices at the end of the reporting period. However, the options held in the Alternatives Fund have been classified as level 2 financial instruments as there has not been a substantial number of trades during the period.

	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
<i>Options in listed securities</i>		
Blue Sky Alternatives Access Fund Limited (ASX: BAFO)	180,000	-
<b>Level 2 financial assets at fair value through profit or loss</b>	<b>180,000</b>	<b>-</b>

(ii) Level 3 financial instruments

Level 3 inputs are unobservable inputs for an asset or liability. Unobservable inputs have been used to measure fair value where relevant observable inputs and market data are not available. Changing one or more inputs would not significantly change the fair value of Level 3 financial instruments.

**Note 35. Financial assets and financial liabilities (cont'd)**

Movements throughout the financial year were for the following:

	2014	2013
	\$	\$
<i>Units in unlisted unit trusts – fair value through profit and loss</i>		
Units held in unlisted trusts (related parties)	-	200,000
Water Utilities Australia Fund ( Options)	-	155,500
Blue Sky Alternatives Access Fund Limited (Options)	180,000	-
Level 3 financial assets at fair value through profit and loss	180,000	355,500

Despite the Water Utilities Australia Fund forming part of the Group, options to acquire stapled securities in the Water Utilities Fund are required to be recognised as they relate to the Group's ability to acquire stapled securities from a non-controlling interest.

Subsequent to 30 June 2013, the options to acquire stapled securities were exercised and therefore no value is recognised at 30 June 2014.

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value. The carrying amounts of trade receivables, trade payables and borrowings are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial instruments.

**Note 36. Key Management Personnel disclosures**

*Directors*

The following persons were Directors of the Company during the financial year:

John Kain (Chairman)  
Mark Sowerby  
Tim Wilson  
Alexander McNab

*Other key management personnel*

The following persons also had the authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, during the financial year:

Jane Prior (Company Secretary)

*Compensation*

The aggregate compensation made to Directors and other members of key management personnel of the Group is set out below:

**Note 36. Key Management Personnel disclosures (cont'd)**

	<b>Consolidated</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Short-term employee benefits	1,098,731	964,212
Post-employment benefits and long service leave	122,367	73,408
Share based payments	951	-
	<u>1,222,049</u>	<u>1,037,620</u>

*Shareholdings*

The number of shares in the Company held during the financial year by each Director and other members of key management personnel of the Group, including their personally related parties, is set out below:

	Balance at the start of the year	Granted as Remuneration	Additions	Disposals/other	Balance at the end of the year
<b>2014</b>					
<i>Ordinary Shares</i>					
Mark Sowerby	10,899,399	-	-	(899,399)	10,000,000
Alexander McNab	1,162,800	-	-	(159,296)	1,003,504
John Kain	893,065	-	257,953	(73,145)	1,077,873
Tim Wilson	1,860,480	-	-	(60,000)	1,800,480
Jane Prior	155,706	-	-	-	155,706
	<u>14,971,450</u>	<u>-</u>	<u>257,953</u>	<u>(1,191,840)</u>	<u>14,037,563</u>
<b>2013</b>					
<i>Ordinary Shares</i>					
Mark Sowerby	10,899,399	-	-	-	10,899,399
Alexander McNab	1,162,800	-	-	-	1,162,800
John Kain	876,065	-	17,000	-	893,065
Tim Wilson	1,860,480	-	-	-	1,860,480
Jane Prior	155,706	-	-	-	155,706
	<u>14,954,450</u>	<u>-</u>	<u>17,000</u>	<u>-</u>	<u>14,971,450</u>

*Share Options*

The number of share options in the Company held during the financial year by each Director and other members of key management personnel of the Group, including their personally related parties, is set out below:

	Balance at the start of the year	Granted as Remuneration	Option exercised	Net change Other #	Balance at the end of the year	Total	Exercised	Not exercisable
<b>2014</b>								
<i>Share Options</i>								
Jane Prior	-	75,000	-	-	75,000	75,000	-	75,000
Total	<u>-</u>	<u>75,000</u>	<u>-</u>	<u>-</u>	<u>75,000</u>	<u>75,000</u>	<u>-</u>	<u>75,000</u>

**Note 36. Key Management Personnel disclosures (cont'd)**

*Share based compensation*

All performance rights issued in prior years had vested by 30 June 2013. No performance rights were issued, or other share based compensation made, during the year ended 30 June 2014.

*Related party transactions*

Related party transactions are set out in Note 39.

**Note 37. Remuneration of auditors**

During the financial year the following fees were paid or payable for services provided by Ernst & Young, the auditor of the Group, and its related practices:

	<b>Consolidated</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
<i>Audit services – Ernst &amp; Young</i>		
Audit or review of financial report	280,008	110,000
<i>Other services – Ernst &amp; Young</i>		
Accounting, due diligence and taxation advice	309,417	112,225
	<u>589,425</u>	<u>222,225</u>

**Note 38. Commitments for expenditure**

	<b>Consolidated</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Lease commitments - operating		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	396,494	348,614
One to five years	331,679	790,287
More than five years	-	-
Total commitment	<u>728,173</u>	<u>1,138,901</u>

Lease commitments - finance

Committed at the reporting date and recognised as liabilities, payable:

Within one year	15,464	56,298
One to five years	12,887	-
More than five years	-	-
Total commitment	<u>28,351</u>	<u>56,298</u>

Application commitment

Committed at the reporting date and recognised as liabilities, payable:

Within one year	70,000	950,882
One to five years	-	-
More than five years	-	-
Total commitment	<u>70,000</u>	<u>950,882</u>



## **Note 39. Related party transactions**

### ***Ultimate Parent entity***

Blue Sky Alternative Investments Limited is the ultimate parent entity of the entities defined as subsidiaries in Note 41. These subsidiaries manage unit trusts and funds of the related entities detailed below:

24 Brookes Street Bowen Hills Trust  
37 Regent Street Woolloongabba Trust  
44 Brookes Street Bowen Hills Development Trust  
Alice Street Kedron Trust  
Blue Sky Agriculture Fund  
Blue Sky Alternatives Access Fund Limited  
Blue Sky Mining Services Trust  
Blue Sky Construction Services Convertible Note Trust  
Blue Sky Carbon Services Trust  
Blue Sky Beach Burrito Company Fund  
Blue Sky Medical Technology Trust  
Blue Sky Mezzanine Fund 1 – Yeppoon  
Blue Sky Mezzanine Fund 2 - Kawana  
Blue Sky Mezzanine Fund 3 – Bundock Street  
Blue Sky Mezzanine Fund 4 – Kelvin Grove  
Blue Sky Private Equity Early Learning Fund  
Blue Sky Private Equity 2010 Retail Trust  
Blue Sky Private Equity 2010 Wholesale Trust  
Blue Sky Private Equity Paws for Life Fund  
Blue Sky Private Equity Retirement Village Fund  
Blue Sky Private Equity Software Services Fund  
Blue Sky Private Equity Software Services Fund II  
Blue Sky Private Equity Wild Breads Fund  
Blue Sky Private Real Estate Riverside Gardens Trust  
Blue Sky RAMS Management Rights Income Fund 1  
Blue Sky RAMS Management Rights Income Fund 2  
Blue Sky RAMS Management Rights Income Fund 3  
Blue Sky RAMS Management Rights Income Fund 4  
Blue Sky RAMS Plantations Fund  
Blue Sky RAMS Residential Asset Income Fund 1  
Blue Sky RAMS Riverway Point Trust  
Blue Sky RAMS Skyring Terraces Trust  
Blue Sky Residential Developments Fund  
Blue Sky VC2012 Fund LP  
Blue Sky VC2014 Fund LP  
Blue Sky Venture Capital Milk Fund  
Blue Sky Water Fund Cayman Feeder  
Blue Sky Water Fund LP  
Brightwater Kawana Townhouse Trust  
Brightwater Kawana Townhouse Trust No. 2  
Brisbane Eight Mile Plains Trust  
Carl Street Woolloongabba Trust  
Coronation Drive Toowong Trust  
Fernleigh Paddocks Management Trust  
Grantson Street Windsor Trust  
Milky Way Development 2 Unit Trust  
Milky Way Development 4 Unit Trust  
Milton Railway Terrace Trust  
Professional Capital Investments Equities Trust  
Regent Street Woolloongabba Trust  
Regina Street Greenslopes Trust  
The Paradise Motor Homes Investment Trust  
Water Utilities Australia Fund

### Note 39. Related party transactions (cont'd)

#### *Other related parties include:*

Lenards Group Holdings Pty Ltd	Commstrat Limited
Enthalpy Pty Ltd	Firewire Limited
Balance Carbon Pty Ltd	Water Utilities Australia Investment Trust
Noortquip Rentals Pty Ltd	Water Utilities Australia Pty Ltd
Blue Sky Infrastructure Trust	Lightsview Rewater Supply Co Pty Ltd
Lightsview Rewater Infrastructure Trust	OICS Holdings Pty Ltd
Q Energy Pty Ltd	Oak Tree Holdings Pty Ltd
Readify Pty Ltd	Four Eyes Pty Ltd
Alcidion Corporation Pty Ltd	Milk & Co Pty Ltd
Wild Breads Pty Ltd	Foundation Early Learning Ltd
Millell Pty Ltd T/A Paws for Life	
Water Utilities Australia Infrastructure Trust	

#### *Associates*

Blue Sky Alternative Investments Limited is associated to interests as defined as Associates as set out in Note 43.

#### *Key management personnel*

Details of key management personnel are set out in Note 36.

#### *Investments with related parties – 2014*

Related party investments in related trusts

	<b>KMP 2014</b>	<b>BSAIL 2014</b>
24 Brookes Street Bowen Hills Development Trust	20,000	-
37 Regent Street Woolloongabba Trust	-	100,000
44 Brookes Street Bowen Hills Development Trust	-	60,000
Alice Street Kedron Trust	-	100,000
Blue Sky Agriculture Fund		200,000
Blue Sky Alternatives Access Fund Limited	1,000,000	5,000,000
Blue Sky Beach Burrito Company Fund	50,000	-
Blue Sky Carbon Services Trust	35,000	-
Blue Sky Construction Services Convertible Note Trust	20,000	-
Blue Sky Mezzanine Fund 3 – Bundock Street	-	357,820
Blue Sky Mezzanine Fund 4 – Kelvin Grove	-	500,000
Blue Sky Mining Services Trust	60,000	
Blue Sky Private Equity 2010 Wholesale Trust	65,289	1,486,478
Blue Sky Private Equity Paws for Life Fund	-	-
Blue Sky Private Equity Retirement Village Fund	100,000	4,350,000
Blue Sky Private Equity Software Services Fund	-	3,500,000
Blue Sky Private Real Estate Riverside Gardens Trust	111,428	1,200,000
Blue Sky RAMS Management Rights Income Fund 1	-	250,000
Blue Sky RAMS Management Rights Income Fund 2	-	1,200,000
Blue Sky RAMS Management Rights Income Fund 3	-	350,000
Blue Sky RAMS Management Rights Income Fund 4	-	200,000

**Note 39. Related party transactions (cont'd)**

	<b>KMP 2014</b>	<b>BSAIL 2014</b>
Blue Sky RAMS Residential Asset Income Fund 1	-	425,000
Blue Sky VC2012 Fund LP	150,000	175,000
Blue Sky VC Milk Fund	530,000	200,000
Blue Sky Water Fund	-	4,789,000
Carl Street Woolloongabba Trust	-	100,000
Coronation Drive Toowong Trust	-	100,000
Fernleigh Paddocks Management Trust	71,429	-
Grantson Street Windsor Trust	-	75,000
Milky Way Development 2 Unit Trust	145,235	-
Milky Way Development 4 Unit Trust	150,000	-
Milton Railway Terrace Trust	-	100,000
Regent Street Woolloongabba Trust	-	190,000
Regina Street Greenslopes Trust	-	100,000
The Paradise Motor Homes Investment Trust	50,750	-
Water Utilities Australia	-	7,875,000
Water Utilities Australia 2	-	1,500,000

***Investments with related parties – 2013***

Related party investments in related trusts

	<b>KMP 2013</b>	<b>BSAIL 2013</b>
24 Brookes Street Bowen Hills Trust	60,000	-
Blue Sky Beach Burrito Company Fund	50,000	-
Blue Sky Carbon Services Trust	35,000	-
Blue Sky Construction Services Convertible Note Trust	20,000	-
Blue Sky Mining Services Unit Trust	60,000	-
Blue Sky Private Equity 2010 Institutional Trust	65,289	1,486,478
Blue Sky Private Equity Retirement Village Fund	-	350,000
Blue Sky RAMS Management Rights Income	-	250,000
Blue Sky RAMS Management Rights Income 2	-	200,000
Blue Sky RAMS Residential Asset Income Fund 1	-	500,000
Blue Sky Skyring Terraces	30,000	-
Blue Sky VC Milk Fund	530,000	200,000
Blue Sky VC2012 Fund LP	175,000	175,000
Fernleigh Paddocks Management Trust	50,000	-
Milky Way Development 2 Unit Trust	145,235	-
Milky Way Development 4 Unit Trust	150,000	-
Riverside Gardens Trust	111,428	1,200,000
The Paradise Motor Homes Investment Trust	50,750	-
Water Utilities Australia	-	2,875,000

**Note 39. Related party transactions (cont'd)**

**Fees**

The Company provides management services to related entities.

	<b>Consolidated</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
<b>Revenue from associates</b>		
Management fees	8,771,548	2,497,225
Responsible entity revenue	350,000	-
Performance fees	1,410,822	-
Other revenue	4,258,048	-
<b>Total</b>	<b>14,790,418</b>	<b>2,497,225</b>
<b>Revenue from related entities</b>		
Management fees	5,851,707	8,842,650
Responsible entity revenue	420,395	851,259
Performance fees	1,277,087	62,010
Other revenue	1,400,260	756,463
<b>Total</b>	<b>8,949,449</b>	<b>10,512,382</b>
<b>Total revenue from related parties</b>	<b>23,739,867</b>	<b>13,009,607</b>

**Receivable from and payable to related parties**

Balances held with related parties as disclosed in trade and other receivables in Note 11 and trade and other payables in Note 21.

	<b>Consolidated</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
<b>Receivables</b>		
Current trade and other receivables from associate	246,568	118,443
Current trade and other receivables from related parties <sup>(1)</sup>	6,053,102	1,517,051
Non-current trade and other receivables from related parties <sup>(2)</sup>	1,230,067	-
<b>Total</b>	<b>7,529,737</b>	<b>1,635,494</b>
<b>Current payables</b>		
Trade and other payables to associate	34,943	950,882
Trade and other payable to related parties	78,665	-
<b>Total</b>	<b>113,608</b>	<b>950,882</b>

(1) A significant portion of this balance relates to bridging finance provided to funds managed by the Group

(2) \$501,964 of 'Non-current trade and other receivables from related parties' are for loans provided to directors of the Group.

### Note 39. Related party transactions (cont'd)

#### *Loans to related parties*

The Group has loans owing from related parties and associates at 30 June 2014. These loans are provided on commercial terms with interest charged at between 10% - 12%.

#### *Other related party transactions*

Blue Sky Alternatives Access Fund Limited ('Alternatives Fund') a related party of the Group, received \$1,014,660 of expense rebates from the Company in the year ended 30 June 2014. The rebates were in accordance with the management agreement between the Alternatives Fund and the Group. The Alternatives Fund is entitled to receive rebates for any fees (with the exception its pro-rated share of transaction costs and establishment fees) incurred on an Authorised Investment into any of the Group's eligible entities.

### Note 40. Parent entity information

Set out below is the supplementary information about the parent entity

#### *Statement of comprehensive income*

	Parent	
	2014	2013
	\$	\$
Profit/(loss) after income tax	(6,776,156)	(1,311,594)
Total comprehensive income	(6,776,156)	(1,311,594)

#### *Statement of financial position*

	Parent	
	2014	2013
	\$	\$
Total current assets	9,546,302	4,394,541
Total assets	65,823,925	17,487,410
Total current liabilities	24,680,480	3,752,885
Total liabilities	25,287,748	3,773,293
Equity		
Contributed equity	53,086,816	18,676,705
Reserves	388,529	80,866
Retained profits/(accumulated losses)	(12,939,168)	(5,043,454)
Total equity	40,536,177	13,714,117

#### *Contingent liabilities*

The Company has provided Letters of Financial Support to its wholly owned subsidiaries Blue Sky Apeiron Pty Limited and Blue Sky Water Partners Pty Limited. Pursuant to these letters, the Company undertakes to provide financial support for the debts of the subsidiaries.

At the date of this declaration, there are reasonable grounds to believe that Blue Sky Apeiron Pty Limited and Blue Sky Water Partners Pty Limited will be able to meet any obligations or liabilities to which they are, or may become, liable subject due to the Letters of Financial Support.

#### Note 41 – Information relating to subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in Note 1:

Name of entity	Country of incorporation	Equity holdings	
		2014	2013
		%	%
Blue Sky Private Equity Limited	Australia	100%	100%
BSPE Pty Ltd	Australia	100%	100%
Blue Sky Private Real Estate Pty Limited	Australia	100%	100%
Blue Sky Residential Asset Managers Pty Limited	Australia	100%	100%
Blue Sky Apeiron Pty Limited	Australia	100%	100%
Blue Sky Water Partners Pty Limited	Australia	100%	100%
Blue Sky Alternative Investment LLC	USA	100%	100%
BSAI International Pty Limited	Australia	100%	100%
BSVC Pty Limited	Australia	100%	100%
Blue Sky VC2012 GP Pty Limited	Australia	100%	100%
Riverside Gardens Trust	Australia	48%	48%
Water Utilities Australia Fund	Australia	50%	43%
Water Utilities Australia Fund 2	Australia	40%	-
Blue Sky RAMS Management Rights Income Fund 2	Australia	33%	8%
Blue Sky Investment Science Pty Ltd	Australia	100%	-
Blue Sky Investment Science Asset Management Pty Ltd	Australia	100%	-
Blue Sky SRA Alliance Pty Ltd	Australia	100%	-
Blue Sky Mezzanine Fund 4	Australia	37%	-

The Group is considered under AASB 10 to control the Blue Sky RAMS Management Rights Income Fund 2 and Blue Sky Mezzanine Fund 4 based upon the aggregate impact of (a) the Group's role as trustee (b) the size and variable nature of returns arising from the Group's equity and loan investment and (c) the relative dispersion of the remaining interests not held by the Group in this trust.

#### Note 42 – Material partly-owned subsidiaries

Financial information of subsidiaries that have material non-controlling interests is provided below:

*Proportion of equity interest held by non-controlling interests:*

Name of entity	2014	2013
	%	%
Riverside Gardens Trust	52	52
Water Utilities Australia Fund	50	57

*Accumulated balances of material non-controlling interest:*

Name of entity	2014	2013
Blue Sky Private Real Estate Riverside Gardens Trust	378,432	420,857
Water Utilities Australia Fund	23,325,886	1,801,489

**Note 42 – Material partly-owned subsidiaries (cont'd)**

*Profit/(loss) allocated to material non-controlling interest:*

<b>Name of entity</b>	<b>2014</b>	<b>2013</b>
Blue Sky Private Real Estate Riverside Gardens Trust	240,217	(133,263)
Water Utilities Australia Fund	(2,237,895)	(2,003,335)

The summarised financial information of these subsidiaries is provided below. This information is based on amounts before inter-company eliminations.

**Summarised statement of profit or loss – 2014**

	<b>Riverside Gardens Trust</b>	<b>Water Utilities Australia</b>
Revenue	6,239,401	3,705,763
Expenses	(5,779,544)	(8,009,898)
Profit / (loss) before income tax	459,857	(4,304,135)
Income tax	-	(171,655)
Profit for the year from continuing operations	459,857	(4,475,790)
Total comprehensive income	459,857	(4,475,790)
Attributable to non-controlling interests	240,217	(2,237,895)
Dividends paid to non-controlling interests	(262,486)	-

**Summarised statement of profit or loss – 2013**

	<b>Riverside Gardens Trust</b>	<b>Water Utilities Australia</b>
Revenue	3,243	-
Expenses	(271,479)	(3,514,623)
Profit / (loss) before income tax	(268,236)	(3,514,623)
Income tax	-	-
Profit for the year from continuing operations	(268,236)	(3,514,623)
Total comprehensive income	(268,236)	(3,514,623)
Attributable to non-controlling interests	(133,263)	(2,003,335)
Dividends paid to non-controlling interests	-	-

**Summarised statement of financial position as at 30 June 2014**

	<b>Riverside Gardens Trust</b>	<b>Water Utilities Australia</b>
Current Assets	3,217,917	3,273,166
Non-Current Assets	993,775	25,526,006
Current Liabilities	(3,995,587)	(1,472,569)
Non-Current Liabilities	-	(6,542,734)
Total equity	216,105	20,783,869
Attributable to:		
- Equity holders of parent	(162,327)	(2,542,017)
- Non-controlling interest	378,432	23,325,886

**Note 42 – Material partly-owned subsidiaries (cont'd)**

<b>Summarised statement of financial position as at 30 June 2013</b>	<b>Riverside Gardens Trust</b>	<b>Water Utilities Australia</b>
Current Assets	1,862,069	1,071,900
Non-Current Assets	1,523,301	(719,550)
Current Liabilities	(1,519,641)	(644,630)
Non-Current Liabilities	(1,586,992)	-
Total equity	278,737	(292,280)
Attributable to:		
- Equity holders of parent	(142,120)	(2,093,769)
- Non-controlling interest	420,857	1,801,489

  

<b>Summarised cash flow information for the year ended 30 June 2014</b>	<b>Riverside Gardens Trust</b>	<b>Water Utilities Australia</b>
Operating	242,969	(2,496,271)
Investing	-	(32,163,404)
Financing	(139,391)	34,951,836
Net increase/(decrease) in cash and cash equivalents	103,578	292,160

  

<b>Summarised cash flow information for the year ended 30 June 2013</b>	<b>Riverside Gardens Trust</b>	<b>Water Utilities Australia</b>
Operating	(692,774)	(525,212)
Investing	-	(58,386)
Financing	548,194	825,500
Net increase/(decrease) in cash and cash equivalents	(144,580)	241,902

**Note 43. Investments in associates**

The Group's associates can be categorised into the following major asset classes:

1. Private Equity

Specialise in deploying capital to growing Australian companies, primarily as 'expansion capital' or 'late stage venture capital' and typically takes a meaningful equity stake in each investee company.

2. Private Real Estate

Specialises in three types of investments: residential development; residential income opportunities (including the ownership of management and letting rights and freehold motels); and the provision of mezzanine debt funding.

3. Real Assets

Specialises in two types of investments: water entitlements (which are perpetual rights to access a share of a defined water resource (such as a river system) and agricultural farmland.



**Note 43. Investments in associates (cont'd)**

Investments in associates are accounted for using the equity method where significant influence exists. Information relating to material associates is set out below:

<b>Associate</b>	<b>Percentage interest</b>	
	<b>2014</b>	<b>2013</b>
	<b>%</b>	<b>%</b>
Blue Sky Private Equity Retirement Village Fund	17.84%	2.91%
Blue Sky Private Equity Software Services Fund	20.25%	-

*Summary - 2014*

	<b>Blue Sky Private Equity Retirement Village Fund</b>	<b>Blue Sky Private Equity Software Services Fund</b>
	<b>\$</b>	<b>\$</b>
<b>Share of assets and liabilities</b>		
Current assets	102,020	43,123
Non-current assets	33,126,624	23,980,460
Total assets	33,228,644	24,023,583
Current liabilities	(1,335,707)	(1,141,868)
Non-current liabilities	-	-
Total liabilities	(1,335,707)	(1,141,868)
<b>Net assets / (liabilities)</b>	<b>31,892,937</b>	<b>22,881,715</b>
Proportion of the Group's ownership	17.84%	20.25%
<b>Carrying amount of the investment</b>	<b>5,689,670<sup>1</sup></b>	<b>4,633,547<sup>1</sup></b>
<b>Share of revenue, expenses and results</b>		
Revenue	10,846,460	9,358,133
Expenses	(1,804,996)	(1,632,119)
<b>Profit/(loss) for the year</b>	<b>9,041,464</b>	<b>7,726,013</b>
<b>Group's share of profit for the year</b>	<b>1,612,997</b>	<b>1,564,518</b>

<sup>1</sup> The carrying amount of the Group's ownership in the above funds does not equal the carrying amount of the investment as disclosed in Note 16 as a result of changes in the investment percentage held by the Group throughout the year and establishment costs incurred prior to the Group's investment.

**Note 43. Investments in associates (cont'd)**

*Summary - 2013*

	<b>Blue Sky Private Equity Retirement Village Fund</b>
	\$
<b>Share of assets and liabilities</b>	
Current assets	10,140,277
Non-current assets	1,739,650
Total assets	11,879,927
Current liabilities	(55,583)
Non-current liabilities	-
Total liabilities	(55,583)
<b>Net assets / (liabilities)</b>	<b>11,824,344</b>
Proportion of the Group's ownership	2.91%
<b>Carrying amount of the investment</b>	<b>344,088<sup>1</sup></b>

**Share of revenue, expenses and results**

Revenue	1,050
Expenses	(75,541)
<b>Profit/(loss) for the year</b>	<b>(74,491)</b>
<b>Group's share of profit for the year</b>	<b>(2,168)</b>

1 The carrying amount of the Group's ownership in the above fund does not equal the carrying amount of the investment as disclosed in Note 16 as a result of changes in the investment percentage held by the Group throughout the year and establishment costs incurred prior to the Group's investment.

**Note 44. Business Combinations**

Investments into funds

During the year end 30 June 2014, the Group has made a number of investments into funds that it manages. As a result of the guidance provided in AASB 10 *Consolidated Financial Statements*, the Group is considered to control some of the funds it has invested in during the year and as such is required to account for them in accordance with AASB 3 *Business Combinations*. The following summarises the fair values of the identifiable assets acquired and liabilities assumed at the relevant date.

The fair values below are based on a provisional assessment and will be finalised within 12 months in accordance with AASB 3 *Business Combinations*.

*Blue Sky RAMS Management Rights Income Fund 2*

On 30 September 2013, the Group acquired 25% of the units and voting interests in the Blue Sky RAMS Management Rights Income Fund 2, a fund created by the Group to enable investors to generate returns from the management of residential property. As a result, the Group's equity interest in the fund increased from 8% to 33%.

In accordance with AASB 10 *Consolidated Financial Statements*, the Group will be considered to control this investee given (a) the Group's role as trustee (b) the size and variable nature of returns arising from the Group's equity investment and loan to the investee and (c) the relative dispersion of the remaining interests not held by the Group in this fund.

#### **Note 44. Business Combinations (cont'd)**

The date that control was obtained was 1 July 2013, being the date at which the Group made a loan to the fund. This loan was subsequently repaid with equity on 30 September 2013.

##### *Willunga Basin Water Company*

On 25 October 2013, the Group acquired 100% of the shares in the Willunga Basin Water Company through a related party of the Water Utilities Australia Fund (a subsidiary of the Group). This acquisition further enables investors to gain exposure to the water infrastructure sector.

In accordance with AASB 10, the Group controlled this investee from 25 October 2013 given the size and variable nature of returns arising from the Group's equity investment.

##### *Water Utilities Australia Fund 2*

On 23 December 2013, the Group acquired 40% of the stapled securities and voting interests in Water Utilities Australia Fund 2, a fund created by the Group to enable investors to gain exposure to the water infrastructure sector.

In accordance with AASB 10, the Group will be considered to control this investee from 23 December 2013 given (a) the Group's role as trustee (b) the size and variable nature of returns arising from the Group's equity investment and (c) the relative dispersion of the remaining interests not held by the Group in this fund.

##### *Blue Sky Mezzanine Fund 4*

On 2 January 2014, the Group obtained 37% of issued units and voting interests in Blue Sky Mezzanine Fund 4, a fund established to enable investors to generate a return from mezzanine financing within the residential development market.

In accordance with AASB 10, the Group will be considered to control this investee given (a) the Group's role as trustee (b) the size and variable nature of returns arising from the Group's equity investment and (c) the relative dispersion of the remaining interests not held by the Group in this fund.

The date that control was obtained was 2 February 2014 given the size and variable nature of the returns arising from the Group's equity investment.

#### Acquisitions

The fair values below are based on a provisional assessment and will be finalised within 12 months in accordance with AASB 3 *Business Combinations*.

##### *Blue Sky Investment Science Pty Ltd*

On 30 April 2014, the Group completed the acquisition of 100% of the share capital of Investment Science Pty Ltd (now called Blue Sky Investment Science Pty Limited). The acquisition of Blue Sky Investment Science Pty Limited, a hedge fund manager, is consistent with the Group's strategy of maintaining a broad offering across the alternative asset classes.

The consideration for the acquisition was 100% Blue Sky Alternatives Investments Limited scrip and includes up front and deferred consideration components, the latter has been calculated based on growth in assets under management and the continuation of key management personnel.

#### Note 44. Business Combinations (cont'd)

##### Summary of investments and acquisitions

The following table summarises the total acquisition-date fair value of the considerations transferred for all of the abovementioned entities.

	\$
Cash (including commitments)	24,983,362
Services (in lieu of cash)	700,000
Scrip (actual and deferred)	1,112,302
<b>Total consideration transferred</b>	<b><u>26,795,664</u></b>

The following table summarises the total acquisition-date fair values of identifiable assets acquired and liabilities assumed for all of the abovementioned entities.

	\$
Cash	3,062,160
Trade and other receivables	3,533,084
Sundry debtors	251,094
Property, plant and equipment	22,574,833
Prepayments	36,248
Management rights	385,460
Other assets	606,563
Trade and other payables	(8,574,270)
<b>Acquisition date fair value of identifiable net assets</b>	<b><u>21,875,172</u></b>

Goodwill arising from the acquisitions has been recognised as follows:

	\$
Total consideration transferred	26,795,664
Non-controlling interest share of fair value of identifiable net assets	3,590,435
Acquisition date fair value of identifiable net assets	(21,875,172)
<b>Goodwill</b>	<b><u>8,510,927</u></b>

#### Note 45. Events occurring after the reporting date

On 25 August 2014, the Directors resolved to pay a final fully franked dividend of 7 cents per share in relation to the 2014 financial year. The record date for this dividend will be 12 September 2014 and the payment date will be 3 October 2014.

**Note 46. Reconciliation of Profit /(loss) after income tax to net cash used in operating activities**

	<b>Consolidated</b>	
	<b>2014</b>	<b>2013*</b>
	<b>\$</b>	<b>Restated \$</b>
Profit/(loss) after income tax expense for the year	994,762	(587,074)
<i>Non-cash adjustments to reconcile profit after tax to net cash flows from operations:</i>		
Depreciation and amortisation	1,616,350	202,487
Share of profit of associate	(2,699,151)	(242,735)
Share-based payments	56,099	-
Interest capitalised	466,384	97,853
Revaluation of investments	24,500	153,000
Revenue settled by recognition of investments	(1,675,000)	(2,036,658)
<i>Change in operating assets and liabilities</i>		
(Increase)/Decrease in trade and other receivables	(6,117,739)	(333,917)
(Increase)/Decrease in inventories	(1,622,020)	(554,360)
(Increase)/Decrease in deferred tax assets	3,940	210,894
(Increase)/Decrease in other operating assets	915,239	18,920
Increase/(Decrease) in trade and other payables	1,350,006	1,002,253
Increase/(Decrease) in income tax provision	509,737	(24,062)
Increase/(Decrease) in deferred tax liabilities	6,704,411	737,810
Increase/(Decrease) in employee benefits	285,346	114,103
Increase/(Decrease) in other provisions	-	15,039
<i>Net cash used in operating activities</i>	<b>812,864</b>	<b>(1,226,447)</b>

**Note 47. Earnings per share**

	<b>Consolidated</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Profit / (loss) after income tax	994,762	(587,074)
Non-controlling interest	2,867,986	2,139,008
Earnings for eps calculation	3,862,748	1,551,934
Weighted average number of ordinary shares used in calculating basic earnings per share	47,313,692	32,546,018
Weighted average number of ordinary shares and ordinary shares under option used in calculating diluted earnings per share:	47,588,688	32,546,018
<b>EPS</b>	<b>8.16</b>	<b>4.77</b>
<b>Diluted EPS</b>	<b>8.12</b>	<b>4.77</b>

**Note 48. Share-based payments**

	<b>2014 Number</b>	<b>2014 WAEP</b>	<b>2013 Number</b>	<b>2013 WAEP</b>
<b>Outstanding at 1 July</b>	<b>1,100,000</b>	<b>\$1.00</b>	-	-
Granted during the year	385,000	\$2.99	1,100,000	\$1.00
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
<b>Outstanding at 30 June</b>	<b>1,485,000</b>	<b>\$1.52</b>	<b>1,100,000</b>	<b>\$1.00</b>
Exercisable at 30 June	1,485,000	\$1.52	1,100,000	\$1.00

The weighted average remaining life for the share options outstanding as at 30 June 2014 was 3.92 years (2013: 3.65 years).

The weighted average fair value of options granted during the year was \$32,957 (2013: \$40,935).

The range of exercisable prices for options outstanding at the end of the year was \$1.00 to \$3.70 (2013: \$1.00)

The following table lists the inputs to the models used for the years ended 30 June 2013 and 30 June 2014.

	<b>Issue 1 -2014</b>	<b>Issue 2 - 2014</b>	<b>Issue 3 - 2014</b>
Dividend yield (%)	3.98%	3.98%	3.98%
Expected volatility (%)	20.00%	20.00%	20.00%
Risk-free interest rate (%)	3.47%	3.33%	3.10%
Expected life of options (years)	2.5	2.5	2.5
Weighted average share price (\$)	\$1.76	\$2.34	\$2.51
Model used	Binomial	Binomial	Binomial

  

	<b>Issue 1 -2013</b>	<b>Issue 2 - 2013</b>
Dividend yield (%)	6.00%	6.00%
Expected volatility (%)	20.00%	20.00%
Risk-free interest rate (%)	2.81%	2.75%
Expected life of options (years)	2.6	2.6
Weighted average share price (\$)	\$0.77	\$0.98
Model used	Binomial	Binomial

The expected life of the share options is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome.

The Group has recognised a \$56,099 (2013: \$0) expense in relation to share based payments in the 30 June 2014 financial statements.

**Directors' Declaration**  
**For the year ended 30 June 2014**

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

1. the financial statements and notes, as set out on pages 28 to 90, are in accordance with the *Corporations Act 2001* and:
  - a. comply with Australian Accounting Standards, which, as stated in accounting policy note 1 to the financial statements, constitutes compliance with International Financial Reporting Standards (IFRS); and
  - b. give a true and fair view of the financial position as at 30 June 2014 and of the performance for the year ended on that date of the Group;
2. in the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
3. the Directors have been given the declarations required by s 295A of the *Corporations Act 2001* from the Chief Financial Officer and Chief Operating Officer.

On behalf of the Directors



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John Kain  
Chairman

26 August 2014  
Brisbane

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

### Report on the financial report

We have audited the accompanying financial report of Blue Sky Alternative Investments Limited, which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

#### *Directors' responsibility for the financial report*

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

#### *Auditor's responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Independence*

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.





### Opinion

In our opinion:

- a. the financial report of Blue Sky Alternative Investments Limited is in accordance with the *Corporations Act 2001*, including:
  - i giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
  - ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

### Report on the remuneration report

We have audited the Remuneration Report included in pages 19 to 23 of the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

### Opinion

In our opinion, the Remuneration Report of Blue Sky Alternative Investments Limited for the year ended 30 June 2014, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Ernst & Young

PMcLuskie

Paula McLuskie  
Partner  
Brisbane  
26 August 2014