

# ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2015

**BLUE SKY ALTERNATIVE INVESTMENTS LIMITED**

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# CHAIRMAN'S REPORT

**BlueSky**  
Alternative Thinking

Dear Shareholders

The FY15 results are Blue Sky's fourth as a listed company. I am pleased to report that in FY15, like each of the preceding years as a listed company, Blue Sky has delivered growth in AUM, profitability and cashflow. Blue Sky has reported underlying NPAT of \$10.40 million, a 68% increase on last year's result (FY14: \$6.2m). This increased profitability, coupled with strengthening cashflows and balance sheet, allowed Blue Sky to increase its dividend to \$0.11 per share fully franked (FY14: \$0.07 per share) in accordance with its dividend policy.

FY15 saw a significant investment in our team. The ongoing investment in our investment management teams has seen a number of wins, with each of our four divisions (private equity; private real estate; real assets; and hedge fund solutions) all contributing material performance fees to our revenue. It is the calibre of these investment teams which has allowed us to continue to generate strong investment returns to our fund investors. At 30 June 2015 our investment funds have, since inception, delivered (on an equity weighted basis) cumulative, compounding returns of 15.4% net of fees.

Equally significant has been the investment made in our distribution team. We now have a meaningful distribution capability in each of our offices (Brisbane, Sydney, Melbourne, Adelaide and New York). The increased breadth and depth of our distribution team has allowed us to grow our AUM to \$1.35 billion at 30 June (\$0.75b at 30 June 2014) and revise the timing of our AUM target for \$2 billion from C2017 to C2016. Our confidence in this revised target is underpinned by our proven distribution platforms in:

- Institutional markets – all four asset classes have now attracted institutional funds;
- Wholesale markets – our long standing capability in this market has been further enhanced over FY15; and
- Retail markets – our globally unique listed investment company (Blue Sky Alternatives Access Fund [ASX:BAF]) now provides a platform for retail investors, including SMSFs, to access our products.

We continue to see significant and compelling private market investment opportunities across our four divisions. Those opportunities will support the deployment of our short term target of \$2 billion AUM and beyond. We are confident that those opportunities will continue to support strong investment returns.

Much has been achieved in the nine years since Blue Sky was founded and the three and half years since listing. Notwithstanding these achievements, we remain firmly of the view that we are very much at the start of our journey. For those who have shared much of our history we thank you for your support. For all shareholders, we look forward to you sharing this journey with us.



**John Kain**

Chairman | Blue Sky Alternative Investments Limited

## MANAGING DIRECTOR'S REPORT

Dear Shareholders

I would like to extend a warm welcome to our new shareholders and a thank you to our existing shareholder base for your continued support.

The 2014/15 financial year was another year of progress in our quest to be Australia's leading alternative asset manager. After nine years, our investment funds have delivered compounding returns of 15.4% per annum net of fees, outperformance in all asset classes, a pioneering water fund and Australia's first alternatives Listed Investment Company, the Blue Sky Alternatives Access Fund. Many of our funds are now rated with investment research firms and nominated for awards, and our hedge funds have been recognised as amongst the best in Australasia.

Our strategy to be an "alternatives solutions provider" is bearing fruit. With the Blue Sky Alternatives Access Fund we have a product that solves for retail and wholesale investor needs – ASX listed (ASX:BAF), easily accessible, a lower fee structure, and liquid. Sophisticated investors can still access the opportunities they find most attractive by investing directly into our underlying funds, and institutional investors can use our platform to solve for gaps in their portfolio. This flexibility means we can offer the same ideas to different market segments to solve their unique challenges.

The Blue Sky platform now has significant intrinsic value for our team and our shareholders. Replicating this unique mix of ideas, products, culture and brand would be incredibly challenging for any new entrant, and we have a nine year head start.

During the 2014/15 financial year, each of our divisions across private equity and venture capital, private real estate, hedge funds and real assets demonstrated strong investment performance

and subsequent growth in Assets Under Management (AUM). This is supported by structural tailwinds – an increasing allocation to alternatives, now Australia's fastest growing asset class – and an increasing pool of savings.

Looking ahead, market conditions are extremely favourable for investment in Australia's private markets – pricing is realistic, bank finance is difficult to obtain, and deal flow is strong as our reputation and networks scale. We have no shortage of ideas or opportunities.

As a group we are ready for our next wave of growth and have set no limits to how far we can take this business. The US experience is informative – many of the world's major private equity houses 20 years ago are now the world's largest and most successful alternative asset managers. Names like KKR, Blackstone, Carlyle, Oaktree and Apollo. Each manages hundreds of billions of dollars and have extraordinary investment track records.

We don't pretend to be any of these great companies, but in our own way we think we can drive this business to much greater heights than today.



**Mark Sowerby**

Managing Director | Blue Sky Alternative Investments Limited

# DIRECTORS' REPORT



The Directors present their report, together with the Financial Report of Blue Sky Alternative Investments Limited ('Company', 'parent entity', or 'Blue Sky') and the entities it controlled ('the Group') for the financial year ended 30 June 2015.

## DIRECTORS

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

- Mark Sowerby
- John Kain (Chair)
- Tim Wilson
- Alexander McNab

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

## PRINCIPAL ACTIVITIES

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

## DIVIDENDS

On 24 August 2015, the Directors resolved to pay a final fully franked dividend of 11 cents per share in relation to the 2015 financial year. The record date for this dividend will be 11 September 2015 and the payment date will be 2 October 2015.

Dividends paid during the previous financial years were as follows:

	2015 \$'000	2014 \$'000
Dividends paid during the year (fully franked)	3,941	2,339
Dividends per share (cents)	0.07	0.06

1 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 as financial assets at Fair Value through Profit or Loss under AASB 139 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 7 for further details. Note that a reconciliation of Underlying Results to the Consolidated Group Results is provided starting from Page 10.

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

## OPERATING AND FINANCIAL REVIEW

### FINANCIAL PERFORMANCE AND FINANCIAL POSITION – UNDERLYING RESULTS<sup>1</sup>

The Directors are pleased to report that Blue Sky earned an underlying net profit after tax in the 2015 financial year of \$10.4 million, an increase of ~68% on the previous financial year (2014: \$6.2 million NPAT<sup>2</sup>).

Underlying operating revenue increased ~82% on the previous corresponding period to \$43.6 million, 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 91% for the reporting period reflecting continued investment in our marketing and distribution teams, payment of performance fees to staff, costs involved in rebating fees to the Blue Sky Alternatives Access Fund Limited (the 'Alternatives Fund') as it deployed capital and additional employees required for future growth. Excluding these fee rebates paid to the Alternatives Fund, expenses increased 84% compared to the 2014 financial year.

The Company generated net operating cash flow of \$6.1 million for the reporting period. In addition, the Company realised gains on and distributions of profit from its balance sheet investments of \$1.7 million. The Group's underlying cash position was \$21.1 million at 30 June 2015.

Blue Sky's underlying financial position strengthened during the 2015 financial year, with underlying net assets increasing from \$55.9 million at 30 June 2014 to \$62.6 million at 30 June 2015, and net tangible assets increasing from \$50.3 million at 30 June 2014 to \$56.9 million at 30 June 2015.

### FINANCIAL PERFORMANCE AND FINANCIAL POSITION – STATUTORY RESULTS

The Group earned a statutory net profit after tax in the 2015 financial year of \$9.9 million (2014: \$1.0 million) on income of \$64.5 million (2014: \$35.2 million). As noted in previous reports, following the adoption of the control framework provided in revised AASB 10 *Consolidated Financial Statements* accounting standard ('AASB 10'), the Company either consolidates or equity accounts the vast majority of its balance sheet investments. In this report, the Company has consolidated six of the funds in which it has invested and a further 28 investments have been accounted for using the equity method during the year.

One of the key impacts of the adoption of AASB 10 is that, in relation to those funds that have been consolidated, trading results from those funds are reflected in the Group's statutory results. For example, revenue earned by funds that Blue Sky manages (e.g. revenue from apartment sales, sale of water and management rights revenue) are all included in the Group's statutory results and account for the substantially higher level of statutory revenue. In addition, for any fund in which the Group has invested that is consolidated or accounted for using the equity method, changes in the fair value of these investments are either eliminated upon consolidation or accounted for in the 'share of profits of associates' revenue line.

## DIRECTORS' REPORT

At 30 June 2015, the Group's consolidated statutory cash position was \$22.4 million and statutory net assets were \$76.9 million. As with the profit and loss statement, 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.

For further details, as well as a reconciliation between the statutory results and the underlying results, please refer to the Pages 7 to 15 of this report.

### INVESTMENT PERFORMANCE

In FY15, the Group's key investment themes were a continuation of Australia's low interest rate environment, low inflation, yield compression, and a quest for opportunities demonstrating low correlation to equities markets and bonds, yield commensurate with the investment risk taken, and backed by tangible assets. This led to fund investments in healthcare, student accommodation, water, agriculture and education.

Exposure to previous investment ideas has pleasingly played out as expected. Residential assets have returned exceptionally well for investors and we remain in the sector, albeit with a reduced focus as the cycle matures. The returns of our Water Fund of more than 30% for the year net of fees reflected our long held view these assets are scarce in nature, globally unique and undervalued. Our leading position in this asset class will remain a source of competitive advantage for Blue Sky for many years to come. A successful extension into agricultural opportunities leveraging our deep knowledge and networks should enhance investor performance in the future.

Our shift into student accommodation has provided another scalable opportunity for Blue Sky and our investors. Executed well, this will prove to be another strong platform with tailwinds from industry deregulation, increased numbers of international students and a weaker Australian currency. Having our own in-house development capabilities has allowed us to move where others see risk – we are not afraid to participate across the value chain where the rewards make sense.

Continued growth in our private equity and venture capital portfolio combined with a number of exits completed or in the pipeline leaves this business with significant momentum into FY16. In particular, at a time when Australia needs new ideas, companies and industries, we are encouraged by policy support from both Federal and State Governments. Our investment in venture capital capability at a time when the industry was in a state of flux has positioned us well for future growth. Private equity operators alike have received a policy boost through changes to the Significant Investor Visa (SIV) programme – recognition that jobs growth comes from the smaller end of town.

Our hedge fund business is significantly stronger than a year ago and investment performance has been solid. We remain committed to liquid alternatives given the increasingly important role they play in portfolio management. Australian investors are well behind international benchmarks of hedge fund allocations, and as this inevitably changes we see value in being positioned as a trusted, well established manager.

Looking forward, we anticipate FY16 will provide further opportunities for our private equity and venture capital teams to invest as well as exit existing portfolio companies. Bank lending to businesses remains constrained. 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.

Investment returns across all asset classes since inception to the end of June 2015 were 15.4% per annum compounding net of fees.<sup>3</sup> This nine year track record remains a source of competitive advantage for Blue Sky and its shareholders. The experiences gained as a group across this challenging period, both good and bad, will hold us in good stead during the inevitable investment downturns.

### CAPITAL RAISING ACTIVITIES

Fee earning Assets Under Management (AUM) increased by approximately \$650 million through the course of FY15 to \$1.35 billion. This mirrors the US experience – as allocations to alternatives increase, allocators of that capital are confronted with a limited number of experienced and capable fund managers.

Blue Sky is Australia's only dedicated diversified alternative asset manager, but more importantly we are now an alternatives solution provider. The distinction is important. It means whether you're a large or small institution, family office, private wealth advisor, broker, or have your own self-managed superannuation – there is no longer just a reason to engage with Blue Sky, there's a need. Successfully "packaging" our investment solutions to cater for this wide variety of investor types will be a major contributor to future growth.

Critical to this has been the evolution of our Blue Sky Alternatives Access Fund (ASX:BAF), structured as a Listed Investment Company (LIC) and investing across each of our alternative asset classes. The portfolio is now set and, over time, we expect BAF's net tangible assets (NTA) to reflect the overall investment performance of Blue Sky. Being listed on the Australian Securities Exchange makes this vehicle simple to invest in, it has a compelling fee structure, and as an absolute return fund provides a diversified exposure to our range of investment offerings. We believe this fund can become the default alternatives allocation in many portfolios.

Blue Sky now has committed capital from institutional investors in each of our primary asset classes. History suggests that over time we can expect meaningful growth in allocations from both domestic and offshore institutions.

In previous public announcements, Blue Sky has targeted having \$2 billion in fee earning AUM by the end of the 2017 calendar year. We now anticipate reaching this target by no later than the end of the 2016 calendar year.

### STRATEGY

In recent years Blue Sky has invested heavily in building teams and infrastructure capable of delivering institutional grade investment performance and funds management expertise. At the same time, we have grown revenues, increased profits, and paid dividends to our shareholders. This combination is not easy

<sup>3</sup> Note that past performance is not an indicator of future performance.

to achieve but has been reflected in our company performance – of the approximately 100 companies that conducted an Initial Public Offering on the Australian Securities Exchange in the 2012 financial year, Blue Sky Alternative Investments is ranked 2nd for Total Shareholder Return (TSR).<sup>4</sup>

Alternative investment managers have to play a long game, and for Blue Sky there is a long way to go. We still have many things we can improve on, and although we are now nine years into our development as a company, this remains a relatively short period of time compared to the truly great business we aspire to be.

However, we have successfully established our business and reputation, and we are beginning to see the benefits of having a “brand”. Vendors know who we are, investors know who we are, and the markets know who we are. This leads to more activity and, ultimately, the benefits of a brand people trust and rely on will be borne out through growth at lower cost.

In the meantime, our platform is one which is almost impossible to replicate, but still has improvement to come. We remain committed to our long term strategy of being the best alternative asset manager domiciled in Australia. To coin a phrase from one of our more sophisticated and experienced investors: “Congratulations, you’ve just reached the starting line”.

Barriers to entry are increasing for fund managers. More compliance and increased regulatory requirements in relation to capital backing make distribution harder and investors are gravitating to the bigger managers. Therefore we need to keep growing and achieve scale. Meanwhile, we recognise the importance of a strong compliance capability and we are looking to turn our excellent existing compliance record into a competitive advantage.

Onshore we are not really interested in joint ventures. Offshore we are. We can see in a few years investors will be asking us to provide alternative asset solutions in other markets. To that end, we are increasing our capability and investment in our New York office and will be looking to grow this business.

## COMPARATIVE TABLES

### 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 AASB 10 for the first time in its FY14 half-year report and this standard continues to apply. Following the adoption of the control framework provided in AASB 10, the accounting treatment of a number of Blue Sky’s funds changed. In this Financial Report, six funds have been consolidated into the Group’s FY15 full year Financial Report and a further 28 investments accounted for using the equity method during the year (including the Company’s investment in the Alternatives

Fund). The accounting treatment of each of these funds is discussed in more detail below.

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 (refer to the Pages 10 to 15) 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 at Fair Value through Profit or Loss under AASB 139 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 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).

### INVESTMENTS CONSOLIDATED IN BLUE SKY’S STATUTORY FINANCIAL REPORT

Following the adoption of AASB 10, the Group consolidates all of the entities it controls, including those funds managed by Blue Sky in which it holds units and is presumed to have control (regardless of whether it has a > 50% economic interest in those funds). 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.

In the 2015 financial year, six funds managed by Blue Sky have been 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. The construction of stage 1 and 2 of this development is complete with sales of Stage 3 currently underway. Blue Sky owns 1.2 million units in this trust.

<sup>4</sup> As at 30 June 2015.

## DIRECTORS' REPORT

### 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 that invests in water infrastructure in Australia. The Water Utilities Group currently owns two assets: the Willunga Basin Water Company and the Lightsview Re-Water Infrastructure Network. Blue Sky owns 8.875 million units across the WUA Funds.

The Water Utilities Australia Fund 2 was deconsolidated from 31 October 2014 following a capital raising that reduced the level of ownership the Group had over this fund. From this date, this fund was accounted for using the equity method.

### 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 2015, there were approximately 233 apartments in the letting pool managed by this trust. Blue Sky owns 1.2 million units in the Management Rights Fund 2.

### 4. Mackay Opco Pty Ltd

Mackay Opco Pty Ltd was incorporated on 24 July 2014 for the purpose of acquiring and operating a motel business which operates on the freehold land and buildings owned by a related party of the Group, the Residential Asset Income Fund 1. On 1 January 2015 the ownership of Mackay Opco Pty Ltd was transferred to a related party of the Group, being the Residential Asset Income Fund 1. From 24 July 2014 until 31 December 2014 Mackay Opco Pty Ltd was consolidated into the Group's Financial Report, until it was sold.

### 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.

During the 2015 financial year, Blue Sky held investments in 28 funds that have been accounted for using the equity method:

- 37 Regent Street Woolloongabba Trust
- 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 Early Learning Fund
- 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 RAMS Plantations Fund
- 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
- Duke Street Kangaroo Point Trust
- Grantson Street Windsor Trust
- Logan Road Greenslopes Trust
- Main Street Kangaroo Point Trust
- Railway Terrace Milton Trust
- Regent Street Woolloongabba Trust
- Regina Street Greenslopes Trust
- Water Utilities Australia Fund 2

### MEASUREMENT OF FAIR VALUE

The Group's underlying result is based on accounting for all investments held by the Group as Financial Assets at Fair Value through Profit or Loss under AASB 139 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 and real estate properties.

The valuation of investments that require 'Level 3' inputs and that have a material impact on Blue Sky's financial performance are independently reviewed by a suitably qualified expert as well as by Blue Sky's auditor at least annually.

### Private Equity and Venture Capital Investments

The fair value of private equity and venture capital 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).

### 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 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 third party.

### Real Assets Investments (Other)

The fair value of Water Infrastructure and Agribusiness investments held by the group are determined using the same approach as outlined for Private Equity and Venture Capital investments.

### Hedge Funds

At 30 June 2015, the Group held no investments in its Hedge Funds.

# DIRECTORS' REPORT

## FY15: RECONCILIATION OF CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME WITH UNDERLYING RESULTS

In AUD \$Ms	Consolidated Statement of Comprehensive Income ('Statutory Profit')	Impact where investments are consolidated or equity accounted rather than reported at fair value	Underlying Results
<b>Revenue</b>			
Management Fees	\$24.7m	\$0.1m	\$24.8m
Performance Fees	\$8.8m	-	\$8.8m
Investment Income	\$2.3m	\$3.2m	\$5.5m
Share of gain/(loss) of associates accounted for using the equity method	\$3.7m	-\$3.7m	-
Other income	\$25.0m	-\$20.5m	\$4.5m
<b>Total revenue</b>	<b>\$64.5m</b>	<b>-\$20.9m</b>	<b>\$43.6m</b>
<b>Expenses</b>			
Employee benefits expense	-\$15.2m	\$2.8m	-\$12.4m
Fee rebates to BSAAF Limited	-\$3.3m	-	-\$3.3m
External capital raising costs	-\$3.0m	-	-\$3.0m
External service providers	-\$3.2m	\$0.2m	-\$3.0m
Travel and entertainment	-\$2.0m	\$0.2m	-\$1.8m
Occupancy	-\$1.6m	\$0.5m	-\$1.1m
Finance costs	-\$0.7m	\$0.2m	-\$0.5m
Depreciation and amortisation expense	-\$2.2m	\$1.9m	-\$0.3m
Other expenses	-\$19.2m	\$15.7m	-\$3.5m
<b>Total expenses</b>	<b>-\$50.4m</b>	<b>\$21.5m</b>	<b>-\$28.9m</b>
<b>Profit/(loss) before income tax</b>	<b>\$14.1m</b>	<b>\$0.6m</b>	<b>\$14.7m</b>
Income tax (expense)/benefit	-\$4.2m	-\$0.1m	-\$4.3m
<b>Profit/(loss) after income tax for the period</b>	<b>\$9.9m</b>	<b>\$0.5m</b>	<b>\$10.4m</b>
<b>Total comprehensive income/(loss) for the period</b>	<b>\$9.9m</b>	<b>\$0.5m</b>	<b>\$10.4m</b>
Profit/(loss) attributable to:			
Non-controlling interests	-\$0.5m	\$0.5m	-
Owners of Blue Sky Alternative Investments Limited	\$10.4m	-	\$10.4m

## FY15: 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	\$22.4m	-\$1.3m	\$21.1m
Trade and other receivables	\$15.6m	-\$0.8m	\$14.8m
Inventory	\$4.1m	-\$4.1m	-
Financial assets at fair value through profit and loss	\$0.9m	-	\$0.9m
Other assets	\$2.3m	-\$0.8m	\$1.5m
<b>Total current assets</b>	<b>\$45.3m</b>	<b>-\$7m</b>	<b>\$38.3m</b>
<b>Non-current assets</b>			
Receivables	\$10.8m	\$2.8m	\$13.6m
Inventory	\$1.5m	-\$1.5m	-
Investments accounted for using the equity method	\$22.7m	-\$22.7m	-
Financial assets at fair value through profit and loss	\$0.2m	\$32.6m	\$32.8m
Property, plant and equipment	\$30.2m	-\$26.6m	\$3.6m
Intangible assets	\$18.9m	-\$13.2m	\$5.7m
Deferred tax assets	\$0.8m	-\$0.8m	-
<b>Total non-current assets</b>	<b>\$85.1m</b>	<b>-\$29.4m</b>	<b>\$55.7m</b>
<b>Total assets</b>	<b>\$130.4m</b>	<b>-\$36.4m</b>	<b>\$94.0m</b>
<b>Current Liabilities</b>			
Trade and other payables	\$7.8m	-\$1.7m	\$6.1m
Borrowings	\$11.6m	-\$4.5m	\$7.1m
Deferred revenue	\$3.9m	-\$0.4m	\$3.5m
Income tax	\$2.7m	-\$0.1m	\$2.6m
Employee benefits	\$3.0m	-	\$3.0m
<b>Total current liabilities</b>	<b>\$29.0m</b>	<b>-\$6.7m</b>	<b>\$22.3m</b>
<b>Non-current liabilities</b>			
Deferred revenue	\$1.9m	-\$0.6m	\$1.3m
Provisions	\$0.2m	-	\$0.2m
Borrowings	\$9.3m	-\$9.3m	-
Other non-current liabilities	\$4.1m	-	\$4.1m
Deferred tax liabilities	\$9.0m	-\$5.5m	\$3.5m
<b>Total non-current liabilities</b>	<b>\$24.5m</b>	<b>-\$15.4m</b>	<b>\$9.1m</b>
<b>Total liabilities</b>	<b>\$53.5m</b>	<b>-\$22.1m</b>	<b>\$31.4m</b>
<b>Net assets</b>	<b>\$76.9m</b>	<b>-\$14.3m</b>	<b>\$62.6m</b>
<b>Equity</b>			
Contributed equity	\$53.2m	-	\$53.2m
Reserves	-\$6.9m	-	-\$6.9m
Accumulated profits/(losses)	\$11.6m	\$4.7m	\$16.3m
<b>Total equity attributable to the owners of Blue Sky</b>	<b>\$57.9m</b>	<b>\$4.7m</b>	<b>\$62.6m</b>
Non-controlling interest	\$19.0m	-\$19.0m	-
<b>Total Equity</b>	<b>\$76.9m</b>	<b>-\$14.3m</b>	<b>\$62.6m</b>

# DIRECTORS' REPORT

## FY15: RECONCILIATION OF CONSOLIDATED STATEMENT OF CASH FLOW WITH UNDERLYING RESULTS

In AUD \$Ms	Consolidated Statement of Cash Flow	Impact where investments are consolidated or equity accounted rather than reported at fair value	Underlying Results
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of GST)	\$51.8m	-\$19.3m	\$32.5m
Payments to suppliers and employees (inclusive of GST)	-\$46.8m	\$21.4m	-\$25.4m
Interest received	\$0.1m	\$0.1m	-
Interest and other finance costs paid	-\$0.6m	\$0.6m	-
Income taxes paid	-\$1.7m	\$0.7m	-\$1.0m
<b>Net cash from operating activities</b>	<b>\$2.8m</b>	<b>\$3.3m</b>	<b>\$6.1m</b>
<b>Cash flow from investing activities</b>			
Cash disposed on de-consolidation of a controlled entity	-\$1.3m	\$1.3m	-
Payment for equity investments	-\$1.7m	-\$0.7m	-\$2.4m
Proceeds from disposal of equity investments	\$8.2m	\$1.3m	\$9.5m
Payment for property, plant and equipment	-\$1.0m	\$0.5m	-\$0.5m
Payments for intangible assets	-\$0.4m	\$0.2m	-\$0.2m
Loans (to)/from related parties	-\$0.5m	-\$1.5m	-\$2.0m
<b>Net cash from investing activities</b>	<b>\$3.3m</b>	<b>\$1.1m</b>	<b>\$4.4m</b>
<b>Cash flow from financing activities</b>			
Proceeds from issue of shares	\$0.1m	-	\$0.1m
Issue of shares to NCI, net returns of capital	-\$4.4m	\$4.4m	-
Proceeds from borrowings	\$18.7m	-\$14.9m	\$3.8m
Repayment of borrowings	-\$10.1m	\$5.9m	-\$4.2m
Dividends paid	-\$4.3m	\$0.4m	-\$3.9m
<b>Net cash used in financing activities</b>	<b>-\$0.0m</b>	<b>-\$4.2m</b>	<b>\$4.2m</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>\$6.1m</b>	<b>\$0.2m</b>	<b>\$6.3m</b>
Cash and cash equivalents at the beginning of the year	\$16.3m	-\$1.5m	\$14.8m
<b>Cash and cash equivalents at the end of the year</b>	<b>\$22.4m</b>	<b>-\$1.3m</b>	<b>\$21.1m</b>

## FY14: RECONCILIATION OF CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME WITH UNDERLYING RESULTS

In AUD \$Ms	Consolidated Statement of Comprehensive Income ('Statutory Profit')	Impact where investments are consolidated or equity accounted rather than reported at fair value	Underlying Results
<b>Revenue</b>			
Management Fees	\$13.5m	\$1.2m	\$14.7m
Performance Fees	\$2.7m	-	\$2.7m
Investment Income	\$0.3m	\$3.8m	\$4.1m
Share of gain/(loss) of associates accounted for using the equity method	\$2.7m	-\$2.7m	-
Other income	\$16.0m	-\$13.5m	\$2.5m
<b>Total revenue</b>	<b>\$35.2m</b>	<b>-\$11.2m</b>	<b>\$24.0m</b>
<b>Expenses</b>			
Employee benefits expense	-\$9.3m	\$2.4m	-\$6.9m
Fee rebates to BSAAF Limited	-\$1.2m	-	-\$1.2m
External capital raising costs	-\$1.1m	-	-\$1.1m
External service providers	-\$2.7m	\$0.7m	-\$2.0m
Travel and entertainment	-\$0.9m	-	-\$0.9m
Occupancy	-\$0.8m	\$0.3m	-\$0.5m
Finance costs	-\$0.5m	\$0.2m	-\$0.3m
Depreciation and amortisation expense	-\$1.6m	\$1.3m	-\$0.3m
Other expenses	-\$13.5m	\$11.6m	-\$1.9m
<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	-\$2.9m	\$2.9m	-
Owners of Blue Sky Alternative Investments Limited	\$3.9m	\$2.3m	\$6.2m

# DIRECTORS' REPORT

## 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
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>

## FY14: RECONCILIATION OF CONSOLIDATED STATEMENT OF CASH FLOW WITH UNDERLYING RESULTS

In AUD \$Ms	Consolidated Statement of Cash Flow	Impact where investments are consolidated or equity accounted rather than reported at fair value	Underlying Results
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of GST)	\$30.2m	-\$10.8m	\$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 from operating activities</b>	<b>\$0.5m</b>	<b>\$3.9m</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 equity investments	-\$31.8 m	\$5.9m	-\$25.9m
Proceeds from disposal of equity investments	\$0.9m	-	\$0.9m
Payment for property, plant and equipment	-\$4.4m	\$4.1m	-\$0.3m
Payments for intangible assets	-\$5.1m	\$4.5m	-\$0.6m
Loans (to)/from related parties	-\$6.5m	-\$0.5m	-\$7.0m
<b>Net cash used in investing activities</b>	<b>-\$68.8m</b>	<b>\$35.9m</b>	<b>-\$32.9m</b>
<b>Cash flow from financing activities</b>			
Proceeds from issue of shares	\$34.6m	-	\$34.6m
Issue of shares to NCI, net of returns of capital	\$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
Dividends paid	-\$2.8m	\$0.9m	-\$2.3m
<b>Net cash from financing activities</b>	<b>\$78.0m</b>	<b>-\$40.5m</b>	<b>\$37.7m</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

## 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 24 August 2015, the Directors resolved to pay a final fully franked dividend of 11 cents per share in relation to the 2015 financial year. The record date for this dividend will be 11 September 2015 and the payment date will be 2 October 2015.

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

### NAME:

**John Kain**  
Chairman  
Non-Executive Director (non-independent)

### Qualifications:

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.

### Experience and expertise:

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.

In addition to chairing Blue Sky Alternative Investments Limited, John also chairs our listed investment company Blue Sky Alternatives Access Fund Limited. John is also a member of the Finance 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 Chair 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.

### Other current directorships of listed entities:

Blue Sky Alternatives Access Fund Limited (Appointed 4 April 2014)

### Former directorships of listed entities (in the last 3 years):

None

### Interests in shares:

1,188,330 shares

### Interests in options:

None

### NAME:

**Mark Sowerby**  
Managing Director

### 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:

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.

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.

### Other current directorships of listed entities:

None

### Former directorships of listed entities (in the last 3 years):

Commstrat Limited (Appointed 8 April 2009, Resigned 22 October 2014)

### Interests in shares:

9,500,000 shares

### Interests in options:

None



**NAME:**

**Tim Wilson**  
Executive Director

**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:**

Tim is the Managing Director of the Group's private equity business. 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 & Brown, Westpac Institutional Bank and Investec before joining Blue Sky in 2009 to run the private equity group.

**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 also takes a broader investing role across Blue Sky, as the Company's Chief Investment Officer. He also sits as a Director of the Blue Sky Alternative Access Fund.

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:**

Blue Sky Alternatives Access Fund Limited (Appointed 4 April 2014)

**Former directorships of listed entities (in the last 3 years):**

Commstrat Limited (Appointed 15 February 2011)

**Interests in shares:**

1,003,504 shares

**Interests in options:**

None

# REMUNERATION REPORT (AUDITED)

## COMPANY SECRETARIES

### 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. Jane is currently on maternity leave. Jane holds 155,706 shares and 75,000 options in the Company.

### David Mitchell

David holds a Bachelor of Economics and a Bachelor of Laws from the University of Queensland and is admitted as a solicitor of the Supreme Court of QLD. David was previously based at HWL Ebsworth where he advised on a range of banking and finance, funds management and other financial services matters. Prior to his time at HWL Ebsworth, David worked in Tax & Legal Services at PwC.

## 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 2,895,000 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) and which have not arisen from the auditor's negligence or wrongful acts or omissions. 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 *Corporations Act 2001* 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 32 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 *Corporations Act 2001*.

The Directors are of the opinion that the services as disclosed in Note 32 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.

## ROUNDING

The amounts contained in this report and in the financial report have been rounded to the nearest \$1,000 (unless otherwise stated) under the option available to the Company under ASIC Class Order 98/100. The Company is an entity to which the class order applies.

## AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 24.

## AUDITOR

Ernst & Young continues in office in accordance with section 327 of the *Corporations Act 2001*.

This Remuneration Report for the financial year ended 30 June 2015 outlines the remuneration arrangements of the Group in accordance with the requirements of the *Corporations Act 2001* and its regulations. This information has been audited as required by section 308(3C) of the *Corporations Act 2001*.

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

<b>John Kain</b>	Chairman	(Appointed 1 July 2011)
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#### Executive Directors

<b>Mark Sowerby</b>	Director	(Appointed 23 September 2011)
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<b>Tim Wilson</b>	Director	(Appointed 23 September 2011)
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<b>Alexander McNab</b>	Director	(Appointed 23 September 2011)
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#### Other Key Management Personnel

<b>Jane Prior</b>	Company Secretary
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<b>David Mitchell</b>	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.

# REMUNERATION REPORT (AUDITED)

## 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 the majority 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 (none of which were KMP) 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 2015 and 30 June 2014 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 2015 financial year, remuneration of KMP is not dependent on sales targets or any other quantitative performance measures (however KMP may receive a portion of a bonus pool established under the Investment Company Bonus Policy based on their performance).

### STRUCTURE

In the 2015 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 2015 and 30 June 2014 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. Unexercised options will automatically lapse upon expiry.

TABLE 1: REMUNERATION OF KEY MANAGEMENT PERSONNEL FOR THE YEAR-ENDED 30 JUNE 2015 (CONSOLIDATED)

	Short-Term	Post Employment	Long Term	Share-based Payment		Total	Performance related
	Salary & Fees	Superannuation	Long Service Leave	Share Options	Rights		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	%
<b>Non-executive Directors</b>							
John Kain	55	-	-	-	-	55	-
Sub-Total	55	-	-	-	-	55	-
<b>Executive Directors</b>							
Mark Sowerby	384	22	44	-	-	450	-
Alexander McNab	332	22	5	-	-	359	-
Tim Wilson	389	22	10	-	-	421	-
Sub-Total	1,105	66	59	-	-	1,230	-
<b>Other Key Management Personnel</b>							
Jane Prior	200	19	10	1	-	230	0.43%
David Mitchell <sup>1</sup>	65	6	-	-	-	71	-
Sub-Total	265	25	10	1	-	301	0.33%
<b>Total</b>	<b>1,425</b>	<b>91</b>	<b>69</b>	<b>1</b>	<b>-</b>	<b>1,586</b>	<b>0.06%</b>

<sup>1</sup> Employment with Blue Sky commenced on 1 September 2014.

TABLE 2: 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		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	%
<b>Non-executive Directors</b>							
John Kain	55	-	-	-	-	55	-
Sub-Total	55	-	-	-	-	55	-
<b>Executive Directors</b>							
Mark Sowerby	300	20	21	-	-	341	-
Alexander McNab	260	19	12	-	-	291	-
Tim Wilson	300	20	14	-	-	334	-
Subtotal	860	59	47	-	-	966	-
<b>Other Key Management Personnel</b>							
Jane Prior	184	16	-	1	-	201	0.50%
Sub-Total	184	16	-	1	-	201	0.50%
<b>Total</b>	<b>1,099</b>	<b>75</b>	<b>47</b>	<b>1</b>	<b>-</b>	<b>1,222</b>	<b>0.8%</b>

The share options issued to KMP vest evenly over five years should an accelerated vesting event not occur, and have an exercise price of \$2.57 per share option.

## LOANS TO KEY MANAGEMENT PERSONNEL AND THEIR RELATED PARTIES

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

Table 1: Loans to key management personnel and their related parties for the year ended 30 June 2015

	Balance at beginning of period	Net additional loans/repayments	Interest charged	Interest not charged	Interest paid	Balance at end of period	Highest balance during period
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
John Kain	251	100	15	-	-	366	366
Alexander McNab	251	-	14	-	(14)	251	253
Tim Wilson	-	60	2	-	(2)	60	60
<b>Total</b>	<b>502</b>	<b>160</b>	<b>31</b>	<b>-</b>	<b>(16)</b>	<b>677</b>	<b>679</b>

Table 2: Loans to key management personnel and their related parties for the year ended 30 June 2014

	Balance at beginning of period	Net additional loans/repayments	Interest charged	Interest not charged	Interest paid	Balance at end of period	Highest balance during period
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
John Kain	-	250	1	-	-	251	501
Alexander McNab	-	250	1	-	-	251	251
<b>Total</b>	<b>-</b>	<b>500</b>	<b>2</b>	<b>-</b>	<b>-</b>	<b>502</b>	<b>752</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 primarily to purchase shares and options in the Alternatives Fund, a related party of the Company, as well as to invest in other funds managed by the Group.

Interest has been charged at interest rates ranging from 5.09% to 5.70% per annum, depending on the prevailing interest rate at the end of each month (2014: 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.

As previously noted, all Directors hold significant amounts of equity in the business. In addition, executive Directors may receive part of realised performance fees under the Company's Investment Company Bonus Policy.

The table below presents details of the Company's consolidated financial performance (i.e. statutory results) for the years ending 30 June 2012 to 30 June 2015.

For the year ended:	30 June 2015	30 June 2014	30 June 2013	30 June 2012 <sup>1</sup>
	\$'000	\$'000	\$'000	\$'000
Operating revenue	58,549	32,217	10,595	8,888
Profit/(loss) after income tax	10,387	3,863	1,552	4,752
Dividend	3,941	2,339	1,953	-
Earning per share	18.44	8.16	4.77	18.86
Share Price	4.11	2.95	1.20	0.80

<sup>1</sup> AASB 10 was effected in June 2014. Therefore, the results in the prior periods do not reflect the consolidation or equity accounting of investments in funds.

## VII. EXECUTIVE CONTRACTUAL ARRANGEMENTS

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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 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.

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

A handwritten signature in blue ink, appearing to read 'John Kain', with a large, stylized loop at the end.

**John Kain**  
**Chairman**

24 August 2015  
Brisbane

## AUDITOR'S INDEPENDENCE DECLARATION



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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 2015, 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 'P McLuskie'.

Paula McLuskie  
Partner  
Brisbane  
24 August 2015



## CORPORATE GOVERNANCE STATEMENT



The Company's Corporate Governance Statement is available at the following internet address:

<http://www.blueskyfunds.com.au/wp-content/uploads/2014/10/140826-Corporate-Governance-Statement1.pdf>

# FINANCIAL REPORT

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## GENERAL INFORMATION

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

The financial statements 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 46, 111 Eagle 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 2015



		Year ended	
	Note	30 June 2015 \$'000	30 June 2014 \$'000
<b>Revenue</b>			
Operating revenue	4	58,549	32,217
Share of profit of associates accounted for using the equity method	5	3,650	2,699
Other income	6	2,343	307
<b>Expenses</b>			
Employee benefits expense		(15,237)	(9,332)
Occupancy		(1,586)	(782)
External service providers		(3,192)	(2,701)
Consultancy		(863)	(948)
Marketing		(912)	(607)
Administrative		(1,456)	(1,477)
Travel & entertainment		(1,961)	(868)
Other expenses	7	(22,289)	(12,770)
Finance costs		(709)	(491)
Depreciation and amortisation expense		(2,209)	(1,616)
<b>Profit/(loss) before income tax</b>		<b>14,128</b>	<b>3,631</b>
Income tax (expense)/benefit	8	(4,267)	(2,636)
<b>Profit/(loss) after income tax for the year</b>		<b>9,861</b>	<b>995</b>
<b>Other comprehensive income</b>			
<b>Items that may be reclassified subsequently to profit or loss</b>			
Other comprehensive income for the year, net of tax		-	-
<b>Total comprehensive income/(loss) for the year</b>		<b>9,861</b>	<b>995</b>
Profit/(loss) for the year is attributable to:			
Non-controlling interest		(526)	(2,868)
Owners of Blue Sky Alternative Investments Limited	28	10,387	3,863
		<b>9,861</b>	<b>995</b>
Total Comprehensive income/(loss) for the year is attributable to:			
Non-controlling interest		(526)	(2,868)
Owners of Blue Sky Alternative Investments Limited		10,387	3,863
		<b>9,861</b>	<b>995</b>
<b>Earnings per share</b>		<b>Cents</b>	<b>Cents</b>
Basic earnings per share (profit/(loss) per share)	42	18.44	8.16
Diluted earnings per share (profit/(loss) per share)	42	18.03	8.12

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

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

### AS AT 30 JUNE 2015

		As at	
	Note	30 June 2015 \$'000	30 June 2014 \$'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	9	22,416	16,278
Trade and other receivables	10	15,629	13,377
Financial assets at fair value through profit and loss	11	935	-
Inventory	12	4,143	3,052
Other assets	13	2,223	1,544
<b>Total current assets</b>		<b>45,346</b>	<b>34,251</b>
<b>Non-current assets</b>			
Receivables	14	10,781	4,086
Inventory	12	1,545	1,530
Investments accounted for using the equity method	15	22,737	25,210
Financial assets at fair value through profit and loss	11	150	180
Property, plant and equipment	16	30,153	28,038
Intangible assets	17	18,900	18,943
Deferred tax assets	18	752	40
<b>Total non-current assets</b>		<b>85,018</b>	<b>78,027</b>
<b>Total assets</b>		<b>130,364</b>	<b>112,278</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	19	7,749	4,553
Borrowings	20	11,546	10,870
Deferred revenue	21	3,881	2,208
Income tax	22	2,717	1,369
Employee benefits	23	3,058	1,069
<b>Total current liabilities</b>		<b>28,951</b>	<b>20,069</b>
<b>Non-current liabilities</b>			
Deferred Revenue	21	1,873	2,201
Provisions	24	250	105
Borrowings	20	9,323	3,334
Other liabilities	25	4,112	503
Deferred tax liabilities	18	8,994	7,033
<b>Total non-current liabilities</b>		<b>24,552</b>	<b>13,176</b>
<b>Total liabilities</b>		<b>53,503</b>	<b>33,245</b>
<b>Net assets</b>		<b>76,861</b>	<b>79,033</b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2015 (CONTINUED)



		As at	
	Note	30 June 2015 \$'000	30 June 2014 \$'000
<b>Equity</b>			
Contributed equity	26	53,162	53,087
Reserves	27	(6,908)	(7,048)
Accumulated profits/(losses)	28	11,633	5,187
<b>Total equity, attributable to the owners of Blue Sky Alternative Investments Limited</b>		<b>57,887</b>	<b>51,226</b>
Non-controlling interests		18,974	27,807
<b>Total Equity</b>		<b>76,861</b>	<b>79,033</b>

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 2015

Consolidated	Contributed equity	Reserves	Accumulated profits/(losses)	Non-controlling interests	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2014	53,087	(7,048)	5,187	27,807	79,033
Profit/(loss) after income tax for the year	-	-	10,387	(526)	9,861
Other comprehensive income for the year, net of tax	-	-	-	-	-
Total comprehensive income/(loss) for the year	-	-	10,387	(526)	9,861
Contributions of equity, net of transaction costs	75	-	-	-	75
Employee Share Option Reserve	-	140	-	-	140
Increase/(decrease) in NCI	-	-	-	(7,994)	(7,994)
Dividends	-	-	(3,941)	(313)	(4,254)
<b>Balance at 30 June 2015</b>	<b>53,162</b>	<b>(6,908)</b>	<b>11,633</b>	<b>18,974</b>	<b>76,861</b>
Balance at 1 July 2013	18,677	(7,104)	3,663	2,220	17,456
Profit/(loss) after income tax for the year	-	-	3,863	(2,868)	995
Other comprehensive income for the year, net of tax	-	-	-	-	-
Total comprehensive income/(loss) for the year	-	-	3,863	(2,868)	995
Contributions of equity, net of transaction costs	34,410	-	-	-	34,410
Employee Share Option Reserve	-	56	-	-	56
Increase/(decrease) in non-controlling interests	-	-	-	28,959	28,959
Dividends	-	-	(2,339)	(504)	(2,843)
<b>Balance at 30 June 2014</b>	<b>53,087</b>	<b>(7,048)</b>	<b>5,187</b>	<b>27,807</b>	<b>79,033</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 2015



		Year ended	
		30 June 2015 \$'000	30 June 2014 \$'000
	Note		
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of GST)		51,817	30,216
Payments to suppliers and employees (inclusive of GST)		(46,813)	(28,500)
		5,004	1,716
Interest received		86	497
Interest and other finance costs paid		(588)	(577)
Income taxes paid		(1,672)	(1,155)
<b>Net cash provided by/(used in) operating activities</b>	41	<b>2,830</b>	<b>481</b>
<b>Cash flows from investing activities</b>			
Payment for acquisition of controlled entity, net of cash acquired		-	(23,984)
Cash acquired on purchase of controlled entity, net of cash payment for acquisition		-	2,062
Cash disposed on de-consolidation of a controlled entity		(1,264)	-
Payments for equity investments		(1,763)	(31,763)
Proceeds on disposal of equity investments		8,184	907
Payments for property, plant and equipment		(924)	(4,395)
Payments for intangibles		(382)	(5,133)
Loans (to)/from related and other parties		(516)	(6,460)
<b>Net cash provided by/(used in) investing activities</b>		<b>3,335</b>	<b>(68,766)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares		75	34,601
Issue of shares to non-controlling interests, net of returns of capital		(4,426)	37,534
Share issue transaction costs		-	(1,687)
Proceeds from borrowings		18,752	24,841
Repayment of borrowings		(10,174)	(14,439)
Dividends paid		(4,254)	(2,843)
<b>Net cash provided by/(used in) financing activities</b>		<b>(27)</b>	<b>78,007</b>
<b>Net increase in cash and cash equivalents</b>			
		<b>6,138</b>	<b>9,722</b>
Cash and cash equivalents at the beginning of the financial year		16,278	6,556
<b>Cash and cash equivalents at the end of the financial year</b>	9	<b>22,416</b>	<b>16,278</b>

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

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

### 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

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 2014.

#### PARENT ENTITY INFORMATION

In accordance with the *Corporations Act 2001*, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in Note 35.

### PRINCIPLES OF CONSOLIDATION

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Company as at 30 June 2015 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.

### 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 are charged on a regular basis and recognised as income at the time the services are provided. One-off transactional fees are charged when funds are initiated to compensate Blue Sky for costs associated with establishing the funds and acquiring the associated investments. This income is recognised at inception of the funds.

### 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 out performance 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, where material.

### 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.

### Revenue from motel operations

Hotel and restaurant revenue is recognised when the rooms are occupied and the services are performed.

### 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.

### Sales commissions

Sales commission revenue is recognised when the services to which it relates have been performed and the right to receive payment has been established. Typically, this is on the sale of an apartment.

### 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').

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

### NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 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.

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.

## 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.

## 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 (including infrastructure assets)	5 - 80 years
Motor vehicles	6 - 8 years
Office equipment	2 - 20 years

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

### NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

#### 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.

## DEFERRED REVENUE

Revenues are deferred and recorded as liabilities when the services to which the revenue relates have not yet been performed at the reporting date.

## 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, bonuses

Liabilities for wages and salaries, including non-monetary benefits, annual leave and bonuses in accordance with the Investment Company Bonus Policy are recognised in current and non-current liabilities depending on the expected date of settlement. Those expected to be settled within 12 months of the reporting date are recognised in current liabilities and are measured at the amounts expected to be paid when the liabilities are settled. Those not expected to be settled within 12 months of the reporting date are recognised in non-current liabilities and are measured using the present value of expected future payments.

### 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.

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.

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.

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

### NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 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.

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 2015, 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 GST, except:

- when the GST incurred on a sale or purchase of assets or services is not payable to or recoverable from the taxation authority, in which case the GST is recognised as part of the revenue or the expense item or as part of the cost of acquisition of the asset, as applicable;
- when receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as part of operating cash flows.



## 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.

### 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 15	Revenue from Contracts with Customers	AASB 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 AASB 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 2018	1 July 2018*
AASB 9	Financial Instruments	<p>AASB 9 <i>Financial Instruments (2009 or 2010 version)</i>, AASB 2009- 11 <i>Amendments to Australian Accounting Standards arising from AASB 9</i>, AASB 2010- 7 <i>Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)</i>, AASB 2012- 6 <i>Amendments to Australian Accounting Standards - Mandatory Effective Date of AASB 9 and Transition Disclosures</i> and AASB 2013-9 <i>Amendments to Australian Accounting Standards - Conceptual Framework, Materiality and Financial Instruments</i>.</p> <p>AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities. It has now also introduced revised rules around hedge accounting. The standard is not applicable until 1 January 2018 but is available for early adoption.</p> <p>The IASB in its July 2015 meeting decided to confirm its proposal to defer the effective date of IFRS 15 (the international equivalent of AASB 15) from 1 January 2017 to 1 January 2018. The amendments to give effect to the new effective date for IFRS 15 are expected to be issued in September 2015. At this time, it is expected that the AASB will make a corresponding amendment to AASB 15, which will mean that the application date of this standard for the Group will move from 1 July 2017 to 1 July 2018</p>	1 January 2017	1 July 2017*

\* The Group is current assessing the impact of these standards

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

### 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 in accordance with the Fund or Unit Trust Constitution. 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, where material.

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 43.

### 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 17 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.

### 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 10 *Consolidated Financial Statements*, 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.

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

### NOTE 3. OPERATING SEGMENTS

#### IDENTIFICATION OF REPORTABLE OPERATING SEGMENTS

The Group's core operating segment is Alternative Asset Management. This operating segment is based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources. The financial information below in relation to the core operating segment incorporates the results, assets and liabilities of the 100% owned subsidiaries of the Group as outlined in Note 36

There is no aggregation of operating segments.

The Group's non-core operating segment includes the various funds where control and/or significant influence exists in accordance with AASB 10. 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.

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

#### TYPES OF PRODUCTS AND SERVICES

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

##### Year ended 30 June 2015

	Core segment	Non-core segment	Adjustments and Eliminations	Consolidated
	\$'000	\$'000	\$'000	\$'000
Revenue	39,139	26,008	(605)	64,542
Profit/(loss) after income tax	10,208	4,679	(759)	14,128

##### As at 30 June 2015

	Core segment	Non-core segment	Adjustments and Eliminations	Consolidated
	\$'000	\$'000	\$'000	\$'000
Total assets	85,679	65,475	(20,790)	130,364
Total liabilities	31,316	26,648	(4,461)	53,503

##### Year ended 30 June 2014

	Core segment	Non-core segment	Adjustments and Eliminations	Consolidated
	\$'000	\$'000	\$'000	\$'000
Revenue	20,476	16,620	(1,873)	35,223
Profit/(loss) before income tax	5,402	(861)	(910)	3,631

##### As at 30 June 2014

	Core segment	Non-core segment	Adjustments and Eliminations	Consolidated
	\$	\$	\$	\$
Total assets	70,609	60,243	(18,574)	112,278
Total liabilities	18,432	18,855	(4,042)	33,245

#### NOTE 4. OPERATING REVENUE

	Year ended	
	30 June 2015 \$'000	30 June 2014 \$'000
Management fees	24,733	13,513
Performance fees	8,801	2,688
Responsible entity and trustee fees	1,009	660
Sales commissions	1,178	410
Interest revenue	1,160	701
Other revenue	1,707	254
Supply of water	6,148	3,705
Management and letting rights revenue	3,885	4,047
Apartment sales revenue	8,657	6,239
Revenue from motel operations	1,271	-
<b>Total operating revenue<sup>1</sup></b>	<b>58,549</b>	<b>32,217</b>

<sup>1</sup> Refer to Note 34 for information regarding revenue from related parties.

#### NOTE 5. SHARE OF PROFIT OF ASSOCIATES ACCOUNTED FOR USING THE EQUITY METHOD

	Year ended	
	30 June 2015 \$'000	30 June 2014 \$'000
Share of profit – associates (refer to Note 38)	3,650	2,699

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

	Year ended	
	30 June 2015 \$'000	30 June 2014 \$'000
Net gain/(loss) on financial assets held at fair value through profit or loss	595	97
Other income <sup>2</sup>	1,748	210
<b>Total other Income</b>	<b>2,343</b>	<b>307</b>

<sup>2</sup> Other income mainly relates to gains on disposal of investments held in associates.

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

### NOTE 7. OTHER EXPENSES

	Year ended	
	30 June 2015 \$'000	30 June 2014 \$'000
Rebates of transaction costs and fees - BSAAF Ltd	(3,264)	(1,215)
External capital raising costs	(3,045)	(1,125)
Fund wind-up expenses	(689)	-
Insurance	(428)	(196)
Gain/(loss) on contingent consideration - Investment Science Pty Ltd	(397)	-
Costs associated with apartment sales	(7,437)	(5,271)
Management and letting rights expenses	(4,414)	(3,828)
Costs associated with supply of water	(1,523)	(1,108)
Expenses from motel operations	(277)	-
Other	(815)	(27)
<b>Total other expenses</b>	<b>(22,289)</b>	<b>(12,770)</b>

### NOTE 8. INCOME TAX EXPENSE/(BENEFIT)

	Year ended	
	30 June 2015 \$'000	30 June 2014 \$'000
<b>Income tax expense/(benefit)</b>		
Current tax	3,058	1,404
Deferred tax	1,209	1,232
Aggregate income tax expense/(benefit)	4,267	2,636
Deferred tax included in income tax expense/(benefit) comprises:		
Decrease/(increase) in deferred tax assets (Note 18)	(901)	(407)
(Decrease)/increase in deferred tax liabilities (Note 18)	2,110	1,640
	1,209	1,233
<b>Numerical reconciliation of income tax expense/(benefit) to prima facie tax payable</b>		
Profit/(loss) before income tax	14,128	3,631
Tax at the Australian tax rate of 30%	4,239	1,089
<b>Tax effect amounts which are not deductible/(taxable) in calculating taxable income:</b>		
Franked distribution	(66)	(63)
Non-deductible expenses	265	73
Non-assessable income	(122)	1,537
Sundry items	(49)	-
Income tax expense/(benefit)	4,267	2,636
<b>Amounts charged directly to equity</b>		
Deferred tax assets (Note 18)	-	(450)
Deferred tax liabilities (Note 18)	-	-
	-	<b>(450)</b>

## NOTE 9. CASH AND CASH EQUIVALENTS

	As at	
	30 June 2015 \$'000	30 June 2014 \$'000
<b>Income tax expense/(benefit)</b>		
Cash on hand	-	-
Cash at bank	22,416	16,278
<b>Total cash and cash equivalents</b>	<b>22,416</b>	<b>16,278</b>

As at 30 June 2015, monies held on trust is nil (2014: \$108,654).

## NOTE 10. TRADE AND OTHER RECEIVABLES

	As at	
	30 June 2015 \$'000	30 June 2014 \$'000
<b>Current</b>		
Trade receivables	1,066	1,276
Other receivables	1,409	4,830
Performance fee receivable – related parties	3,430	971
Related party receivables (Note 34)	9,724	6,300
<b>Total current trade and other receivables</b>	<b>15,629</b>	<b>13,377</b>

## IMPAIRMENT OF TRADE RECEIVABLES

The Group has recognised a loss of \$nil (2014: \$nil) in profit or loss in respect of impairment of trade receivables for the year ended 30 June 2015.

	As at	
	30 June 2015 \$'000	30 June 2014 \$'000
<b>Current</b>		
0 - 1 month	549	930
1 - 2 months	122	112
Over 2 months	395	234
	<b>1,066</b>	<b>1,276</b>

## PAST DUE BUT NOT IMPAIRED TRADE RECEIVABLES

Customers with balances past due but without provision for impairment of trade receivables amount to \$517,488 as at 30 June 2015 (2014: \$345,902). 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.

The Directors have determined that no impairment of other receivables, performance fees receivable and related party receivables is required given the counter parties, the majority of which are related parties, and the expected timeframes of payment.

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

### NOTE 11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

	As at	
	30 June 2015 \$'000	30 June 2014 \$'000
<b>Current</b>		
Option to purchase land	935	-
<b>Total current financial assets at fair value through profit and loss</b>	<b>935</b>	<b>-</b>
<b>Non-current</b>		
Options in listed securities (BSAAF Ltd)	150	180
<b>Total non-current financial assets at fair value through profit and loss</b>	<b>150</b>	<b>180</b>

### FAIR VALUE OF FINANCIAL INSTRUMENTS

The Group classifies the fair value measurements of financial assets and financial liabilities using the 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.

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

As at 30 June 2015	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Assets</b>				
Options in listed securities	-	150	-	150
Option to purchase land	-	-	935	935
<b>Total assets</b>	<b>-</b>	<b>150</b>	<b>935</b>	<b>1,085</b>
<b>As at 30 June 2014</b>	<b>Level 1 \$'000</b>	<b>Level 2 \$'000</b>	<b>Level 3 \$'000</b>	<b>Total \$'000</b>
<b>Assets</b>				
Options in listed securities (BAF)	-	180	-	180
<b>Total assets</b>	<b>-</b>	<b>180</b>	<b>-</b>	<b>180</b>

**NOTE 11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (CONTINUED)**
**RECONCILIATION OF LEVEL 3 FINANCIAL INSTRUMENTS**

	As at	
	30 June 2015 \$'000	30 June 2014 \$'000
Opening Value	-	-
Additions	935	-
Disposals	-	-
<b>Closing Value</b>	<b>935</b>	<b>-</b>

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value. The carrying amounts of trade and other receivables, trade and other 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.

In relation to the option to purchase land held at 30 June 2015, the fair value has been determined with reference to the fair value of future cash flows to be received in relation to the financial asset.

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

### NOTE 12. INVENTORY

	As at	
	30 June 2015 \$'000	30 June 2014 \$'000
<b>Current</b>		
Cost of land acquisition	334	812
Development and other costs	3,708	1,959
Interest capitalised	101	281
<b>Total current inventory</b>	<b>4,143</b>	<b>3,052</b>
	As at	
	30 June 2015 \$'000	30 June 2014 \$'000
<b>Non-current</b>		
Cost of land acquisition	598	598
Development and other costs	766	758
Interest capitalised	181	174
<b>Total non-current inventory</b>	<b>1,545</b>	<b>1,530</b>

### NOTE 13. CURRENT ASSETS - OTHER

	As at	
	30 June 2015 \$'000	30 June 2014 \$'000
<b>Current</b>		
Prepayments	2,223	1,544
<b>Total other current assets</b>	<b>2,223</b>	<b>1,544</b>

### NOTE 14. RECEIVABLES

	As at	
	30 June 2015 \$'000	30 June 2014 \$'000
<b>Non-current</b>		
Related party receivables (Note 34)	3,645	1,230
Performance fees receivable – related parties	7,136	2,856
<b>Total non-current receivables</b>	<b>10,781</b>	<b>4,086</b>



## NOTE 15. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	As at	
	30 June 2015 \$'000	30 June 2014 \$'000
Blue Sky Private Equity Retirement Village Fund	8,779	5,669
Blue Sky Private Equity Software Services Fund	5,335	5,065
Blue Sky Water Fund	-	4,987
Blue Sky Alternatives Access Fund Limited	5,330	4,959
Other investments accounted for using the equity method	3,293	4,530
<b>Total non-current investments accounted for using the equity method</b>	<b>22,737</b>	<b>25,210</b>

At 30 June 2015, 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 voluntary 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 (13 June 2014).

## RECONCILIATION

	30 June 2015 \$'000	30 June 2014 \$'000
Opening value	25,210	3,382
Additions – investments in associates	1,031	19,204
Disposals – investments in associates	(7,154)	(75)
Share of Profit/(Loss) of associates for the year	3,650	2,699
<b>Closing value<sup>1</sup></b>	<b>22,737</b>	<b>25,210</b>

<sup>1</sup> Refer to Note 38 for additional information on investments in associates.

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

### NOTE 16. PROPERTY, PLANT AND EQUIPMENT

	As at	
	30 June 2015 \$'000	30 June 2014 \$'000
<b>Non-current</b>		
Land and Buildings – at cost	1,913	1,913
Less: Accumulated depreciation	(120)	(63)
	1,793	1,850
Plant and equipment – at cost	27,489	26,872
Less: Accumulated depreciation	(2,764)	(1,131)
	24,725	25,741
Motor vehicles – at cost	120	71
Less: Accumulated depreciation	(23)	(35)
	97	36
Motor vehicles – under lease	50	50
Less: Accumulated depreciation	(39)	(36)
	11	14
Office equipment – at cost	854	632
Less: Accumulated depreciation	(339)	(255)
	515	377
Leased asset – fit out	2,998	-
Less: Accumulated depreciation	-	-
	2,998	-
Office equipment – under lease	119	119
Less: Accumulated depreciation	(105)	(99)
	14	20
<b>Total property, plant and equipment</b>	<b>30,153</b>	<b>28,038</b>

### 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 \$'000	Plant and Equipment \$'000	Motor Vehicles \$'000	Leased motor vehicles \$'000	Office Equipment \$'000	Leased Asset Fit Out \$'000	Leased office Equipment \$'000	Total \$'000
<b>Consolidated</b>								
Balance at 1 July 2013	-	2,095	10	19	49	-	30	2,203
Additions	1,913	24,739	32	-	421	-	-	27,105
Disposals	-	-	-	-	-	-	-	-
Depreciation expense	(63)	(1,093)	(6)	(5)	(93)	-	(10)	(1,270)
Balance at 30 June 2014	1,850	25,741	36	14	377	-	20	28,038
Balance at 1 July 2014	1,850	25,741	36	14	377	-	20	28,038
Additions	-	609	84	-	222	2,998	-	3,913
Disposals	-	-	-	-	-	-	-	-
Depreciation expense	(57)	(1,625)	(23)	(3)	(84)	-	(6)	(1,798)
<b>Balance at 30 June 2015</b>	<b>1,793</b>	<b>24,725</b>	<b>97</b>	<b>11</b>	<b>515</b>	<b>2,998</b>	<b>14</b>	<b>30,153</b>

## NOTE 17. INTANGIBLES

	As at	
	30 June 2015 \$'000	30 June 2014 \$'000
<b>Non-current</b>		
Goodwill – at cost	13,006	13,020
Less: Impairment	(190)	(190)
	12,816	12,830
Management rights – at cost	5,985	5,985
Less: Accumulated amortisation	(286)	(138)
	5,699	5,847
Formation costs – at cost	-	333
Less: Accumulated amortisation	-	(333)
	-	-
Licenses and trademarks	11	11
Less: Accumulated amortisation	-	-
	11	11
Website – at cost	84	41
Less: Accumulated amortisation	(50)	(38)
	34	3
Software – at cost	488	288
Less: Accumulated amortisation	(154)	(48)
	334	240
Borrowing – at cost	18	18
Less: Accumulated amortisation	(12)	(6)
	6	12
<b>Total intangible assets</b>	<b>18,900</b>	<b>18,943</b>

## RECONCILIATIONS

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

	Goodwill \$'000	Management Rights \$'000	Formation Costs \$'000	Licenses & Trademark \$'000	Website Development \$'000	Software \$'000	Borrowing Costs \$'000	Total \$'000
<b>Consolidated</b>								
Balance at 1 July 2013	4,929	500	166	-	8	18	-	5,621
Additions	7,901	5,485	-	11	-	253	18	13,668
Disposals	-	-	-	-	-	-	-	-
Amortisation expense	-	(138)	(166)	-	(5)	(31)	(6)	(346)
Balance at 30 June 2014	12,830	5,847	-	11	3	240	12	18,943
Balance at 1 July 2014	12,830	5,847	-	11	3	240	12	18,943
Additions	-	-	-	-	42	340	-	382
Disposals	(14)	-	-	-	-	-	-	(14)
Amortisation expense	-	(148)	-	-	(11)	(246)	(6)	(411)
<b>Balance at 30 June 2015</b>	<b>12,816</b>	<b>5,699</b>	<b>-</b>	<b>11</b>	<b>34</b>	<b>334</b>	<b>6</b>	<b>18,900</b>

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

### NOTE 17. INTANGIBLES (CONTINUED)

#### 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 2015, 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 2015 (2014: nil). The Group performed its annual impairment test as at 30 June 2015. 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.

##### (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 inherent risks of the underlying assets. 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 \$12.5 million at 30 June 2015 (2014: \$4.9 million)

## NOTE 17. INTANGIBLES (CONTINUED)

### 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 3.5% of the contracted capacity from FY16 through to FY19, with no further growth beyond this. This is a conservative approach. If this growth is not achieved the asset may 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 13%, assumed volumes used by each existing customer to be 77%, reflecting the historic average volumes and 10% above the minimum 'take or pay' percentage in each customer contract (typically 66.6%). For all new customer contracts the minimum take or pay percentage of 66.6% was assumed. An increase in the discount rate of 2% or more may result in an impairment to this asset.

The recoverable amount has been calculated as \$26.7 million at 30 June 2015.

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

### NOTE 18. DEFERRED TAX

	As at	
	30 June 2015 \$'000	30 June 2014 \$'000
<b>Non-current assets – deferred tax</b>		
<i>The balance comprises temporary differences attributable to:</i>		
Tax losses	-	40
Property, plant & equipment	1	-
Employee benefits	374	181
Investments	104	263
Accrued expenses	684	104
Transaction costs on share issue	308	440
Unearned income	149	-
Other	709	440
Deferred tax asset	2,329	1,468
Set-off of deferred tax liabilities pursuant to set-off provisions	(1,577)	(1,428)
Net deferred tax assets	752	40
<b>Movements in deferred tax asset:</b>		
Opening balance	1,468	550
Credited/(charged) to profit or loss (Note 8)	901	407
Credited to equity	-	450
Deferred tax acquired in business combination	-	65
Tax losses	(40)	(4)
<b>Closing balance</b>	<b>2,329</b>	<b>1,468</b>
<b>Non-current liabilities – deferred tax</b>		
<i>The balance comprises temporary differences attributable to:</i>		
Property, plant & equipment	5,842	5,929
Accrued revenue	2,710	1,299
Investments	2,017	1,232
Prepayments	2	1
Deferred tax liability	10,571	8,461
Set off of deferred tax assets as per set-off provisions	(1,577)	(1,428)
Net deferred tax liabilities	8,994	7,033
<b>Movements in deferred tax liabilities:</b>		
Opening balance	8,461	834
Deferred tax acquired in business combination	-	5,987
Credited/(charged) to profit or loss (Note 8)	2,110	1,640
Charged to equity	-	-
<b>Closing balance</b>	<b>10,571</b>	<b>8,461</b>

## NOTE 19. TRADE AND OTHER PAYABLES

	As at	
	30 June 2015 \$'000	30 June 2014 \$'000
<b>Current</b>		
Trade payables	3,994	2,523
Other payables	822	1,477
Accrued expenses	2,463	330
Funds held in trust	-	109
Lease incentive liability	370	-
Related parties payable (Note 34)	100	114
<b>Total current trade and other payables</b>	<b>7,749</b>	<b>4,553</b>

## NOTE 20. BORROWINGS

	As at	
	30 June 2015 \$'000	30 June 2014 \$'000
<b>Current</b>		
Bank Loans	8,526	7,015
Other borrowings	3,007	3,833
Lease liability	13	22
<b>Total current borrowings</b>	<b>11,546</b>	<b>10,870</b>
	As at	
	30 June 2015 \$'000	30 June 2014 \$'000
<b>Non-current</b>		
Bank Loans	9,323	3,321
Other borrowings	-	13
<b>Total non-current borrowings</b>	<b>9,323</b>	<b>3,334</b>

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 and is secured by fully interlocking guarantees and indemnities by the Company and its 100% controlled subsidiaries. At 30 June 2015, the facility was fully drawn for \$7 million.

Other current and 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. Non-current borrowings also includes debt secured by Water Utilities Australia Investment Pty Ltd ATF Water Utilities Australia Investment Trust (WUAIT) for \$6 million. 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. 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 30 Financial Risk Management of the financial statements.

Refer to Note 30 for detailed information on financial instruments.

## FINANCIAL GUARANTEES

The Group has provided guarantees for the lease of business premises in Brisbane, Sydney and Melbourne 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 \$810,179 (2014: \$149,408).

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

### NOTE 21. DEFERRED REVENUE

	As at	
	30 June 2015 \$'000	30 June 2014 \$'000
<b>Current</b>		
Unearned income	3,572	2,208
Payments in advance for sale of water	309	-
<b>Total current deferred revenue</b>	<b>3,881</b>	<b>2,208</b>
	As at	
	30 June 2015 \$'000	30 June 2014 \$'000
<b>Non-current</b>		
Unearned income	1,293	961
Payments in advance for sale of water	580	1,240
<b>Total non-current deferred revenue</b>	<b>1,873</b>	<b>2,201</b>

### NOTE 22. INCOME TAX

	As at	
	30 June 2015 \$'000	30 June 2014 \$'000
<b>Current</b>		
Provision for income tax	2,717	1,369
<b>Total current income tax</b>	<b>2,717</b>	<b>1,369</b>

### NOTE 23. EMPLOYEE BENEFITS

	As at	
	30 June 2015 \$'000	30 June 2014 \$'000
<b>Current</b>		
Employee provisions	607	459
Salaries and superannuation	2,451	610
<b>Total current employee benefits</b>	<b>3,058</b>	<b>1,069</b>



**NOTE 24. PROVISIONS**

	As at	
	30 June 2015 \$'000	30 June 2014 \$'000
<b>Non-current</b>		
Employee provisions	250	105
<b>Total non-current provisions</b>	<b>250</b>	<b>105</b>

**NOTE 25. OTHER NON - CURRENT LIABILITIES**

	As at	
	30 June 2015 \$'000	30 June 2014 \$'000
<b>Non-current</b>		
Accrued expenses	200	-
Salary and superannuation	386	-
Contingent consideration – Investment Science Pty Ltd	898	503
Lease incentive liability	2,628	-
<b>Total other non-current liabilities</b>	<b>4,112</b>	<b>503</b>

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

### NOTE 26. EQUITY – CONTRIBUTED

	2015 Shares '000	2014 Shares '000	2015 \$'000	2014 \$'000
Ordinary shares – fully paid	56,383	56,308	53,162	53,087

#### MOVEMENTS IN ORDINARY SHARE CAPITAL

Details	Date	No of shares	Issue price	\$'000
Opening Balance	1 July 2013	32,546		18,677
Share issue	20 August 2013	4,882	\$1.40	6,835
Share issue	4 September 2013	1,562	\$1.40	2,186
Share issue	5 December 2013	5,848	\$1.50	8,773
Share issue	10 December 2013	6,857	\$1.50	10,286
Share issue	31 December 2013	4,352	\$1.50	6,528
Share issue	4 June 2014	261	\$2.34	610
Equity raising costs				(808)
<b>Closing Balance</b>	<b>30 June 2014</b>	<b>56,308</b>		<b>53,087</b>

Opening Balance	1 July 2014	56,308		53,087
Share issue	18 March 2015	75	\$1.00	75
Equity raising costs				-
<b>Closing Balance</b>	<b>30 June 2015</b>	<b>56,383</b>		<b>53,162</b>

#### SUMMARY OF ORDINARY SHARE CAPITAL

	As at	
	30 June 2015 \$'000	30 June 2014 \$'000
Opening balance – ordinary shares	53,087	18,677

#### Movements in ordinary share capital:

– Equity contributions	75	35,218
– Equity raising costs (net of tax)	-	(808)
Closing balance – ordinary shares	53,162	53,087

## ORDINARY SHARES

The Group had authorised share capital amounting to 56,383,360 ordinary shares at 30 June 2015.

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 27. EQUITY – RESERVES

	As at	
	30 June 2015 \$'000	30 June 2014 \$'000
Capital reserve	(7,436)	(7,436)
Share-based payments reserve	332	332
Employee share options reserve	196	56
	(6,908)	(7,048)

## MOVEMENTS IN RESERVES

	Employee share options reserve \$'000	Share based payments reserve \$'000	Capital reserve \$'000	Total reserves \$'000
Balance at 30 June 2013	-	332	(7,436)	(7,104)
Additions	56	-	-	56
Balance at 30 June 2014	56	332	(7,436)	(7,048)
Additions	140	-	-	140
<b>Balance at 30 June 2015</b>	<b>196</b>	<b>332</b>	<b>(7,436)</b>	<b>(6,908)</b>

## CAPITAL RESERVE

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

## 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.

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

### NOTE 28. EQUITY – RETAINED PROFITS/(ACCUMULATED LOSSES)

	As at	
	30 June 2015 \$'000	30 June 2014 \$'000
Retained profits/(accumulated losses) at the beginning of the financial year	5,187	3,663
Profit/(loss) after income tax/benefit for the year	10,387	3,863
Dividend (Note 29)	(3,941)	(2,339)
<b>Retained profits/(accumulated losses) at the end of the financial year</b>	<b>11,633</b>	<b>5,187</b>

### NOTE 29. EQUITY – DIVIDENDS

#### DIVIDENDS PAID

	As at	
	30 June 2015 \$'000	30 June 2014 \$'000
Dividends paid during the year (fully franked)	3,941	2,339
<b>Total dividends paid</b>	<b>3,941</b>	<b>2,339</b>

#### FRANKING CREDITS

	As at	
	30 June 2015 \$'000	30 June 2014 \$'000
Franking credits available at the reporting date based on a tax rate of 30%	(66)	582
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%	2,717	964
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%	2,717	1,546
Franking credits that will be used from the payment of dividends declared subsequent to the reporting date based on a tax rate of 30%	(2,658)	(1,689)
	<b>(7)</b>	<b>(143)</b>

## NOTE 30. 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'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.

#### Sensitivity analysis

Based on the financial assets held at fair value through profit or loss at 30 June 2015 as shown in Note 11, the sensitivity on the Group's operating profit before tax from a 10% decrease in the overall earnings stream of the valuations performed could have the following impact:

	30 June 2015 \$'000	30 June 2014 \$'000
Impact on operating profit before tax	(111)	(18)

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 before tax from a decrease of 50 basis points in floating interest rates, assuming all other variables remain constant is:

	30 June 2015 \$	30 June 2014 \$
Impact on operating profit before tax	23	2

An increase of 50 basis points in floating interest rates would have an equal but opposite effect on the operating profit before tax.

#### 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.

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

### NOTE 30. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

#### 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.

#### 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.

Year ended 30 June 2015	1 year or less	Between 1 and 5 years	Over 5 years	Remaining contractual maturities
	\$'000	\$'000	\$'000	\$'000
Interest-bearing loans and borrowings	11,546	9,323	-	-
Trade and other payables	7,749	-	-	-
Other commitments (not recognised in liabilities)	1,499	6,596	4,264	-
<b>Total</b>	<b>20,794</b>	<b>15,919</b>	<b>4,264</b>	<b>-</b>

Year ended 30 June 2014	1 year or less	Between 1 and 5 years	Over 5 years	Remaining contractual maturities
	\$'000	\$'000	\$'000	\$'000
Interest-bearing loans and borrowings	10,870	3,334	-	-
Trade and other payables	4,553	-	-	-
Other commitments (not recognised in liabilities)	369	332	-	-
<b>Total</b>	<b>15,792</b>	<b>3,666</b>	<b>-</b>	<b>-</b>

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 31. KEY MANAGEMENT PERSONNEL DISCLOSURES

### DIRECTORS

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

- John Kain (Chair)
- 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)
- David Mitchell (Company Secretary)

### COMPENSATION

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

	Year ended	
	30 June 2015 \$'000	30 June 2014 \$'000
Short-term employee benefits	1,425	1,099
Post-employment benefits and long service leave	160	122
Share based payments	1	1
<b>Total</b>	<b>1,586</b>	<b>1,222</b>

### 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 '000	Granted as Remuneration '000	Additions '000	Disposals/other '000	Balance at the end of the year '000
<b>2015</b>					
<b>Ordinary Shares</b>					
Mark Sowerby	10,000	-	-	(500)	9,500
Alexander McNab	1,004	-	-	-	1,004
John Kain	1,078	-	110	-	1,188
Tim Wilson	1,800	-	-	-	1,800
Jane Prior	156	-	-	-	156
David Mitchell	-	-	-	-	-
	<b>14,038</b>	<b>-</b>	<b>110</b>	<b>(500)</b>	<b>13,648</b>

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

### NOTE 31. KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

#### 2014

##### Ordinary Shares

Mark Sowerby	10,899	-	-	(899)	10,000
Alexander McNab	1,163	-	-	(159)	1,004
John Kain	893	-	258	(73)	1,078
Tim Wilson	1,860	-	-	(60)	1,800
Jane Prior	156	-	-	-	156
	<b>14,971</b>	<b>-</b>	<b>258</b>	<b>(1,191)</b>	<b>14,038</b>

### 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 '000	Granted as Remuneration '000	Option exercised '000	Balance at the end of the year '000	Total '000	Exercised '000	Not exercisable '000
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#### 2015

##### Share Options

Jane Prior	75	-	-	75	75	-	56
Total	75	-	-	75	75	-	56

#### 2014

##### Share Options

Jane Prior	-	75	-	75	75	-	75
Total	-	75	-	75	75	-	75

### SHARE BASED COMPENSATION

All performance rights issued in prior years had vested by 30 June 2014. No performance rights were issued, or other share based compensation made, during the year ended 30 June 2015.

### RELATED PARTY TRANSACTIONS

Related party transactions are set out in Note 34.



## NOTE 32. 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:

	Year ended	
	30 June 2015 \$	30 June 2014 \$
<b>Audit services – Ernst &amp; Young</b>		
Audit or review of financial report	252,500	280,008
<b>Other services – Ernst &amp; Young</b>		
Accounting, due diligence and taxation advice	167,425	309,417
<b>Total remuneration of auditors</b>	<b>419,925</b>	<b>589,425</b>

## NOTE 33. COMMITMENTS FOR EXPENDITURE

	Year ended	
	30 June 2015 \$'000	30 June 2014 \$'000
<b>Lease commitments – operating</b>		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	1,499	369
One to five years	6,596	332
More than five years	4,264	-
<b>Total commitment</b>	<b>12,359</b>	<b>701</b>
<b>Lease commitments – finance</b>		
Committed at the reporting date and recognised as liabilities, payable:		
Within one year	13	15
One to five years	-	13
More than five years	-	-
<b>Total commitment</b>	<b>13</b>	<b>28</b>
<b>Application commitment</b>		
Committed at the reporting date and recognised as liabilities, payable:		
Within one year	70	70
One to five years	-	-
More than five years	-	-
<b>Total commitment</b>	<b>70</b>	<b>70</b>

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

### NOTE 34. RELATED PARTY TRANSACTIONS

#### ULTIMATE PARENT ENTITY

Blue Sky Alternative Investments Limited is the ultimate parent entity of the entities defined as subsidiaries in Note 36. These subsidiaries manage unit trusts and funds of the related entities detailed below:

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 Darra Industrial Income Fund  
Blue Sky Hotel Fund  
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 4 – Kelvin Grove  
Blue Sky Private Equity Early Learning Fund  
Blue Sky Private Equity 2010 Trust  
Blue Sky Private Equity 2010 Institutional Trust  
Blue Sky Private Equity Hospital Pharmacy Services Fund  
Blue Sky Private Equity Origo Education Fund  
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 Residential Asset Income Fund 1  
Blue Sky RAMS Riverway Point Trust  
Blue Sky Residential Developments Fund  
Blue Sky Residential Developments Fund No. 2  
Blue Sky Residential Developments Fund-19 Railway Terrace  
Blue Sky Student Accommodation Fund  
Blue Sky Student Accommodation Fund II  
Blue Sky Student Accommodation Fund III  
Blue Sky Student Accommodation Fund IV  
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  
Carl Street Woolloongabba Trust  
Coronation Drive Toowong Trust  
Duke Street Kangaroo Point Trust  
Flora Street Greenslopes Trust  
Gladys Street Greenslopes Trust  
Grantson Street Windsor Trust  
Logan Road Greenslopes Trust  
Main Street Kangaroo Point Trust  
Milky Way Development 2 Unit Trust  
Milky Way Development 4 Unit Trust  
Railway Terrace Milton Trust  
Regent Street Woolloongabba Trust  
Regina Street Greenslopes Trust  
Blue Sky RAMS Management Rights Income Fund 4  
Blue Sky RAMS Plantations Fund  
Water Utilities Australia Fund  
Water Utilities Australia Fund 2

#### OTHER RELATED PARTIES INCLUDE:

Alchemy Holdings Pty Ltd  
Alcidion Corporation Pty Ltd  
Balance Carbon Pty Ltd  
Blue Sky Infrastructure Trust  
Commstrat Limited  
Enthalpy Pty Ltd  
Foundation Early Learning Ltd  
Four Eyes Pty Ltd  
Hatchtech Pty Ltd  
Heylets, Inc  
HPS Holdings Group (Aust) Pty Ltd  
Lenard's Group Holdings Pty Ltd  
Lightsview Rewater Infrastructure Trust  
Lightsview Rewater Supply Co Pty Ltd  
Milk & Co Pty Ltd  
Millell Pty Ltd T/A Paws for Life  
Noortquip Rentals Pty Ltd  
Oak Tree Holdings Pty Ltd  
OICS Holdings Pty Ltd  
Orthopaedics, Inc  
ParcelPoint Pty Ltd  
Q Energy Ltd  
Readify Pty Ltd  
Serene Medical, Inc  
Water Utilities Australia Infrastructure Trust  
Water Utilities Australia Investment Trust  
Water Utilities Australia Pty Ltd  
Wild Breads Pty Ltd

## NOTE 34. RELATED PARTY TRANSACTIONS (CONTINUED)

### ASSOCIATES

Blue Sky Alternative Investments Limited is associated to interests as defined as Associates as set out in Note 38.

### KEY MANAGEMENT PERSONNEL

Details of key management personnel are set out in Note 31.

### INVESTMENTS WITH RELATED PARTIES – 2015

#### Related party investments in related trusts

As at June 30 2015

	KMP \$'000	BSAIL \$'000
Blue Sky Agriculture Fund	100	200
Blue Sky Alternatives Access Fund Limited	1,101	5,000
Blue Sky Beach Burrito Company Fund	50	-
Blue Sky Carbon Services Trust	35	-
Blue Sky Construction Services Convertible Note Trust	20	-
Blue Sky Mining Services Trust	60	-
Blue Sky Private Equity 2010 Institutional Trust	65	1,486
Blue Sky Private Equity Early Learning Fund	45	-
Blue Sky Private Equity Retirement Village Fund	100	4,350
Blue Sky Private Equity Software Services Fund	25	3,500
Blue Sky Private Equity Wild Breads Fund	50	-
Blue Sky Private Real Estate Riverside Gardens Trust	111	1,200
Blue Sky RAMS Management Rights Income Fund 1	-	128
Blue Sky RAMS Management Rights Income Fund 2	-	1,200
Blue Sky RAMs Plantations Fund	-	42
Blue Sky RAMS Residential Asset Income Fund 1	-	418
Blue Sky VC2012 Fund LP	175	175
Blue Sky VC Milk Fund	530	200
Duke Street Kangaroo Point Trust	-	125
Fernleigh Paddocks Management Trust	71	-
Milky Way Development 2 Unit Trust	144	-
Milky Way Development 4 Unit Trust	150	-
Water Utilities Australia	-	6,048
Water Utilities Australia 2	-	1,230
<b>Total</b>	<b>2,832</b>	<b>25,302</b>

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

### NOTE 34. RELATED PARTY TRANSACTIONS (CONTINUED)

#### INVESTMENTS WITH RELATED PARTIES – 2014

##### Related party investments in related trusts

	As at June 30 2014	
	KMP \$'000	BSAIL \$'000
24 Brookes Street Bowen Hills Trust	20	-
37 Regent Street Woolloongabba Trust	-	100
44 Brookes Street Bowen Hills Development Trust	-	60
Alice Street Kedron Trust	-	100
Blue Sky Agriculture Fund	-	200
Blue Sky Alternatives Access Fund Limited	1,000	5,000
Blue Sky Beach Burrito Company Fund	50	-
Blue Sky Carbon Services Trust	35	-
Blue Sky Construction Services Convertible Note Trust	20	-
Blue Sky Mezzanine Fund 3 – Bundock Street	-	358
Blue Sky Mezzanine Fund 4 – Kelvin Grove	-	500
Blue Sky Mining Services Unit Trust	60	-
Blue Sky Private Equity 2010 Institutional Trust	65	1,486
Blue Sky Private Equity Paws for Life Fund	-	-
Blue Sky Private Equity Retirement Village Fund	100	4,350
Blue Sky Private Equity Software Services Fund	-	3,500
Blue Sky Private Real Estate Riverside Gardens Trust	111	1,200
Blue Sky RAMS Management Rights Income Fund 1	-	250
Blue Sky RAMS Management Rights Income Fund 2	-	1,200
Blue Sky RAMS Management Rights Income Fund 3	-	350
Blue Sky RAMS Management Rights Income Fund 4	-	200
Blue Sky RAMS Residential Asset Income Fund 1	-	425
Blue Sky VC2012 Fund LP	150	175
Blue Sky VC Milk Fund	530	200
Blue Sky Water Fund	-	5,277
Carl Street Woolloongabba Trust	-	100
Coronation Drive Toowong Trust	-	100
Fernleigh Paddocks Management Trust	71	-
Grantson Street Windsor Trust	-	75
Milky Way Development 2 Unit Trust	145	-
Milky Way Development 4 Unit Trust	150	-
Milton Railway Terrace Trust	-	100
Regent Street Woolloongabba Trust	-	190
Regina Street Greenslopes Trust	-	100
The Paradise Motor Homes Investment Trust	51	-
Water Utilities Australia	-	7,875
Water Utilities Australia 2	-	1,500
<b>Total</b>	<b>2,558</b>	<b>34,971</b>

## NOTE 34. RELATED PARTY TRANSACTIONS (CONTINUED)

### FEES

The Company provides management services to related entities.

	Year ended	
	30 June 2015 \$'000	30 June 2014 \$'000
<b>Revenue from associates</b>		
Management fees	8,221	8,772
Responsible entity revenue	540	350
Performance fees	7,189	1,411
Other revenue <sup>1</sup>	6,602	4,258
<b>Total</b>	<b>22,552</b>	<b>14,791</b>
<b>Revenue from related entities</b>		
Management fees	16,445	5,852
Responsible entity revenue	550	420
Performance fees	1,612	1,277
Other revenue <sup>1</sup>	2,242	1,400
<b>Total</b>	<b>20,849</b>	<b>8,949</b>
<b>Total revenue from related parties</b>	<b>43,401</b>	<b>23,740</b>

<sup>1</sup> A significant portion of these balances relates to share of profit from associates and sales commissions.

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

### NOTE 34. RELATED PARTY TRANSACTIONS (CONTINUED)

#### RECEIVABLE FROM AND PAYABLE TO RELATED PARTIES

Balances held with related parties as disclosed in trade and other receivables in Note 10, receivables in Note 14 and trade and other payables in Note 19, are shown below:

	Year ended	
	30 June 2015 \$'000	30 June 2014 \$'000
<b>Receivables</b>		
Current trade and other receivables from associate	2,684	247
Current trade and other receivables from related parties <sup>2</sup>	7,040	6,053
Non-current trade and other receivables from associates	1,268	-
Non-current trade and other receivables from related parties <sup>3</sup>	2,377	1,230
<b>Total</b>	<b>13,369</b>	<b>7,530</b>
<b>Current payables</b>		
Trade and other payables to associate	11	35
Trade and other payable to related parties	89	79
<b>Total</b>	<b>100</b>	<b>114</b>

2 A significant portion of this balance relates to bridging finance provided to funds managed by the Group.

3 \$679,912 of 'non-current trade and other receivables from related parties' are for loans provided to Directors of the Group.

#### LOANS TO RELATED PARTIES

The Group has loans owing from related parties and associates at 30 June 2015. These loans are provided on commercial terms with interest being charged at interest rates ranging from 10% to 12% per annum (2014: 10% to 12% per annum).

Where loans have been made to Blue Sky employees (including KMP), interest has been charged at interest rates ranging from 5.09% to 5.70% per annum (2014: 5.41% per annum)..

#### OTHER RELATED PARTY TRANSACTIONS

Blue Sky Alternatives Access Fund Limited (the 'Alternatives Fund') a related party of the Group, earned \$3,264,036 of rebates of transaction costs and fees from the Company in the year ended 30 June 2015 (2014: \$1,014,660). 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 of its pro-rated share of transaction costs and establishment fees) incurred on an Authorised Investment into any of the Group's eligible entities.

## NOTE 35. PARENT ENTITY INFORMATION

Set out below is the supplementary information about the parent entity

### STATEMENT OF COMPREHENSIVE INCOME

	Year ended	
	30 June 2015 \$'000	30 June 2014 \$'000
Profit/(loss) after income tax	(8,058)	(4,256)
<b>Total comprehensive income</b>	<b>(8,058)</b>	<b>(4,256)</b>

### STATEMENT OF FINANCIAL POSITION

	As at	
	30 June 2015 \$'000	30 June 2014 \$'000
Total current assets	8,936	12,273
Total assets	51,904	68,496
Total current liabilities	13,743	25,579
Total liabilities	17,492	26,242
<b>Equity</b>		
Contributed equity	53,162	53,087
Reserves	529	388
Retained profits/(accumulated losses)	(19,279)	(11,221)
<b>Total equity</b>	<b>34,412</b>	<b>42,254</b>

### 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.

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

### NOTE 36. 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	Principal place of business	Equity holdings	
		30 June 2015 %	30 June 2014 %
Blue Sky Private Equity Ltd	Australia	100%	100%
BSPE Pty Ltd	Australia	100%	100%
Blue Sky Private Real Estate Pty Ltd	Australia	100%	100%
Blue Sky Residential Asset Managers Pty Ltd	Australia	100%	100%
Blue Sky Apeiron Pty Ltd	Australia	100%	100%
Blue Sky Water Partners Pty Ltd	Australia	100%	100%
BSAI International Pty Ltd	Australia	100%	100%
BSVC Pty Ltd	Australia	100%	100%
Blue Sky VC GP Pty Ltd	Australia	100%	100%
Blue Sky Alternative Investment LLC	USA	100%	100%
Blue Sky Investment Science Pty Ltd	Australia	100%	100%
Blue Sky Investment Science Asset Management Pty Ltd	Australia	100%	100%
Blue Sky SRA Alliance Pty Ltd	Australia	100%	100%
Blue Sky Opportunity Fund Pty Ltd	Australia	100%	-
BSPE SPV 1 Pty Ltd	Australia	100%	-
BSPE SPV 2 Pty Ltd	Australia	100%	-
Blue Sky Commercial Asset Managers Pty Ltd	Australia	100%	-
Blue Sky Residential Development Managers Pty Ltd	Australia	100%	-
BSPRE Investment Management Pty Ltd	Australia	100%	-
Flora Street Holdings Pty Ltd	Australia	100%	-
La Trobe Street Property Pty Ltd	Australia	100%	-
Merivale Street Property Pty Ltd	Australia	100%	-
Blue Sky Hotel Assets Pty Ltd	Australia	100%	-
Waymouth Street Property Pty Ltd	Australia	100%	-
Blue Sky Private Real Estate Projects Pty Ltd	Australia	100%	-
Riverside Gardens Trust	Australia	48%	48%
Water Utilities Australia Fund	Australia	49%	50%
Water Utilities Australia Fund 2	Australia	23%	40%
Blue Sky RAMS Management Rights Income Fund 2	Australia	33%	33%
Blue Sky Mezzanine Fund 4	Australia	-	37%

During the year ended 30 June 2015, the Group incorporated twelve new 100% owned subsidiaries, eleven of which are either Trustee companies or new investment management companies.

In relation to Mackay Opco Pty Ltd, this was incorporated on 24 July 2014 for the purpose of acquiring and operating a motel business which operates on the freehold land and buildings owned by a related party of the Group, the Residential Asset Income Fund 1. Subsequently, on 1 January 2015 the ownership of this company was transferred for nil consideration to a related party of the Group, being the Residential Asset Income Fund 1.

Refer to Note 39 for information in relation to Water Utilities Australia Fund 2 and Blue Sky Mezzanine Fund 4 being deconsolidated during the year.



## NOTE 37. 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	30 June 2015 %	30 June 2014 %
Riverside Gardens Trust	52	52
Water Utilities Australia Fund	51	50

### Accumulated balances of material non-controlling interest:

Name of entity	30 June 2015 \$'000	30 June 2014 \$'000
Riverside Gardens Trust	483	378
Water Utilities Australia Fund	18,024	23,326

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

Name of entity	30 June 2015 \$'000	30 June 2014 \$'000
Riverside Gardens Trust	255	240
Water Utilities Australia Fund	(97)	(1,127)

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 – 2015

	Riverside Gardens Trust \$'000	Water Utilities Australia \$'000
Revenue	8,658	6,194
Expenses	(8,170)	(6,815)
Profit/(loss) before income tax	488	(621)
Income tax benefit/(expense)	-	155
Profit/(loss) for the year from continuing operations	488	(466)
<b>Total comprehensive income</b>	<b>488</b>	<b>(466)</b>
Attributable to non-controlling interests	255	(97)
Dividends paid to non-controlling interests	(131)	-

### SUMMARISED STATEMENT OF PROFIT OR LOSS – 2014

	Riverside Gardens Trust \$'000	Water Utilities Australia \$'000
Revenue	6,239	3,706
Expenses	(5,779)	(6,758)
Profit/(loss) before income tax	460	(3,052)
Income tax benefit/(expense)	-	(172)
Profit/(loss) for the year from continuing operations	460	(3,224)
<b>Total comprehensive income</b>	<b>460</b>	<b>(3,224)</b>
Attributable to non-controlling interests	240	(1,127)
Dividends paid to non-controlling interests	(262)	-

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

### SUMMARISED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2015

	Riverside Gardens Trust \$'000	Water Utilities Australia \$'000
Current Assets	4,019	2,881
Non-Current Assets	1,008	26,791
Current Liabilities	(4,592)	(1,711)
Non-Current Liabilities	-	(12,394)
<b>Total equity</b>	<b>435</b>	<b>15,567</b>
<b>Attributable to:</b>		
- Equity holders of parent	(48)	(2,457)
- Non-controlling interest	483	18,024

### SUMMARISED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2014

	Riverside Gardens Trust \$'000	Water Utilities Australia \$'000
Current Assets	3,218	3,273
Non-Current Assets	994	25,526
Current Liabilities	(3,996)	(1,473)
Non-Current Liabilities	-	(6,543)
<b>Total equity</b>	<b>216</b>	<b>20,783</b>
<b>Attributable to:</b>		
- Equity holders of parent	(162)	(2,543)
- Non-controlling interest	378	23,326

### SUMMARISED CASH FLOW INFORMATION FOR THE YEAR ENDED 30 JUNE 2015

	Riverside Gardens Trust \$'000	Water Utilities Australia \$'000
Operating	(2,169)	982
Investing	122	(590)
Financing	1,914	(344)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(133)</b>	<b>48</b>

### SUMMARISED CASH FLOW INFORMATION FOR THE YEAR ENDED 30 JUNE 2014

	Riverside Gardens Trust \$'000	Water Utilities Australia \$'000
Operating	243	(2,496)
Investing	-	(32,163)
Financing	(139)	34,952
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>104</b>	<b>293</b>

## NOTE 38. INVESTMENTS IN ASSOCIATES

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

### 1. PRIVATE EQUITY

Specialise in developing funds that deploy capital to growing Australian companies, primarily as 'expansion capital' or 'late stage venture capital' and typically take a meaningful equity stake in each investee company.

### 2. PRIVATE REAL ESTATE

Specialise in developing funds that include a range of real estate investments including 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

Specialise in developing funds that include three types of investments: water entitlements (which are perpetual rights to access a share of a defined water resource such as a river system), agricultural farmland and water infrastructure.

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

Associate	Percentage interest	
	30 June 2015 %	30 June 2014 %
Blue Sky Private Equity Retirement Village Fund	17.84	17.84
Blue Sky Private Equity Software Services Fund	20.25	20.25
Blue Sky Alternatives Access Fund Limited	6.21	8.28

## SUMMARY – 2015

	Blue Sky Private Equity Retirement Village Fund	Blue Sky Private Equity Software Services Fund	Blue Sky Alternatives Access Fund Limited
	\$'000	\$'000	\$'000
<b>Share of assets and liabilities</b>			
Current assets	11	375	5,003
Non-current assets	54,155	24,113	81,698
Total assets	54,166	24,488	86,701
Current liabilities	(4,844)	(1,367)	(2,862)
Non-current liabilities	-	-	(677)
Total liabilities	(4,844)	(1,367)	(3,539)
<b>Net assets/(liabilities)</b>	<b>49,322</b>	<b>23,121</b>	<b>83,162</b>
Proportion of the Group's ownership	17.84%	20.25%	6.21%
<b>Carrying amount of the investment</b>	<b>8,799<sup>1</sup></b>	<b>4,682<sup>1</sup></b>	<b>5,164<sup>1</sup></b>
<b>Share of revenue, expenses and results</b>			
Revenue	21,028	1,926	7,582
Expenses	(3,599)	(590)	(2,912)
<b>Profit/(loss) for the year</b>	<b>17,429</b>	<b>1,336</b>	<b>4,670</b>
<b>Group's share of profit for the year</b>	<b>3,109</b>	<b>271</b>	<b>290</b>

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

### NOTE 38. INVESTMENTS IN ASSOCIATES (CONTINUED)

#### SUMMARY – 2014

	Blue Sky Private Equity Retirement Village Fund	Blue Sky Private Equity Software Services Fund	Blue Sky Alternatives Access Fund Limited
	\$'000	\$'000	\$'000
<b>Share of assets and liabilities</b>			
Current assets	102	44	20,908
Non-current assets	33,127	23,980	40,707
Total assets	33,229	24,024	61,615
Current liabilities	(1,336)	(1,142)	(2,947)
Non-current liabilities	-	-	-
Total liabilities	(1,336)	(1,142)	(2,947)
<b>Net assets/(liabilities)</b>	<b>31,893</b>	<b>22,882</b>	<b>58,668</b>
Proportion of the Group's ownership	17.84%	20.25%	8.28%
<b>Carrying amount of the investment</b>	<b>5,689<sup>1</sup></b>	<b>4,634<sup>1</sup></b>	<b>4,858<sup>1</sup></b>
<b>Share of revenue, expenses and results</b>			
Revenue	10,846	9,358	1,083
Expenses	(1,805)	(1,632)	(1,578)
<b>Profit/(loss) for the year</b>	<b>9,041</b>	<b>7,726</b>	<b>(495)</b>
<b>Group's share of profit for the year</b>	<b>1,613</b>	<b>1,565</b>	<b>(41)</b>

1 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 15 as a result of changes in the investment percentage held by the Group throughout the year where applicable and establishment costs incurred prior to the Group's investment.

## NOTE 39. 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 final assessment, with no changes being made from the provisional assessment, 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.

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.

Subsequently, the Group was considered to have lost control of this fund during the 2015 financial year as a result of an investment into the fund by a related party of the Group, the Blue Sky Alternatives Access Fund Limited. As such, the Water Utilities Australia Fund 2 was deconsolidated during the 2015 financial year, and is held as an investment accounted for using the equity method at 30 June 2015.

#### 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.

Subsequently, the Group deconsolidated this fund during the 2015 financial year as a result of the fund realising its investment, returning capital and profit to investors and being wound up.

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

### NOTE 39. BUSINESS COMBINATIONS (CONTINUED)

#### ACQUISITIONS

##### 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 of which has been calculated based on growth in assets under management and the continuation of key management personnel. A 10% increase in the growth in assets under management would have a \$151,264 impact on the value of the deferred consideration component at 30 June 2015.

The fair values below are based on a final assessment, with no changes being made from the provisional assessment, in accordance with AASB 3 *Business Combinations*.

#### 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.

	30 June 2014 \$'000
Cash (including commitments)	24,983
Services (in lieu of cash)	700
Scrip (actual and deferred)	1,113
<b>Total consideration transferred</b>	<b>26,796</b>

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

	30 June 2014 \$'000
Cash	3,062
Trade and other receivables	3,533
Sundry debtors	251
Property, plant and equipment	22,575
Prepayments	36
Management rights	385
Other assets	607
Trade and other payables	(8,574)
<b>Acquisition date fair value of identifiable net assets</b>	<b>21,875</b>

Goodwill arising from the acquisitions has been recognised as follows:

	30 June 2014 \$'000
Total consideration transferred	26,796
Non-controlling interest share of fair value of identifiable net assets	3,590
Acquisition date fair value of identifiable net assets	(21,875)
<b>Goodwill</b>	<b>8,511</b>

#### NOTE 40. EVENTS OCCURRING AFTER THE REPORTING DATE

On 24 August 2015, the Directors resolved to pay a final fully franked dividend of 11 cents per share in relation to the 2015 financial year. The record date for this dividend will be 11 September 2015 and the payment date will be 2 October 2015.

Other than this matter, there are no other subsequent events.

#### NOTE 41. RECONCILIATION OF PROFIT /(LOSS) AFTER INCOME TAX TO NET CASH USED IN OPERATING ACTIVITIES

	Year ended	
	30 June 2015 \$'000	30 June 2014 \$'000
Profit/(loss) after income tax expense for the year	9,861	995
<b>Non-cash adjustments to reconcile profit after tax to net cash flows from operations:</b>		
Depreciation and amortisation	2,209	1,616
Share of profit of associate	(3,650)	(2,699)
Share-based payments	140	56
Interest capitalised	475	466
Revaluation of investments	-	25
Revenue settled by recognition of investments	-	(1,675)
Gain on financial assets held at fair value in profit and loss	(595)	-
Proceeds on disposal of investment held in associates	(1,749)	-
Other	(7)	-
<b>Change in operating assets and liabilities</b>		
(Increase)/Decrease in trade and other receivables	(8,860)	(6,118)
(Increase)/Decrease in inventories	(2,007)	(1,622)
(Increase)/Decrease in deferred tax assets	(841)	4
(Increase)/Decrease in other operating assets	(1,303)	915
Increase/(Decrease) in trade and other payables	2,315	1,018
Increase/(Decrease) in deferred revenue – current	1,644	-
Increase/(Decrease) in deferred revenue – non-current	(329)	-
Increase/(Decrease) in income tax provision	1,347	510
Increase/(Decrease) in deferred tax liabilities	1,961	6,704
Increase/(Decrease) in employee benefits	1,989	286
Increase/(Decrease) in other non-current liabilities	105	-
Increase/(Decrease) in other provisions	125	-
<b>Net cash used in operating activities</b>	<b>2,830</b>	<b>481</b>

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

### NOTE 42. EARNINGS PER SHARE

	Year ended	
	30 June 2015 \$'000	30 June 2014 \$'000
Profit/(loss) after income tax	9,861	995
Non-controlling interest	526	2,868
Earnings for earnings per share calculation	10,387	3,863
Weighted average number of ordinary shares used in calculating basic earnings per share	56,330	47,314
Weighted average number of ordinary shares and ordinary shares under option used in calculating diluted earnings per share:	57,618	47,589
<b>EPS (cents)</b>	<b>18.44</b>	<b>8.16</b>
<b>Diluted EPS (cents)</b>	<b>18.03</b>	<b>8.12</b>



## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015



### NOTE 43. SHARE-BASED PAYMENTS

	2015 Number '000	2015 WAEP	2014 Number '000	2014 WAEP
<b>Outstanding at 1 July</b>	<b>1,485</b>	<b>\$1.52</b>	<b>1,100</b>	<b>1.00</b>
Granted during the year	1,410	\$2.51	385	\$2.99
Forfeited during the year	-	-	-	-
Exercised during the year	(75)	-	-	-
Expired during the year	-	-	-	-
<b>Outstanding at 30 June</b>	<b>2,820</b>	<b>\$2.03</b>	<b>1,485</b>	<b>\$1.52</b>
Exercisable at 30 June	1,496	\$1.39	1,485	\$1.52

The weighted average remaining life for the share options outstanding as at 30 June 2015 was 3.59 years (2014: 3.92 years).

The weighted average fair value of options granted during the year was \$30,656 (2014: \$32,958).

The range of exercisable prices for options outstanding at the end of the year was \$1.00 to \$3.70 (2014: \$1.00 to \$3.70)

The information below lists the inputs to the models used for the years ended 30 June 2015 and 30 June 2014.

#### 2015

	Issue 1	Issue 2	Issue 3	Issue 4	Issue 5
Dividend yield (%)	3.98%	3.98%	3.98%	6.00%	5.43%
Expected volatility (%)	20.00%	20.00%	20.00%	20.00%	20.00%
Risk-free interest rate (%)	2.97%	2.45%	3.23%	2.75%	2.45%
Expected life of options (years)	5.00	4.63	5.00	2.38	4.00
Weighted average share price (\$)	\$2.89	\$2.70	\$1.82	\$0.98	\$1.86
Model used	Binomial	Binomial	Binomial	Binomial	Binomial

#### 2014

	Issue 1	Issue 2	Issue 3
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)	2.50	2.50	2.50
Weighted average share price (\$)	\$1.76	\$2.34	\$2.51
Model used	Binomial	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 \$140,000 (2014: \$56,099) expense in relation to share based payments in the 30 June 2015 financial statements.

The majority of share options issued vest evenly over a period of between four and five years should an accelerated vesting event not occur, and will be settled through the issue of shares once they are exercised.

## DIRECTORS' DECLARATION FOR THE YEAR ENDED 30 JUNE 2015

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 27 to 81, 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 2015 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

A handwritten signature in blue ink, appearing to read 'John Kain', with a large, stylized loop at the end.

**John Kain**  
**Chairman**

24 August 2015  
Brisbane

## INDEPENDANT AUDITORS REPORT



Ernst & Young  
111 Eagle Street  
Brisbane QLD 4000 Australia  
GPO Box 7878 Brisbane QLD 4001

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ey.com/au

## Independent auditor's report to the members of 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 2015, 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.

## INDEPENDANT AUDITORS REPORT (CONTINUED)

**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 2015 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 17 to 20 of the directors' report for the year ended 30 June 2015. 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 2015, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Paula McLuskie  
Partner  
Brisbane  
24 August 2015

## SUPPLEMENTARY INFORMATION



The following information is current as at 30 September 2015:

### a. Distribution of Shareholders

Category (size of holding):	Number	
	Ordinary	Redeemable
1 – 1,000	477	-
1,001 – 5,000	830	-
5,001 – 10,000	402	-
10,001 – 100,00	511	-
100,001 and over	60	-

### b. The number of shareholdings held in less than marketable parcels is 24.

### c. The names of the substantial shareholders listed in the Company's register are:

	Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
BLUE DOG GROUP PTY LIMITED	9,400,000	16.62%
ADCOCK PRIVATE EQUITY PTY LTD	5,005,527	8.85%

### d. Voting Rights

The voting rights attached to each class of equity security are as follows:

Ordinary shares

- Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

**e. 20 Largest Shareholders – Ordinary Shares**

	<b>Name</b>	<b>Number of Ordinary Fully Paid Shares Held</b>	<b>% Held of Issued Ordinary Capital</b>
1	BLUE DOG GROUP PTY LIMITED	9,400,000	16.62%
2	ADCOCK PRIVATE EQUITY PTY LTD	5,005,527	8.85%
3	CITICORP NOMINEES PTY LIMITED	1,984,187	3.51%
4	PHENOMENON HOLDINGS PTY LIMITED	1,800,480	3.18%
5	BNP PARIBAS NOMS PTY LTD	1,163,030	2.06%
6	EMERALD HILL HOLDINGS PTY LTD	1,100,020	1.95%
7	ABN AMRO CLEARING SYDNEY NOMINEES PTY LTD	1,048,856	1.85%
8	DOCHART HOLDINGS PTY LIMITED	1,003,504	1.77%
9	GEOMAR SUPERANNUATION PTY LTD	950,000	1.68%
10	MR KIM SCOTT MORISON	909,376	1.61%
11	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	853,787	1.51%
12	CHRISTOPHER STACEY & PATRICIA ANN STACEY	778,529	1.38%
13	NATIONAL NOMINEES LIMITED	673,341	1.19%
14	RNAJ PTY LTD	521,143	0.92%
15	UBS WEALTH MANAGEMENT AUSTRALIA NOMINEES PTY LTD	509,900	0.90%
16	MRS SUSAN MARY TAYLOR	508,587	0.90%
17	STEENHUISEN SUPER PTY LTD	477,832	0.84%
18	EQUITAS NOMINEES PTY LIMITED	466,666	0.83%
19	BOND STREET CUSTODIANS LIMITED	427,446	0.76%
20	BT PORTFOLIO SERVICES LIMITED	423,732	0.75%

**f. Use of cash**

For the period 1 July 2014 to 30 June 2015, the Company and its controlled entities used its cash in a manner consistent with its business objectives.

# CORPORATE DIRECTORY



The following information is current as at 30 September 2015:

## DIRECTORS

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John Kain

Mark Sowerby

Tim Wilson

Alexander McNab

## COMPANY SECRETARY

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Jane Prior

David Mitchell

## REGISTERED OFFICE

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Level 46  
111 Eagle Street  
Brisbane QLD 4000  
(07) 3270 7500

## SHARE REGISTRY

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**Link Market Services Limited**

Level 15, 324 Queen Street  
Brisbane, QLD 4000

## AUDITOR

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**Ernst & Young**

111 Eagle Street  
Brisbane, QLD 4000

## STOCK EXCHANGE LISTINGS

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Blue Sky Alternative Investments Limited shares are listed on the Australian Securities Exchange.

## WEBSITE

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[www.blueskyfunds.com.au](http://www.blueskyfunds.com.au)



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