ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2016

BLUE SKY ALTERNATIVE INVESTMENTS LIMITED

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CHAIRMAN'S REPORT

Dear Shareholders

6 July 2016 marked the tenth anniversary since Blue Sky was founded. I have had the great pleasure of being involved with Blue Sky since that time. In that time I have never seen such strength in all aspects of the business – investment returns, investment pipeline, assets under management ('AUM'), balance sheet, earnings and team composition. I am therefore delighted to present this Annual Report to you as we look toward the next decade of our life from such a strong platform.

Financial

Blue Sky has reported underlying NPAT of $16.3 million, a 57% increase on last year's result (FY15: $10.4 million). Pleasingly, as the business continues to scale, our margins have also continued to expand in FY16. We expect that margin growth to continue in FY17 and beyond. The continued growth in NPAT has allowed Blue Sky to pay a fully franked dividend of $0.16 per share (FY15: $0.11 per share) in accordance with our dividend policy.

The driver of Blue Sky's performance is simple – investor returns. Returns (net of fees) to our fund investors of 16.7% since inception, has underpinned growth in both AUM and NPAT of more than 50% per annum for each of the last three years. We expect growth of this order to be sustained for the foreseeable future.

It is particularly satisfying to see that, whilst we witnessed strong growth in both revenue (44%) and NPAT (57%), our net operating cash flow has grown by 88% in FY16 to $11.5 million (FY15:$6.1 million). We anticipate ongoing strong operating cash flow growth as the business matures.

As part of our plans for future growth Blue Sky conducted a successful capital raise in May, raising $66.8 million through a placement and entitlement offer to shareholders. This has significantly strengthened our balance sheet with net tangible assets of more than $130 million (including cash of $62.9 million) on hand at 30 June 2016. This balance sheet will support us through the next wave of our growth.

Other achievements

Whilst Blue Sky's financial performance in FY16 has been pleasing there have been a number of strategic developments in the business which are important to our future growth and which also warrant mention. They include:

- The growth in institutional mandates, which now account for ~25% of AUM (up from 9% at 30 June 2015). That growth includes the mandate from Goldman Sachs to co-invest in our student accommodation projects. The continued growth in institutional mandates will help underpin future AUM growth.
- An established US business, with our Cove Property joint venture completing its first institutionally backed property project in New York and our private equity team completing our first US private equity investment in Washington DC. The US remains the world's largest capital market. Our US business will be a further substantial plank in our platform for long term growth – both for investment opportunities and capital.
- Further successful exits in both private equity and private real estate, bringing the number of successfully completed exits to 29. The sale of Readify to Telstra in June marked our largest private equity exit, delivering an IRR of 23.85% within three years.
- Blue Sky's admission to the ASX 300 in March. This has contributed to greater institutional support for, and liquidity in, our shares.

Leadership

Blue Sky has built a team of more than 80 genuinely world class individuals. As part of a broader transition within the business we have implemented a number of changes to allow our next generation of leaders in the business to drive future growth. As part of this transition we have appointed: Robert Shand as the new Managing Director of Blue Sky; Nick Dignam (Head of Blue Sky's Private Equity division) and Elaine Stead (Head of Blue Sky's Venture Capital division) (effective 30 September 2016) and Kim Morison (Head of Blue Sky's Real Assets division) (effective 31 March 2016) as executive directors of Blue Sky; and Lachlan McMurdo (effective 30 September 2016) and Laz Siapantas (effective 21 March 2016) as executive directors of the Blue Sky Alternatives Access Fund. Each have made a significant contribution to the business for sustained periods and bring different skills and experiences which will enhance the business.

Earlier this year we conducted a detailed review of Blue Sky's governance structures. That review recommended a number of changes, including to our board composition. Our Board resolved to make those changes and consequently appointed three new executive directors to Blue Sky, together with two new executive directors to Blue Sky Alternatives Access Fund. To complete the implementation of those recommendations, we expect to appoint additional independent directors to the Board over the next 12 months. The process to make those appointments has commenced.

Whilst I have separately written to shareholders about the retirement of our founder Mark Sowerby, it would be remiss of me not to recognise the extraordinary role which Mark has played over the last 10 years in conceiving the Blue Sky vision and then assembling the team to deliver it. Mark's vision and drive have not only positioned Blue Sky as Australia's leading diversified alternative asset manager, but more importantly have had a material positive influence on the wealth and financial independence of more than 10,000 Australians who have directly or indirectly invested in Blue Sky, the Blue Sky Alternatives Access Fund or our funds. On behalf of each of them, I thank Mark for all he has done.

On behalf of our shareholders, I also congratulate Robert Shand upon his appointment as our new Managing Director. I have had the great pleasure of working closely with Robert for six years, and look forward to continuing that relationship as we grow our business to $10 billion in AUM and beyond.

Yours faithfully

John Kain
Chairman | Blue Sky Alternative Investments Limited

MANAGING DIRECTOR'S REPORT

Dear Shareholders

Reaching the end of your first decade is an important milestone in any business and no more so than in ours where a ten year investment track record is not only fundamental to retaining and growing our investor base, but is also a powerful source of competitive advantage. As a business, we have delivered investor returns since inception of 16.7% per annum (net of fees) across the four major alternative asset classes. We have also had 29 realisations in Private Equity, Venture Capital and Private Real Estate since inception, with the realised track record being superior to our overall investment track record (PE/VC: 18.2% realised vs 17.7% overall; PRE: 18.5% realised vs 16.3% overall).

To have achieved these results for our investors is something we can be immensely proud of, particularly given these returns were generated across a period punctuated by the global financial crisis. Generating great investor returns will always be at the heart of what we do as a business, and to have finished our first decade with this track record sets us up incredibly well for the decades ahead.

FY16 was also another year of substantial growth for our business. Growth in fee earning AUM tends to follow great investment returns and it should be no surprise that as we approached our ten year anniversary we were able to grow fee earning AUM over the course of FY16 from $1.35 billion to $2.1 billion. With the platform we have in place today, there is no reason why we can't grow this to $5 billion in the next three years and $10 billion shortly thereafter.

Given the funds management industry is forecast to grow to $3.0 trillion by 2021, with alternatives anticipated to be Australia's largest asset class at that point (with $625 billion in AUM across the industry in 2021), there is certainly more than enough opportunity for us! Assuming we are at $10 billion in AUM by then, we would still have only approximately a 1.6% share of the alternatives market.

To give a practical example of the opportunity there is for our business, consider the self-managed superannuation market ('SMSFs'). SMSFs is an area that has traditionally been – and continues to be – our 'bread and butter'. Yet, despite being very successful here we have fewer than 5,000 SMSF investors. In Australia today there are over 570,000 SMSFs, most of which are under-penetrated in alternatives. With less than 1% of this market, we are clearly only scratching the surface.

Following the release of our FY16 results, our founder Mark Sowerby announced his retirement and my appointment as Managing Director. Mark and I have worked very closely together since I joined the business in 2010 and over that time have become friends for life. He will continue to help our business as an advisor and I look forward to continuing to work with him.

It is with a great deal of enthusiasm that I have taken on the role of Managing Director of Blue Sky. After ten years in operation, our business has never been in better shape. We have a great track record and a loyal and growing investor base. Our strategy is set, and something which will continue under my leadership. We have a very strong balance sheet with net tangible assets in excess of $130 million, cash in excess of $60 million and virtually no debt. We have a team that have worked at top tier institutions globally and have chosen to join Blue Sky as they see the opportunity in front of our business. All of this provides a very powerful platform for our next wave of growth, and something I'm incredibly excited to lead.

In closing, I'd like to welcome to Blue Sky our new shareholders who joined us through our recent placement and entitlement offer and thank our existing shareholders for your ongoing support. It has been a great journey over the last ten years, but in reality, we are really only at the starting line. The opportunity in front of us as a business over the next ten years is enormous.

Regards

Robert Shand
Managing Director | Blue Sky Alternative Investments Limited

DIRECTORS' REPORT

BlueSky Alternative Thinking

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 2016.

DIRECTORS

The Directors of the Company presently are:

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

Each Director (except Kim Morison) has been in office since the start of the financial year to the date of this report. Kim Morison was appointed on 31 March 2016 and has been in office since 31 March 2016 up to the date of this report.

COMPANY SECRETARY

The current company secretary of the Company is Jane Prior (returned from maternity leave on 4 April 2016). David Mitchell resigned on 26 April 2016.

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 (focused on student accommodation and residential development), Hedge Funds and Real Assets (focused on water rights, water infrastructure and agribusiness).

DIVIDENDS

On 19 August 2016, the Directors resolved to pay a final fully franked dividend of 16 cents per share in relation to the 2016 financial year. The record date for this dividend will be 2 September 2016 and the payment date will be 16 September 2016.

Dividends paid during the financial years were as follows:

	2016 $'000	2015 $'000
Dividends paid during the year (fully franked)	6,221	3,941
Cents per share	11	7

OPERATING AND FINANCIAL REVIEW

FINANCIAL PERFORMANCE AND FINANCIAL POSITION – UNDERLYING RESULTS[1]

Blue Sky's financial performance is summarised in the table below.

	Underlying Results		Consolidated Group Results[2]	
	FY16	FY15	FY16	FY15
Total income	$62.8m	$43.6m	$70.9m	$64.5m
Net profit after tax	$16.3m	$10.4m	$11.4m[3]	$10.4m[3]
Net tangible assets	$133.8m	$56.9m	$128.7m	$58.0m

Blue Sky earned an underlying net profit after tax in the 2016 financial year of $16.3 million, an increase of ~57% on the previous financial year[4] (2015: $10.4 million NPAT). Underlying operating revenue increased ~44% on the previous corresponding period to $62.8 million, driven by higher management and performance fees as additional capital was raised and deployed into the funds we manage. Underlying expenses increased by ~37% reflecting continued investment in our marketing and distribution teams, performance fees earned by staff, and costs involved in rebating fees to the Blue Sky Alternatives Access Fund Limited (the 'Alternatives Fund').

While we continue to invest in our team and our platform, our business is starting to scale. As an example, in June 2012 we had $8.4 million in fee earning Assets Under Management (AUM) per FTE[5]. At 30 June 2016, this figure had increased to $24.5 million. In the broader context of the business we remain sub-scale, particularly relative to the large US based diversified alternative asset managers. Blackstone, KKR and Carlyle are materially larger businesses than Blue Sky and each has over US$100 million in fee earning AUM per FTE. However, the benefits of scale are starting to translate to our margins. For example, our underlying EBITDA margin increased from 36% in FY15 to 39% in FY16. We anticipate further improvement over the medium term as our business continues to grow.

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 and 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 in Appendix A to the Directors' Report.

2 The Consolidated Group Results reflect Blue Sky's statutory financial results. These results include a range of Blue Sky managed funds that have been consolidated or equity accounted in accordance with AASB 10 *Consolidated Financial Statements*.

3 Excludes non-controlling interests.

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

5 Full time equivalent employee.

DIRECTORS' REPORT

The Company generated net operating cash flow of $11.5 million for the period. In addition, the Company realised gains on and distributions of profit from its balance sheet investments of $2.1 million. The Group's underlying cash position was $62.9 million at 30 June 2016.

Blue Sky's underlying financial position strengthened during the 2016 financial year, with underlying net assets increasing from $62.6 million at 30 June 2015 to $139.4 million at 30 June 2016, and net tangible assets increasing from $56.9 million at 30 June 2015 to $133.8 million at 30 June 2016.

FINANCIAL PERFORMANCE AND FINANCIAL POSITION – STATUTORY RESULTS

The Group earned a statutory net profit after tax in the 2016 financial year of $10.5 million (2015: $9.9 million) on income of $70.9 million (2015: $64.5 million). As noted in previous reports, following the adoption of the control framework provided in the 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 three of the funds in which it has invested and a further 23 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, sales 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 profit of associates' revenue line.

At 30 June 2016, the Group's consolidated statutory cash position was $63.8 million and statutory net assets were $147.4 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 Appendix A of this report.

INVESTMENT PERFORMANCE

Our investment performance across the four major alternative asset classes remained strong at 16.7% p.a. compounding net of fees. These returns represent the ten year track record of our business and are a significant source of competitive advantage.

The Group's key investment drivers in FY16 were broadly consistent with previous years which 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 further fund investments in areas such as student accommodation, water and agriculture.

During the year, we witnessed continued growth across our private equity and venture capital portfolio companies as well as delivering several exits such as Readify, a software services business that we invested in in 2013 and which was sold to Telstra in June 2016 generating realised investor returns in excess of 23% p.a.. In Private Real Estate, we exited a number of residential development investments and generated realised returns on equity for investors in each of these funds of between 42% and 68%.

Since 2014, this team pivoted into student accommodation and the investments in this sector are playing out as anticipated. Our joint venture with Goldman Sachs announced in March 2016 gives us the opportunity to capitalise on our early mover advantage.

Our global macro hedge fund was recognised by BarclayHedge as one of the Top 20 funds in its class globally (based on its last five years of returns) and our Water Fund returned more than 30% for the year net of fees. Our leading position in water and demonstrated track record of returns in this sector will remain a source of competitive advantage for Blue Sky for many years to come. Continued expansion of our exposure to agricultural opportunities that leverage our deep knowledge and networks in this sector should enhance investor performance in the future.

Our North American business is much stronger than a year ago. The team completed its first US based private equity investment in digital advertising billboards. During FY16, we also signed a joint venture with Cove Property Group ('Cove') and own a 38% economic interest in this business. Cove is headquartered in New York City and is focused on acquiring and managing institutional quality commercial real estate assets. Cove completed its first investment in March 2016 into a Manhattan office building with the backing of a large North American institutional investor. Cove has a strong pipeline of investment opportunities and we anticipate they will continue to deploy more capital in FY17.

CAPITAL RAISING ACTIVITIES

Fee earning AUM increased by approximately $0.75 billion through the course of FY16 to $2.1 billion at 30 June 2016. As a business, we provide alternative asset investment solutions to retail, wholesale and institutional investors. Our fee earning AUM from all three of these investor segments grew in FY16, reflecting the increased appetite of investors for alternative assets and engagement of all three of these investor segments with our business.

Fee earning AUM sourced from institutional investors increased from 9% to 25% of our total fee earning AUM over the course of FY16. With a compelling ten year investment track record and a balance sheet well in excess of $100 million in net tangible assets, we are well positioned to continue to attract further institutional capital in coming years.

Blue Sky has been raising capital from wholesale investors since its inception in 2006 and this remains a core strength of the business. Given this segment represents approximately 40% of the Australian funds management market, it also remains an enormous source of opportunity. Over the course of FY16, we added distribution resources to our team that are focused on this segment of the market.

In 2014, we established the Blue Sky Alternatives Access Fund (ASX:BAF) which is structured as a Listed Investment Company (LIC) and invests across each of our alternative asset classes. This vehicle is the primary point of access for retail investors seeking exposure to our fund investments and delivered pre-tax shareholder returns over the year of 12%. BAF has a compelling fee structure, and as an absolute return fund provides a diversified exposure to our range of investment offerings. Being listed on the Australian Securities Exchange makes this vehicle simple to invest in. The portfolio of investments held by BAF is well set and the performance of this portfolio, in combination with more than a 78% take up of BAFO options that were issued at IPO (and which expired in December 2015) meant that BAF had a pre-tax NTA at 30 June 2016 of $143 million. Given its performance and the structure of this fund, in time we believe BAF can become the default alternatives allocation in many portfolios.

STRATEGY

As we have consistently stated, alternative investment managers have to play a very long game. In global terms, after 10 years of existence Blue Sky has just reached the starting line. The Australian funds management industry is currently a $2.6 trillion dollar industry[6], of which we represent just over $2 billion. Backed by government mandated superannuation flows, the industry is anticipated to grow to $8 trillion by 2030, with alternatives forecast to grow to $1.2 trillion.

Alternative assets are the fastest growing asset class in Australia's funds management industry and by 2021 they are forecast to be the largest. As an established and successful specialist manager and investor in alternatives, Blue Sky is uniquely positioned to capitalise on this long term trend.

In our first ten years, we established the platform, team and reputation that give us the opportunity to capitalise on the growth in Alternatives.

The next ten years for our team will all be about delivering on what is an extraordinary opportunity.

6 Rainmaker Roundup – Edition 72, September Quarter 2015. Includes foreign sourced FUM.

COMPARATIVE TABLES: STATUTORY RESULTS AND UNDERLYING RESULTS

ADOPTION OF AASB 10 ACCOUNTING STANDARD BY THE 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 and Venture Capital, 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.

Previously Blue Sky adopted AASB 10 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, three funds have been consolidated into the Group's FY16 full year results and a further 23 investments in funds have been accounted for using the equity method during the year. The accounting treatment for 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 Appendix A) that reconcile Blue Sky's statutory results 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 and 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 RESULTS

Under 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 have control or significant influence over the relevant fund; and
- the management, performance and other fees Blue Sky is entitled to as manager of the fund.

DIRECTORS' REPORT

In the 2016 financial year, three funds managed by Blue Sky have been consolidated into the Group's Financial Report and the Group's statutory results include 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 are complete and stage 3 construction and sales are progressing. Blue Sky owns 1.2 million units in this trust.

2. **Water Utilities Australia Fund ('WUA')**

   WUA is managed by Blue Sky's Real Assets division and invests 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 7.875 million units in WUA.

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

   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 2016, there were approximately 235 apartments in the letting pool managed by this trust. Blue Sky owns 2.19 million units in Management Rights Fund 2.

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 which contemplates both returns from investments and other returns such as those from investment management services, 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 profits or losses from equity accounted investments are included in the Statement of Comprehensive Income and the carrying amounts reflected in the Consolidated Statement of Financial Position.

During the 2016 financial year, Blue Sky held investments in 23 funds that have been accounted for using the equity method:

Blue Sky Alternatives Access Fund Limited	Blue Sky Residential Asset Income Fund 1
Blue Sky Private Equity 2010 Institutional Trust	Blue Sky Student Accommodation Fund III
Blue Sky Private Equity Retirement Village Fund	Blue Sky Student Accommodation Fund IV
Blue Sky Private Equity Software Services Fund	Blue Sky Student Accommodation Fund 5
Blue Sky Private Equity Vinomofo Fund	Blue Sky Student Accommodation Fund 6
Blue Sky VC2012 Fund LP	Blue Sky Student Accommodation Fund 7
Blue Sky VC2016 ESVCLP Fund LP	Blue Sky Student Accommodation Fund 8
Blue Sky Venture Capital Milk Fund	The Pad Management (Australia) Pty Ltd
RCL Accelerator Fund One	Duke Street Kangaroo Point Trust
Blue Sky RAMS Management Rights Income Fund	Blue Sky Agriculture Fund
Blue Sky RAMS Plantations Fund	Water Utilities Australia Fund 2
Mackay Opco Pty Ltd	

MEASUREMENT OF FAIR VALUE

The Group's underlying results are based on accounting for all investments in funds held by the Group as Financial Assets at Fair Value through Profit and 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 held by the Company 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 part of the audit.

  Private Equity and Venture Capital – 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 or revenue 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). Additionally, other factors are considered such as the historical growth, projected growth and market dynamics of the investment.

  Private Real Estate – 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 values 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, 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 (water entitlements, water infrastructure and agribusiness) – 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. 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 2016, the Group held no investments in its Hedge Funds (30 June 2015: nil).

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 19 August 2016, the Directors resolved to pay a final fully franked dividend of 16 cents per share in relation to the 2016 financial year. The record date for this dividend will be 2 September 2016 and the payment date will be 16 September 2016.

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.

DIRECTORS' REPORT

INFORMATION ON CURRENT DIRECTORS

NAME:

John Kain
Chair
Non-Executive Director (Independent)

Qualifications:

John holds a Bachelor of Laws from the 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 the Managing Director of Kain Lawyers, an innovative legal consulting company specialising in complex transactions, disputes and advice.

In addition to chairing the Company, John also chairs the listed investment company Blue Sky Alternatives Access Fund Limited. 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:

1,210,477 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 Company. Mark manages the strategic direction of the Company and plays an active role in all facets of the business.

Before founding the Company, Mark worked in commodity trading for 12 years, 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 Blue Sky 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:

8,365,000 shares

Interests in options:

None

NAME:

Tim Wilson
Executive Director

Qualifications:

Tim holds a Bachelor of Commerce and a Bachelor of 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 Company's private equity and venture capital business. He is responsible for leading this team, sourcing and negotiating deals, advising portfolio companies on financing, entry and exit negotiation and building the Company's network. Tim has been involved in private equity since 1997 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 seven 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 business.

Other current directorships of listed entities:

None

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

None

Interests in shares:

1,700,480 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 was responsible for sourcing potential investments, leading due diligence, negotiating and executing transactions and managing Blue Sky's portfolio of private equity investments.

In 2012 Alexander was appointed Blue Sky's Chief Investment Officer. In that capacity Alexander is the chair or a member of each of Blue Sky's investment committees and is responsible for managing the investment process across each of Blue Sky's investing businesses.

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:

None

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

Commstrat Limited
(Appointed 15 February 2011)

Blue Sky Alternatives Access Fund Limited
(Appointed 4 April 2014, Resigned 22 March 2016)

Interests in shares:

1,003,504 shares

Interests in options:

None

NAME:

Kim Morison
Executive Director

Qualifications:

Kim holds a Graduate Diploma in Applied Finance from the Securities Institute of Australia, a Graduate Diploma of Agricultural Economics from the University of New England and a Bachelor of Commerce from the University of Western Australia.

Experience and expertise:

Kim joined Blue Sky in 2010 as Managing Director with responsibilities across Blue Sky's real assets portfolio, including water, water infrastructure and agribusiness.

Prior to Blue Sky Kim held various roles in Australian agribusiness including General Manager (Marketing) at CSR Sugar, Australia's largest sugar milling and refining company; Division Director and Joint Head of the international cotton trading business at Macquarie Bank; General Manager of Colly Cotton Marketing, a division of the Twynam Agricultural Group and Commercial Manager at Colly Cotton Limited, Australia's largest cotton growing company at the time.

Other current directorships of listed entities:

None

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

None

Interests in shares:

946,815 shares

Interests in options:

None

CURRENT COMPANY SECRETARY

Jane Prior

Jane holds a Bachelor of Arts and a Bachelor of Laws from the University of Queensland 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 holds 155,706 shares and 75,000 options in the Company.

DIRECTORS' REPORT

MEETINGS OF DIRECTORS

During the financial year, 12 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.

Attendances by each Director during the year were as follows:

			Meetings of committees			
	Full meetings of Directors		Audit and Risk		Remuneration and Nomination	
	A	B	A	B	A	B
John Kain	12	12	4	4	1	1
Mark Sowerby	12	12	-	-	1	1
Tim Wilson	12	12	3	4	1	1
Alexander McNab	12	12	3	4	1	1
Kim Morison	4	4	-	-	1	1

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 period.

SHARES UNDER OPTION

As at the date of this report, there were 2,428,228 unissued ordinary shares under option.

INDEMNITY AND INSURANCE OF OFFICERS

The Company maintains Directors & Officers Insurance and has Deeds of Access and Indemnity for each Director. During the year, the Company paid premiums in respect of Director's and Officer's liability and for professional indemnity insurance contracts, for all Directors of the Company named in this report, as well as other officers of the Company.

This policy insures persons who are Directors or Officers of the Company against certain liabilities incurred as such by a Director or Officer, while acting in that capacity, except where the liability arises out of conduct involving lack of good faith. The Directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the Director's and Officer's liability insurance contract, as this disclosure is prohibited under the terms of the contract.

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 31 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 31 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 Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. The Company is an entity to which the Instrument 2016/191 applies.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 19.

AUDITOR

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

REMUNERATION REPORT (AUDITED)

This Remuneration Report for the financial year ended 30 June 2016 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

John Kain	Chair	(Appointed 1 July 2011)

Executive Directors

Mark Sowerby	Director	(Appointed 23 September 2011)
Tim Wilson	Director	(Appointed 23 September 2011)
Alexander McNab	Director	(Appointed 23 September 2011)
Kim Morison	Director	(Appointed 31 March 2016)

Other Key Management Personnel

Jane Prior	Company Secretary
David Mitchell	Company Secretary (Resigned 26 April 2016)
Robert Shand	Chief Operating Officer

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

II. REMUNERATION AT A GLANCE

The Company's remuneration strategy is designed to attract, motivate and retain employees by identifying and rewarding high performance 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 absolute obligation to pay these amounts.

During the year, the Board exercised its discretion to pay bonuses to staff (some of which were KMP) in relation to performance fees realised, in accordance with the Investment Company Bonus Policy.

III. BOARD OVERSIGHT OF REMUNERATION

REMUNERATION COMMITTEE

All of the members of the Board (including both executive and the non-executive Directors) 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 years ended 30 June 2016 and 30 June 2015 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 2016 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 2016 financial year, the executive remuneration framework consisted of the following components:

(a) Fixed remuneration & bonuses (cash)

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 2016 and 30 June 2015 is disclosed in Table 1 and Table 2. The Board may also exercise its discretion to pay bonuses to staff in relation to performance fees realised, in accordance with the Investment Company Bonus Policy or other performance bonuses on an ad hoc basis.

(b) Share option plan (equity settled)

At the Annual General Meeting of the Company on 21 November 2013, the shareholders approved the implementation of an 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.

REMUNERATION REPORT (AUDITED)

TABLE 1: REMUNERATION OF KEY MANAGEMENT PERSONNEL FOR THE YEAR-ENDED 30 JUNE 2016 (CONSOLIDATED)

	Short term		Post employment	Long term	Share-based payment	Total	Performance related	Share options
	Salary	Bonuses / Fees[1]	Superannuation	Long Service Leave	Share Options			
	$'000	$'000	$'000	$'000	$'000	$'000	%	'000
Non-executive Directors								
John Kain	66	-	-	-	-	66	-	-
Sub-Total	66	-	-	-	-	66	-	-
Executive Directors								
Mark Sowerby	410	37	27	8	-	482	7.68%	-
Alexander McNab	348	-	22	31	-	401	-	-
Tim Wilson	407	5	24	35	-	471	1.06%	-
Kim Morison[2]	381	143	32	32	-	588	24.32%	-
Sub-Total	1,546	185	105	106	-	1,942	9.53%	-
Other Key Management Personnel								
Jane Prior[3]	114	-	4	5	1	124	0.81%	75[5]
David Mitchell[4]	86	2	8	-	-	96	2.08%	-
Robert Shand[2]	268	5	20	5	1	299	2.01%	37.5[6]
Sub-Total	468	7	32	10	2	519	1.73%	112.5
Total	**2,080**	**192**	**137**	**116**	**2**	**2,527**	**7.68%**	**112.5**

TABLE 2: 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	Share options
	Salary	Bonuses / Fees[1]	Superannuation	Long Service Leave	Share Options			
	$'000	$'000	$'000	$'000	$'000	$'000	%	'000
Non-executive Directors								
John Kain	55	-	-	-	-	55	-	-
Sub-Total	55	-	-	-	-	55	-	-
Executive Directors								
Mark Sowerby	383	1	22	44	-	450	0.22%	-
Alexander McNab	332	-	22	5	-	359	-	-
Tim Wilson	386	3	22	10	-	421	0.71%	-
Sub-Total	1,101	4	66	59	-	1,230	0.33%	-
Other Key Management Personnel								
Jane Prior	200	-	19	10	1	230	0.43%	75
David Mitchell[3]	63	2	6	-	-	71	2.82%	-
Sub-Total	263	2	25	10	1	301	1.00%	75
Total	**1,419**	**6**	**91**	**69**	**1**	**1,586**	**0.44%**	**75**

1 Includes share of realised performance fees in accordance with the Investment Company Bonus Policy.

2 Kim Morison was defined as a KMP as at 31 March 2016. Robert Shand was defined as a KMP as at 1 September 2015.

3 Maternity leave from 4 July 2015 to 3 April 2016.

4 Employment with Blue Sky commenced on 1 September 2014 and ended on 26 April 2016.

5 No movement in share options as at 30 June 2016.

6 Total options exercised in the year were 37,500.

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 2016

	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	366	-	18	-	(25)	359	373
Alexander McNab	251	-	12	-	(12)	251	251
Tim Wilson	60	79	6	-	(6)	139	159
Kim Morison[1]	66	-	3	-	-	69	69
Robert Shand[1]	77	(36)	3	-	(5)	39	80
Total	**820**	**43**	**42**	**-**	**(48)**	**857**	**932**

TABLE 2: 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
Total	**502**	**160**	**31**	**-**	**(16)**	**677**	**679**

1 Kim Morison was defined as a KMP as at 31 March 2016. Robert Shand was defined as a KMP as at 1 September 2015.

REMUNERATION REPORT (AUDITED)

(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 4.59% to 5.09% per annum, depending on the prevailing interest rate charged by the Company's financial institution on its facilities at the end of each month (2015: ranging from 5.09% to 5.70% 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 financial performance for the years ending 30 June 2012 to 30 June 2016.

For the year ended:	30 June 2016	30 June 2015	30 June 2014	30 June 2013[2]	30 June 2012[2]
	$'000	$'000	$'000	$'000	$'000
Operating revenue	68,839	58,549	32,217	10,595	8,888
Profit after income tax	11,401	10,387	3,863	1,552	4,752
Dividend	6,221	3,941	2,339	1,953	-
Earnings per share (cents)	19.80	18.44	8.16	4.77	18.86
Share price	8.10	4.11	2.95	1.20	0.80

2 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

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

John Kain
Chair

19 August 2016
Brisbane

AUDITOR'S INDEPENDENCE DECLARATION

BlueSky
Alternative Thinking

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

Tel: +61 7 3011 3333
Fax: +61 7 3011 3100
ey.com/au

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

As lead auditor for the audit of Blue Sky Alternative Investments Limited for the financial year ended 30 June 2016, I declare to the best of my knowledge and belief, there have been:

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

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

Ernst & Young

Ernst & Young

P McLuskie

Paula McLuskie
Partner
19 August 2016

CORPORATE GOVERNANCE STATEMENT

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

Link: http://www.blueskyfunds.com.au/wp-content/uploads/2016/08/4.7-Corporate-Governance-Statement-2016-FINAL.pdf

FINANCIAL REPORT

CONTENTS	PAGE

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 report consists of the financial statements, notes to the financial statements and the Directors' declaration.

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

Level 46, 111 Eagle Street
Brisbane QLD 4000

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 2016

	Notes	Year ended 30 June 2016 $'000	30 June 2015 $'000
Revenue			
Operating revenue	4	68,839	58,549
Share of profit of associates accounted for using the equity method	5	2,802	3,650
Other income	6	(704)	2,343
Expenses			
Employee benefits expense		(20,683)	(15,237)
Occupancy		(2,053)	(1,586)
External service providers		(4,504)	(3,192)
Consultancy		(563)	(863)
Marketing		(1,639)	(912)
Administrative		(1,110)	(1,456)
Travel and entertainment		(2,358)	(1,961)
Other expenses	7	(18,703)	(22,289)
Finance costs		(1,313)	(709)
Depreciation and amortisation expense		(2,302)	(2,209)
Profit before income tax		**15,709**	**14,128**
Income tax expense	8	(5,202)	(4,267)
Profit after income tax		**10,507**	**9,861**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Other comprehensive income – net of tax		-	-
Total comprehensive income		**10,507**	**9,861**
Profit is attributable to:			
Non-controlling interests		(894)	(526)
Owners of Blue Sky Alternative Investments Limited	27	11,401	10,387
		10,507	**9,861**
Total comprehensive income is attributable to:			
Non-controlling interests		(894)	(526)
Owners of Blue Sky Alternative Investments Limited		11,401	10,387
		10,507	**9,861**
Earnings per share		**Cents**	**Cents**
Basic earnings per share (profit per share)	41	19.80	18.44
Diluted earnings per share (profit per share)	41	19.55	18.03

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2016

BlueSky Alternative Thinking

		As at	
	Notes	30 June 2016 $'000	30 June 2015 $'000
ASSETS			
Current assets			
Cash and cash equivalents	9	63,828	22,416
Trade and other receivables	10	54,379	15,629
Financial assets at fair value through profit and loss		-	935
Inventory	11	2,534	4,143
Other assets	12	4,251	2,223
Total current assets		**124,992**	**45,346**
Non-current assets			
Receivables	13	18,473	10,781
Inventory	11	-	1,545
Investments accounted for using the equity method	14	35,486	22,737
Financial assets at fair value through profit and loss		-	150
Property, plant and equipment	15	30,151	30,153
Intangible assets	16	18,669	18,900
Deferred tax assets	17	661	752
Total non-current assets		**103,440**	**85,018**
Total assets		**228,432**	**130,364**
LIABILITIES			
Current liabilities			
Trade and other payables	18	20,863	7,749
Borrowings	19	8,603	11,546
Deferred revenue	20	6,687	3,881
Income tax	21	(854)	2,717
Employee benefits	22	4,527	3,058
Total current liabilities		**39,826**	**28,951**
Non-current liabilities			
Deferred revenue	20	4,745	1,873
Provisions	23	393	250
Borrowings	19	9,335	9,323
Other liabilities	24	13,054	4,112
Deferred tax liabilities	17	13,638	8,994
Total non-current liabilities		**41,165**	**24,552**
Total liabilities		**80,991**	**53,503**
Net assets		**147,441**	**76,861**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2016 (CONTINUED)

		As at	
	Notes	30 June 2016 $'000	30 June 2015 $'000
EQUITY			
Contributed equity	25	119,611	53,162
Reserves	26	(6,633)	(6,908)
Accumulated profits	27	16,813	11,633
Total equity, attributable to the owners of Blue Sky Alternative Investments Limited		**129,791**	**57,887**
Non-controlling interests		17,650	18,974
Total equity		**147,441**	**76,861**

The above consolidated 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 2016

	Notes	Contributed equity $'000	Reserves $'000	Accumulated profits $'000	Non-controlling interests $'000	Total equity $'000
Balance at 1 July 2015		53,162	(6,908)	11,633	18,974	76,861
Profit after income tax for the year		-	-	11,401	(894)	10,507
Other comprehensive income for the year, net of tax		-	-	-	-	-
Total comprehensive income for the year		-	-	11,401	(894)	10,507
Transactions with owners in their capacity as owners:						
Contributions of equity, net of transaction costs		66,449	-	-	-	66,449
Employee share option reserve		-	275	-	-	275
Decrease in non-controlling interests		-	-	-	(430)	(430)
Dividends	28	-	-	(6,221)	-	(6,221)
Balance at 30 June 2016	25	**119,611**	**(6,633)**	**16,813**	**17,650**	**147,441**
Balance at 1 July 2014		53,087	(7,048)	5,187	27,807	79,033
Profit after income tax for the year		-	-	10,387	(526)	9,861
Other comprehensive income for the year, net of tax		-	-	-	-	-
Total comprehensive income for the year		-	-	10,387	(526)	9,861
Transactions with owners in their capacity as owners:						
Contributions of equity, net of transaction costs		75	-	-	-	75
Employee share option reserve		-	140	-	-	140
Decrease in non-controlling interests		-	-	-	(7,994)	(7,994)
Dividends	28	-	-	(3,941)	(313)	(4,254)
Balance at 30 June 2015	25	**53,162**	**(6,908)**	**11,633**	**18,974**	**76,861**

The above consolidated 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 2016

	Notes	Year ended 30 June 2016 $'000	30 June 2015 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		65,464	51,817
Payments to suppliers and employees (inclusive of GST)		(48,938)	(46,813)
		16,526	5,004
Interest received		1,238	86
Interest and other finance costs paid		(1,223)	(588)
Income taxes paid		(3,321)	(1,672)
Net cash provided by operating activities	40	**13,220**	**2,830**
Cash flows from investing activities			
Cash disposed on de-consolidation of a controlled entity		-	(1,264)
Payments for equity investments		(14,324)	(1,763)
Proceeds on disposal of equity investments		7,183	8,184
Payments for property, plant and equipment		(2,341)	(924)
Payments for intangible assets	16	(148)	(382)
Receivables from/(to) related and other parties		(20,511)	(516)
Net cash provided by/(used in) investing activities		**(30,141)**	**3,335**
Cash flows from financing activities			
Proceeds from issue of shares		67,510	75
Issue of shares to non-controlling interests, net of returns of capital		-	(4,426)
Share issue transaction costs		(2,390)	-
Proceeds from borrowings		7,677	18,752
Repayment of borrowings		(8,213)	(10,174)
Dividends paid		(6,251)	(4,254)
Net cash provided by/(used in) financing activities		**58,333**	**(27)**
Net increase in cash and cash equivalents		41,412	6,138
Cash and cash equivalents at the beginning of the financial year		22,416	16,278
Cash and cash equivalents at the end of the financial year	9	**63,828**	**22,416**

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

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

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 2015.

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 34.

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Company as at 30 June 2016 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 and 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 and establishment fees

Management fees for ongoing management services are charged on a regular basis and recognised as revenue at the time the services are provided. One-off transactional fees (establishment fees) are charged when funds are initiated to compensate Blue Sky for costs associated with establishing the funds and acquiring the associated investments. The revenue is recognised at the 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 outperformance of stated benchmarks within the respective Fund disclosure document are exceeded. In order to ensure reliable measurement, performance fees are recognised and accrued after verification of the Fund Manager's valuation by independent experts or valuers, where material.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Sales commissions

Sales commission revenue is recognised in stages 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 and/or settlement of an apartment.

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.

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.

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.

Other revenue

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

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

INCOME TAX

The income tax expense 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 and loss

Financial assets at fair value through profit and 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.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 assets' 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 (including lease fit-out)	2 - 20 years

The useful lives of infrastructure assets acquired as a part of a business combination are assessed via independent engineering reviews, 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.

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.

Software

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.

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.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 the 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 are 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 2016, 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 the expected gross margin rate. The rate has been determined based on expected sales and costs from the remainder of the project. 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 in the statement of comprehensive income.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 the 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.	1 January 2018	1 July 2018*
AASB 9	Financial Instruments	AASB 9 *Financial Instruments* addresses the classification, measurement and de-recognition 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.	1 January 2018	1 January 2018*
AASB 16	Leases	AASB 16 establishes principles for the recognition, measurement, presentation and disclosure of leases. The standard is not applicable until 1 January 2019 but is available for early adoption.	1 January 2019	1 January 2019*

* The Group is currently assessing the impact of these standards. Of most relevance, the Group anticipates that AASB 15 could have an impact in relation to the recognition of management and performance fee revenue.

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 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 reviews and valuations are used to determine fair value, where material.

ii. **Timing of completion** – 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 of share-based payment transactions are disclosed in Note 42.

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 16 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.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

NOTE 2. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

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.

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 35.

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.

	Core segment	Non-core segment	Adjustments and eliminations	Consolidated
	$'000	$'000	$'000	$'000
Year ended 30 June 2016				
Total income	55,211	16,131	(405)	70,937
Profit/(loss) before income tax	15,563	222	(76)	15,709
Year ended 30 June 2015				
Total income	39,139	26,008	(605)	64,542
Profit/(loss) before income tax	10,208	4,679	(759)	14,128
As at 30 June 2016				
Total assets	189,152	52,962	(13,682)	228,432
Total liabilities	65,576	19,542	(4,127)	80,991
As at 30 June 2015				
Total assets	85,679	65,475	(20,790)	130,364
Total liabilities	31,316	26,648	(4,461)	53,503

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NOTE 4. OPERATING REVENUE

	Year ended	
	30 June 2016 $'000	30 June 2015 $'000
Management fees	30,984	24,733
Performance fees	18,730	8,801
Responsible entity and trustee fees	983	1,009
Sales commissions	528	1,178
Interest revenue	1,465	1,160
Other revenue	1,706	1,707
Supply of water	6,457	6,148
Apartment sales revenue	4,402	8,657
Management and letting rights revenue	3,584	3,885
Revenue from motel operations	-	1,271
Total operating revenue[1]	**68,839**	**58,549**

1 Refer to Note 33 for information regarding revenue from related parties.

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

	Year ended	
	30 June 2016 $'000	30 June 2015 $'000
Share of profit – associates (Note 37)	2,802	3,650

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 2016 $'000	30 June 2015 $'000
Net gain/(loss) on financial assets at fair value through profit or loss	(159)	595
Other income	(545)	1,748
Total other income	**(704)**	**2,343**

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

NOTE 7. OTHER EXPENSES

	Year ended	
	30 June 2016 $'000	30 June 2015 $'000
Rebates of transaction costs and fees – BAF	(5,638)	(3,264)
External capital raising costs for funds	(2,112)	(3,045)
Fund wind-up expenses	-	(689)
Insurance	(474)	(428)
Gain/(loss) on contingent consideration – Investment Science Pty Ltd	211	(397)
Costs associated with apartment sales	(3,432)	(7,437)
Management and letting rights expenses	(4,522)	(4,414)
Costs associated with supply of water	(2,733)	(1,523)
Expenses from motel operations	-	(277)
Other	(3)	(815)
Total other expenses	**(18,703)**	**(22,289)**

NOTE 8. INCOME TAX EXPENSE

	Year ended	
	30 June 2016 $'000	30 June 2015 $'000
Income tax expense/(benefit)		
Current tax	(320)	3,058
Deferred tax	5,522	1,209
Aggregate income tax expense/(benefit)	5,202	4,267
Deferred tax included in income tax expense/(benefit) comprises:		
Decrease/(increase) in deferred tax assets (Note 17)	(3,132)	(901)
(Decrease)/increase in deferred tax liabilities (Note 17)	8,654	2,110
	5,522	1,209
Reconciliation of income tax expense to prima facie tax payable:		
Profit before income tax	15,709	14,128
Tax at the Australian tax rate of 30%	4,713	4,239
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Franked distribution	(192)	(66)
Non-deductible expenses	186	265
Non-assessable income	555	(122)
Sundry items	(60)	(49)
Income tax expense/(benefit)	5,202	4,267
Amounts charged directly to equity		
Deferred tax assets (Note 17)	(717)	-
Deferred tax liabilities (Note 17)	-	-
	(717)	**-**

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NOTE 9. CASH AND CASH EQUIVALENTS

	As at	
	30 June 2016 $'000	30 June 2015 $'000
Current		
Cash on hand	-	-
Cash at bank	63,828	22,416
Total cash and cash equivalents	**63,828**	**22,416**

As at 30 June 2016, monies held on trust is nil (2015: nil).

NOTE 10. TRADE AND OTHER RECEIVABLES

	As at	
	30 June 2016 $'000	30 June 2015 $'000
Current		
Trade receivables	1,136	1,066
Other receivables	375	1,409
Performance fees receivable – related parties	14,361	3,430
Related party receivables (Note 33)	38,507	9,724
Total current trade and other receivables	**54,379**	**15,629**

IMPAIRMENT OF TRADE RECEIVABLES

The Group has recognised a loss of $nil (2015: $nil) in profit or loss in respect of impairment of trade receivables for the year ended 30 June 2016.

	As at	
	30 June 2016 $'000	30 June 2015 $'000
Current		
0 – 1 month	778	549
1 – 2 months	76	122
Over 2 months	282	395
	1,136	**1,066**

PAST DUE BUT NOT IMPAIRED TRADE RECEIVABLES

Customers with balances past due but without provision for impairment of trade receivables amount to $357,634 as at 30 June 2016 (2015: $517,488). 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 counterparties, the majority of which are related parties, and the expected timeframe of payment.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

NOTE 11. INVENTORY

	As at	
	30 June 2016 $'000	30 June 2015 $'000
Current		
Cost of land acquisition	505	334
Development and other costs	1,876	3,708
Interest capitalised	153	101
Total current inventory	**2,534**	**4,143**
Non-current		
Cost of land acquisition	-	598
Development and other costs	-	766
Interest capitalised	-	181
Total non-current inventory	**-**	**1,545**

NOTE 12. CURRENT ASSETS – OTHER

	As at	
	30 June 2016 $'000	30 June 2015 $'000
Current		
Prepayments	4,251	2,223
Total other current assets	**4,251**	**2,223**

NOTE 13. RECEIVABLES

	As at	
	30 June 2016 $'000	30 June 2015 $'000
Non-current		
Performance fees receivable – related parties	9,587	7,136
Related party receivables (Note 33)	8,886	3,645
Total non-current receivables	**18,473**	**10,781**

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NOTE 14. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	As at	
	30 June 2016 $'000	30 June 2015 $'000
Non-current		
Blue Sky Private Equity Retirement Village Fund	9,843	8,779
Blue Sky Private Equity Software Services Fund	-	5,335
Blue Sky Alternatives Access Fund Limited	5,808	5,330
The Pad Management (Australia) Pty Ltd	4,993	-
Blue Sky Private Equity Vinomofo Fund	4,342	-
Other investments accounted for using the equity method[1]	10,500	3,293
Total non-current investments accounted for using the equity method	**35,486**	**22,737**

1 Includes Cove Property Group as at 30 June 2016 for $1,684,481 (2015: nil).

Reconciliation

	30 June 2016 $'000	30 June 2015 $'000
Opening value	22,737	25,210
Additions	16,573	1,031
Disposals	(5,073)	(7,154)
Share of profit of associates for the year	2,802	3,650
Dividends	(1,553)	-
Closing value	**35,486**	**22,737**

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

NOTE 15. PROPERTY, PLANT AND EQUIPMENT

	As at	
	30 June 2016 $'000	30 June 2015 $'000
Non-current		
Land and Buildings – at cost	1,918	1,913
Less: Accumulated depreciation	(170)	(120)
	1,748	1,793
Plant and equipment – at cost	29,095	27,489
Less: Accumulated depreciation	(4,398)	(2,764)
	24,697	24,725
Motor vehicles – at cost	120	120
Less: Accumulated depreciation	(42)	(23)
	78	97
Motor vehicles – under lease	-	50
Less: Accumulated depreciation	-	(39)
	-	11
Office equipment – at cost	1,496	854
Less: Accumulated depreciation	(591)	(339)
	905	515
Leased asset – fit out	3,204	2,998
Less: Accumulated depreciation	(492)	-
	2,712	2,998
Office equipment – under lease	119	119
Less: Accumulated depreciation	(108)	(105)
	11	14
Total property, plant and equipment	**30,151**	**30,153**

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

Consolidated	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
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)
Balance at 30 June 2015	**1,793**	**24,725**	**97**	**11**	**515**	**2,998**	**14**	**30,153**
Balance at 1 July 2015	1,793	24,725	97	11	515	2,998	14	30,153
Additions	5	1,539	-	-	642	206	-	2,392
Disposals	-	-	-	(8)	-	-	-	(8)
Depreciation expense	(50)	(1,567)	(19)	(3)	(252)	(492)	(3)	(2,386)
Balance at 30 June 2016	**1,748**	**24,697**	**78**	**-**	**905**	**2,712**	**11**	**30,151**

NOTE 16. INTANGIBLES

	As at	
	30 June 2016 $'000	**30 June 2015 $'000**
Non-current		
Goodwill – at cost	13,006	13,006
Less: Impairment	(190)	(190)
	12,816	12,816
Management rights – at cost	5,985	5,985
Less: Accumulated amortisation	(433)	(286)
	5,552	5,699
Licenses and trademarks	11	11
Less: Accumulated amortisation	-	-
	11	11
Website – at cost	84	84
Less: Accumulated amortisation	(65)	(50)
	19	34
Software – at cost	636	488
Less: Accumulated amortisation	(365)	(154)
	271	334
Borrowing – at cost	18	18
Less: Accumulated amortisation	(18)	(12)
	-	6
Total intangible assets	**18,669**	**18,900**

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

	Goodwill	Management rights	Licenses & trademark	Website development	Software	Borrowing costs	Total
Consolidated	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
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)
Balance at 30 June 2015	**12,816**	**5,699**	**11**	**34**	**334**	**6**	**18,900**
Balance at 1 July 2015	12,816	5,699	11	34	334	6	18,900
Additions	-	-	-	-	148	-	148
Disposals	-	-	-	-	-	-	-
Amortisation expense	-	(147)	-	(15)	(211)	(6)	(379)
Balance at 30 June 2016	**12,816**	**5,552**	**11**	**19**	**271**	**-**	**18,669**

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

NOTE 16. 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 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 2016, unless stated otherwise below.

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

There were no impairment losses from goodwill during the financial year ended 30 June 2016 (2015: nil). The Group performed its annual impairment test as at 30 June 2016. Significant tests included:

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

The recoverable amount of Blue Sky Water Partners Pty Ltd (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 Ltd is 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 $250m 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 carrying value of the goodwill is $4.2 million. The recoverable amount has been calculated as $26.3 million at 30 June 2016 (2015: $12.5 million).

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 3.6% of the contracted capacity from FY17 through to FY20, with no further growth beyond this. 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 12%, assumed volumes used by customers to be 70%, reflecting the historic average volumes (this is slightly above the minimum 'take or pay' percentage in each customer contract which is 66.6%). For all new customer contracts the minimum take or pay percentage of 70% was assumed, with delayed water sales for new customers. Increasing the discount rate would not imply the asset is impaired.

The carrying value of the goodwill is $7.2 million. The recoverable amount for the intangible assets has been calculated as $29.8 million at 30 June 2016 (2015: $26.7 million).

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NOTE 17. DEFERRED TAX

	As at	
	30 June 2016 $'000	**30 June 2015 $'000**
Non-current assets – deferred tax		
The balance comprises temporary differences attributable to:		
Tax losses	172	-
Property, plant & equipment	1	1
Employee benefits	723	374
Investments	331	104
Accrued expenses	3,580	684
Transaction costs on share issue	756	308
Unearned income	131	149
Other	554	709
Deferred tax asset	6,248	2,329
Set-off against deferred tax liabilities pursuant to set-off provisions	(5,587)	(1,577)
Net deferred tax assets	661	752
Movements in deferred tax asset:		
Opening balance	2,329	1,468
Credited to profit or loss (Note 8)	3,132	901
Credited to equity	717	-
Deferred tax acquired in business combination	-	-
Tax losses	70	(40)
Closing balance	**6,248**	**2,329**
Non-current liabilities – deferred tax		
The balance comprises temporary differences attributable to:		
Property, plant & equipment	6,005	5,842
Accrued revenue	10,409	2,710
Investments	2,422	2,017
Prepayments	389	2
Deferred tax liability	19,225	10,571
Set off of deferred tax assets as per set-off provisions	(5,587)	(1,577)
Net deferred tax liabilities	13,638	8,994
Movements in deferred tax liabilities:		
Opening balance	10,571	8,461
Deferred tax acquired in business combination	-	-
Charged to profit or loss (Note 8)	8,654	2,110
Charged to equity	-	-
Closing balance	**19,225**	**10,571**

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

NOTE 18. TRADE AND OTHER PAYABLES

	As at	
	30 June 2016 $'000	30 June 2015 $'000
Current		
Trade payables	4,807	3,994
Other payables	20	822
Accrued expenses	3,594	2,463
Lease incentive liability	341	370
Related parties payable (Note 33)	12,101	100
Total current trade and other payables	**20,863**	**7,749**

NOTE 19. BORROWINGS

	As at	
	30 June 2016 $'000	30 June 2015 $'000
Current		
Bank loans	7,728	8,526
Other borrowings	875	3,007
Lease liability	-	13
Total current borrowings	**8,603**	**11,546**
Non-current		
Bank loans	9,335	9,323
Total non-current borrowings	**9,335**	**9,323**

On 25 September 2013, Blue Sky established a 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. On 4 August 2015, this facility was refinanced and extended to $14.55 million. At 30 June 2016, the facility was drawn up to $7.52 million.

Other current and non-current borrowings include debt in relation to the Blue Sky Private Real Estate Riverside Gardens Trust, the Blue Sky RAMS Management Rights Income Fund 2 and Water Utilities Australia Investment Pty Ltd ATF Water Utilities Australia Investment Trust (WUAIT). These debts are non-recourse and are 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 29 Financial Risk Management of the financial statements.

Refer to Note 29 for detailed information on financial instruments.

FINANCIAL GUARANTEES

The Group has provided guarantees for the lease of business premises in Brisbane, Sydney, Melbourne and New York 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 $879,425 (2015: $810,179).

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NOTE 20. DEFERRED REVENUE

	As at	
	30 June 2016 $'000	30 June 2015 $'000
Current		
Unearned income	6,487	3,572
Payments in advance for sale of water	200	309
Total current deferred revenue	**6,687**	**3,881**
Non-current		
Unearned income	4,382	1,293
Payments in advance for sale of water	363	580
Total non-current deferred revenue	**4,745**	**1,873**

NOTE 21. INCOME TAX

	As at	
	30 June 2016 $'000	30 June 2015 $'000
Current		
Provision for income tax	(854)	2,717
Total current income tax	**(854)**	**2,717**

NOTE 22. EMPLOYEE BENEFITS

	As at	
	30 June 2016 $'000	30 June 2015 $'000
Current		
Employee provisions	853	607
Salaries and superannuation	3,674	2,451
Total current employee benefits	**4,527**	**3,058**

NOTE 23. PROVISIONS

	As at	
	30 June 2016 $'000	30 June 2015 $'000
Non-current		
Employee provisions	393	250
Total non-current provisions	**393**	**250**

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

NOTE 24. OTHER NON-CURRENT LIABILITIES

	As at	
	30 June 2016 $'000	30 June 2015 $'000
Non-current		
Accrued expenses	1,470	200
Salary and superannuation	2,029	386
Contingent consideration – Investment Science Pty Ltd	75	898
Lease incentive liability	2,371	2,628
Related party payables (Note 33)	7,109	-
Total other non-current liabilities	**13,054**	**4,112**

NOTE 25. EQUITY – CONTRIBUTED

	2016 Shares '000	2015 Shares '000	2016 $'000	2015 $'000
Ordinary shares – fully paid	67,354	56,383	119,611	53,162

Movements in ordinary share capital

Details	Date	No of shares '000	Issue price $	$'000
Opening balance	1 July 2014	56,308		53,087
Share issue	18 March 2015	75	$1.00	75
Equity raising costs				-
Closing balance	**30 June 2015**	**56,383**		**53,162**
Opening balance	1 July 2015	56,383		53,162
Share issue	17 July 2015	147	$4.17	612
Share issue	9 September 2015	25	$1.00	25
Share issue	20 May 2016	4,615	$6.50	30,000
Share issue	20 May 2016	2,331	$6.50	15,152
Share issue	24 May 2016	350	$1.00	350
Share issue	26 May 2016	20	$3.37	67
Share issue	26 May 2016	20	$5.37	107
Share issue	26 May 2016	6	$2.57	15
Share issue	8 June 2016	3,325	$6.50	21,613
Share issue	15 June 2016	32	$2.57	81
Share issue	23 June 2016	100	$1.00	100
Equity raising costs (net of tax)				(1,673)
Closing balance	**30 June 2016**	**67,354**		**119,611**

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NOTE 25. EQUITY – CONTRIBUTED (CONTINUED)

Summary of ordinary share capital

	As at	
	30 June 2016 $'000	30 June 2015 $'000
Opening balance – ordinary shares	53,162	53,087
Movements in ordinary share capital:		
- Equity contributions	68,122	75
- Equity raising costs (net of tax)	(1,673)	-
Closing balance – ordinary shares	**119,611**	**53,162**

ORDINARY SHARES

The Group had authorised share capital amounting to 67,353,898 ordinary shares at 30 June 2016.

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.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

NOTE 26. EQUITY – RESERVES

	As at	
	30 June 2016 $'000	30 June 2015 $'000
Capital reserve	(7,436)	(7,436)
Share-based payments reserve	332	332
Employee share options reserve	471	196
Total reserves	**(6,633)**	**(6,908)**

Movements in reserves

	Employee share options reserve	Share based payments reserve	Capital reserve	Total reserves
	$'000	$'000	$'000	$'000
Balance at 30 June 2014	56	332	(7,436)	(7,048)
Additions	140	-	-	140
Balance at 30 June 2015	196	332	(7,436)	(6,908)
Additions	275	-	-	275
Balance at 30 June 2016	**471**	**332**	**(7,436)**	**(6,633)**

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 AND EMPLOYEE SHARE OPTIONS RESERVE

These reserves are used to recognise the value of equity benefits provided to employees and Directors as part of their remuneration, and other parties as part of their compensation for services.

NOTE 27. EQUITY – RETAINED PROFITS

	As at	
	30 June 2016 $'000	30 June 2015 $'000
Retained profits at the beginning of the financial year	11,633	5,187
Profit after income tax for the year	11,401	10,387
Dividends (Note 28)	(6,221)	(3,941)
Retained profits at the end of the financial year	**16,813**	**11,633**

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NOTE 28. EQUITY – DIVIDENDS

	As at	
	30 June 2016 $'000	30 June 2015 $'000
Dividends on ordinary shares		
Dividends paid during the year (fully franked)	6,221	3,941
Total dividends paid	**6,221**	**3,941**
Proposed dividends on ordinary shares		
Final dividend for 2016 financial year: 16.0 cents per share fully franked	10,776	6,221
(2015 financial year: 11.0 cents per share fully franked)	**10,776**	**6,221**
Franking accounts		
Balance as at the end of the financial year at 30%	785	(66)
Franking credits that will arise from the payment of income tax payable	(516)	2,717
Franking credits that will be used from the payment of dividends	-	-
Franking credits available for subsequent financial years at 30%	269	2,651
Franking credits that will be used from the payment of dividends declared subsequent to the reporting date at 30%	(4,618)	(2,658)
	(4,349)	**(7)**

In relation to the above franking credit deficit, it is anticipated that tax instalments will be paid such that the franking account will not be in deficit at 30 June 2017.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

NOTE 29. 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.

Interest rate risk

Interest rate risk is the risk that the fair value of 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 (including 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 2016 $'000	30 June 2015 $'000
Impact on operating profit before tax	237	23

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 balance date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The Group does not hold any collateral.

Liquidity risk

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

Capital management

In relation to 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 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.

NOTE 29. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

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.

	1 year or less	Between 1 and 5 years	Over 5 years	Remaining contractual maturities
	$'000	$'000	$'000	$'000
Year ended 30 June 2016				
Interest-bearing loans and borrowings	8,603	9,335	-	-
Trade and other payables	20,863	-	-	-
Other commitments (not recognised in liabilities)	1,718	6,141	4,264	-
Total	**31,184**	**15,476**	**4,264**	**-**
Year ended 30 June 2015				
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	-
Total	**20,794**	**15,919**	**4,264**	**-**

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 or at market rates. 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 30. 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
- Kim Morison (Appointed 31 March 2016)

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:

- Robert Shand (Chief Operating Officer)
- Jane Prior (Company Secretary)
- David Mitchell (Company Secretary) (Resigned 26 April 2016)

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

NOTE 30. KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

COMPENSATION

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

	Year ended	
	30 June 2016 $'000	30 June 2015 $'000
Short-term employee benefits	2,272	1,425
Post-employment benefits and long service leave	253	160
Share based payments	2	1
Total	**2,527**	**1,586**

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:

Ordinary shares	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
2016					
Mark Sowerby	9,500	-	-	(1,135)	8,365
Alexander McNab	1,004	-	-	-	1,004
John Kain	1,110	-	100	-	1,210
Tim Wilson	1,800	-	-	(100)	1,700
Kim Morison[1]	945	-	2	-	947
Jane Prior	156	-	-	-	156
David Mitchell	-	-	-	-	-
Robert Shand[1]	210	-	37	(37)	210
	14,725	**-**	**139**	**(1,272)**	**13,592**
2015					
Mark Sowerby	10,000	-	-	(500)	9,500
Alexander McNab	1,004	-	-	-	1,004
John Kain	1,000	-	110	-	1,110
Tim Wilson	1,800	-	-	-	1,800
Jane Prior	156	-	-	-	156
David Mitchell	-	-	-	-	-
	13,960	**-**	**110**	**(500)**	**13,570**

1 Kim Morison was defined as a KMP as at 31 March 2016. Robert Shand was defined as a KMP as at 1 September 2015.

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NOTE 30. KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

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:

Share options	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
2016							
Jane Prior	75	-	-	75	75	-	37.5
Robert Shand	75	-	37.5	37.5	37.5	37.5	37.5
	150	**-**	**37.5**	**112.5**	**112.5**	**37.5**	**75**
2015							
Jane Prior	75	-	-	75	75	-	56
	75	**-**	**-**	**75**	**75**	**-**	**56**

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 to KMP, during the year ended 30 June 2016.

RELATED PARTY TRANSACTIONS

Related party transactions are set out in Note 33.

NOTE 31. 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 2016 $	Year ended 30 June 2015 $
Audit services – Ernst & Young		
Audit or review of financial report	291,795	252,500
Other services – Ernst & Young		
Accounting, due diligence and taxation advice	217,876	167,425
Total remuneration of auditors	**509,671**	**419,925**

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

NOTE 32. COMMITMENTS FOR EXPENDITURE

	Year ended	
	30 June 2016 $'000	30 June 2015 $'000
Lease commitments – operating		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	1,718	1,499
One to five years	6,141	6,596
More than five years	4,264	4,264
Total commitment	**12,123**	**12,359**
Lease commitments – finance		
Committed at the reporting date and recognised as liabilities, payable:		
Within one year	-	13
One to five years	-	-
More than five years	-	-
Total commitment	**-**	**13**
Application commitment		
Committed at the reporting date and recognised as liabilities, payable:		
Within one year	925	70
One to five years	3,365	-
More than five years	-	-
Total commitment	**4,290**	**70**

NOTE 33. RELATED PARTY TRANSACTIONS

ULTIMATE PARENT ENTITY

Blue Sky Alternative Investments Limited is the ultimate parent entity of the entities defined as subsidiaries in Note 35. These subsidiaries manage unit trusts and funds of related entities.

ASSOCIATES

Blue Sky Alternative Investments Limited is associated to interests as defined as Associates as set out in Note 37.

KEY MANAGEMENT PERSONNEL

Details of key management personnel are set out in Note 30.

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NOTE 33. RELATED PARTY TRANSACTIONS (CONTINUED)

	As at 30 June 2016		As at 30 June 2015	
Related party investments in related entities	**KMP**	**BSAIL**	**KMP**	**BSAIL**
	$'000	**$'000**	**$'000**	**$'000**
Blue Sky Agriculture Fund	180	-	100	200
Blue Sky Agriculture Fund II	50	-	-	-
Blue Sky Alternatives Access Fund Limited	1,414	5,000	1,101	5,000
Blue Sky Alliance Fund Dynamic Macro Units	5	-	-	-
Blue Sky Beach Burrito Company Fund	50	-	50	-
Blue Sky Carbon Services Trust	45	-	35	-
Blue Sky Construction Services Convertible Note Trust	-	-	20	-
Blue Sky Digital Outdoor Advertising Fund	870	-	-	-
Blue Sky Mining Services Trust	80	-	60	-
Blue Sky Hotel Fund	140	-	-	-
Blue Sky Private Equity 2010 Institutional Trust	125	1,486	65	1,486
Blue Sky Private Equity Aquila Fund 1	100	-	-	-
Blue Sky Private Equity Early Learning Fund	45	-	45	-
Blue Sky Private Equity Origo Education Fund	40	-	-	-
Blue Sky Private Equity Retirement Village Fund	140	4,350	100	4,350
Blue Sky Private Equity Software Services Fund	-	-	25	3,500
Blue Sky Private Equity Vinomofo Fund	-	4,620	-	-
Blue Sky Private Equity Wild Breads Fund	90	-	50	-
Blue Sky Private Real Estate Riverside Gardens Trust	137	1,200	111	1,200
Blue Sky RAMS Management Rights Income Fund 1	-	128	-	128
Blue Sky RAMS Management Rights Income Fund 2	-	2,190	-	1,200
Blue Sky RAMS Plantations Fund	-	-	-	42
Blue Sky RAMS Residential Asset Income Fund 1	-	418	-	418
Blue Sky Residential Developments Fund	27	-	-	-
Blue Sky VC2012 Fund LP	209	163	175	175
Blue Sky VC2014 Fund LP	50	-	-	-
Blue Sky VC2016 Fund LP	-	500	-	-
Blue Sky Student Accommodation Fund II	5	-	-	-
Blue Sky Student Accommodation Fund III	-	61	-	-
Blue Sky Student Accommodation Fund IV	-	864	-	-
Blue Sky Student Accommodation Fund 5	-	1,950	-	-
Blue Sky Student Accommodation Fund 6	-	1,575	-	-
Blue Sky Student Accommodation Fund 7	-	340	-	-
Blue Sky Student Accommodation Fund 8	-	1,000	-	-
Blue Sky VC Milk Fund	568	200	530	200
Blue Sky Water Fund	107	-	-	-
Cove Operating Company LLC	-	627	-	-
Duke Street Kangaroo Point Trust	-	125	-	125
Fernleigh Paddocks Management Trust	72	-	71	-
Milky Way Development 2 Unit Trust	144	-	144	-
Milky Way Development 4 Unit Trust	200	-	150	-
RCL Accelerator Fund One	-	10	-	-
The Pad Management (Australia) Pty Ltd	-	5,025	-	-
Water Utilities Australia	-	6,458	-	6,048
Water Utilities Australia 2	-	1,014	-	1,230
Total	**4,893**	**39,304**	**2,832**	**25,302**

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

NOTE 33. RELATED PARTY TRANSACTIONS (CONTINUED)

FEES

The Company provides management services to related entities.

	Year ended	
	30 June 2016 $'000	30 June 2015 $'000
Revenue from associates		
Performance fees	5,167	7,189
Management fees	13,636	8,221
Responsible entity revenue	363	540
Other revenue	9,096	6,602
Total	**28,262**	**22,552**
Revenue from related entities		
Performance fees	12,760	1,612
Management fees	16,585	16,445
Responsible entity revenue	670	550
Other revenue	2,345	2,242
Total	**32,360**	**20,849**
Total revenue from related parties	**60,622**	**43,401**

RECEIVABLE FROM AND PAYABLE TO RELATED PARTIES

Balances held with related parties as disclosed in Note 10, Note 13, Note 18 and Note 24 are shown below:

	Year ended	
	30 June 2016 $'000	30 June 2015 $'000
Receivables		
Current trade and other receivables from associates	15,596	2,684
Current trade and other receivables from related parties	22,911	7,040
Non-current trade and other receivables from associates	6,830	1,268
Non-current trade and other receivables from related parties	2,056	2,377
Total	**47,393**	**13,369**
Payables		
Current trade and other payables to associates	8,426	11
Current trade and other payables to related parties	3,675	89
Non-current trade and other payables to related parties	7,109	-
Total	**19,210**	**100**

NOTE 33. RELATED PARTY TRANSACTIONS (CONTINUED)

LOANS TO RELATED PARTIES

The Group has loans owing from related parties and associates at 30 June 2016. These loans are provided on commercial terms with interest being charged at interest rates of 10% per annum (2015: 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 4.59% to 5.09% per annum (2015: 5.09% to 5.70% per annum).

OTHER RELATED PARTY TRANSACTIONS

Blue Sky Alternatives Access Fund Limited (the 'Alternatives Fund') a related party of the Group, earned $5,637,830 of rebates of transaction costs and fees from the Company during the year ended 30 June 2016 (2015: $3,264,036). 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 34. PARENT ENTITY INFORMATION

Set out below is the supplementary information about the parent entity:

Statement of comprehensive income

	Year ended	
	30 June 2016 $'000	30 June 2015 $'000
Profit/(loss) after income tax	(12,773)	(8,058)
Total comprehensive income	**(12,773)**	**(8,058)**

Statement of financial position

	As at	
	30 June 2016 $'000	30 June 2015 $'000
Total current assets	36,964	8,936
Total assets	98,011	51,904
Total current liabilities	12,437	13,743
Total liabilities	15,868	17,492
Equity		
Contributed equity	119,611	53,162
Reserves	804	529
Retained profits/(accumulated losses)	(38,272)	(19,279)
Total equity	**82,143**	**34,412**

CONTINGENT LIABILITIES

The Company has provided Letters of Financial Support to its wholly owned subsidiaries Blue Sky Water Partners Pty Ltd and Blue Sky Residential Asset Managers Pty Ltd. 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 Water Partners Pty Ltd and Blue Sky Residential Asset Managers Pty Ltd will be able to meet any obligations or liabilities to which they are, or may become, liable due to the Letters of Financial Support.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

NOTE 35. 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:

		Equity holding	
Name of entity	Principal place of business	30 June 2016 %	30 June 2015 %
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 Water Partners Pty Ltd	Australia	100%	100%
BSAI International Pty Ltd	Australia	100%	100%
Blue Sky Alternative Investments 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%
BSVC Pty Ltd	Australia	100%	100%
Blue Sky Residential Development Managers Pty Ltd	Australia	100%	100%
BSPRE Investment Management Pty Ltd	Australia	100%	100%
Blue Sky Private Real Estate Projects Pty Ltd	Australia	100%	-
BSPRE Investment Manager Pty Ltd	Australia	100%	-
Blue Sky Real Assets Holdings Pty Ltd	Australia	100%	-
BSAAF Management Pty Ltd	Australia	100%	100%
Blue Sky Carbon Services Pty Ltd	Australia	100%	100%
BSPE Mining Services Pty Ltd	Australia	100%	100%
Milky Way Development 2 Pty Ltd	Australia	100%	100%
RCL Accelerator Fund One Pty Ltd	Australia	100%	-
Blue Sky Student Developments Pty Ltd	Australia	100%	-
Blue Sky Residential Development Managers 1 Pty Ltd	Australia	100%	-
Blue Sky Commercial Asset Managers Pty Ltd	Australia	100%	100%
BSPE SPV 1 Pty Ltd	Australia	100%	100%
BSPE SPV 2 Pty Ltd	Australia	100%	100%
Blue Sky MR3 Gabba Central Co Pty Ltd	Australia	100%	100%
Blue Sky MR3 Cullen Bay Resorts Co Pty Ltd	Australia	100%	100%
Blue Sky MR4 Co Pty Ltd	Australia	100%	100%
Flora Street Holdings Pty Ltd	Australia	100%	100%
La Trobe Street Property Pty Ltd	Australia	100%	100%
Regina Apartments Pty Ltd	Australia	100%	100%
BSPE Medical Technology Pty Ltd	Australia	100%	100%
Blue Sky Citrus Holdings Pty Ltd	Australia	100%	-
Wellington Road Holdings 1 Pty Ltd	Australia	100%	-
Wellington Road Holdings 2 Pty Ltd	Australia	100%	-
High Street Lutwyche Pty Ltd	Australia	100%	-
Gladys Street Investments Pty Ltd	Australia	100%	-

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NOTE 35. INFORMATION RELATING TO SUBSIDIARIES (CONTINUED)

		Equity holding	
Name of entity	Principal place of business	30 June 2016 %	30 June 2015 %
Blue Sky Student Investments Pty Ltd	Australia	100%	-
Blue Sky Student Operations Pty Ltd	Australia	100%	-
Excel Leasing Pty Ltd	Australia	100%	-
Excel Operations Pty Ltd	Australia	100%	-
Excel RE Holdings Pty Ltd	Australia	100%	-
Excel RE Pty Ltd	Australia	100%	-
Peel Street Property Pty Ltd	Australia	100%	-
Blue Sky VC GP Pty Ltd	Australia	100%	100%
Blue Sky Water GP LLC	USA	100%	100%
Blue Sky Infrastructure Pty Ltd	Australia	51%	51%
Blue Sky RAMS Management Rights Income Fund 2	Australia	48%	33%
Riverside Gardens Trust	Australia	48%	48%
Water Utilities Australia Fund	Australia	52%	49%
Blue Sky Apeiron Pty Ltd	Australia	-	100%
Blue Sky Opportunity Fund 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%

During the year ended 30 June 2016, the Group incorporated nineteen new 100% owned subsidiaries, all of which are either Trustee companies or new investment management companies.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

NOTE 36. 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:

	30 June 2016 %	30 June 2015 %
Name of entity		
Riverside Gardens Trust	52	52
Water Utilities Australia Fund	48	51

	30 June 2016 $'000	30 June 2015 $'000
Accumulated balances of material non-controlling interest:		
Riverside Gardens Trust	740	483
Water Utilities Australia Fund	17,362	18,024
Profit/(loss) allocated to material non-controlling interest:		
Riverside Gardens Trust	277	255
Water Utilities Australia Fund	(136)	(97)

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

	Riverside Gardens Trust $'000	Water Utilities Australia $'000
Summarised statement of profit or loss – 2016		
Revenue	4,402	6,483
Expenses	(3,871)	(6,890)
Profit/(loss) before income tax	531	(407)
Income tax benefit/(expense)	-	(159)
Profit/(loss) for the year from continuing operations	531	(566)
Total comprehensive income	**531**	**(566)**
Attributable to non-controlling interests	277	(136)
Dividends paid to non-controlling interests	-	-
Summarised statement of profit or loss – 2015		
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)
Total comprehensive income	**488**	**(466)**
Attributable to non-controlling interests	255	(97)
Dividends paid to non-controlling interests	(131)	-

NOTE 36. MATERIAL PARTLY-OWNED SUBSIDIARIES (CONTINUED)

	Riverside Gardens Trust $'000	Water Utilities Australia $'000
Summarised statement of financial position as at 30 June 2016		
Current assets	2,401	1,676
Non-current assets	(537)	26,273
Current liabilities	(917)	(615)
Non-current liabilities	-	(12,378)
Total equity	**947**	**14,956**
Attributable to:		
- Equity holders of parent	207	(2,406)
- Non-controlling interest	740	17,362
Summarised statement of financial position as at 30 June 2015		
Current assets	4,019	2,881
Non-current assets	1,008	26,791
Current liabilities	(4,592)	(1,711)
Non-current liabilities	-	(12,394)
Total equity	**435**	**15,567**
Attributable to:		
- Equity holders of parent	(48)	(2,457)
- Non-controlling interest	483	18,024

	Riverside Gardens Trust $'000	Water Utilities Australia $'000
Summarised cash flow information for the year ended 30 June 2016		
Operating	977	1,780
Investing	(33)	(1,539)
Financing	(955)	(450)
Net increase/(decrease) in cash and cash equivalents	**(11)**	**(209)**
Summarised cash flow information for the year ended 30 June 2015		
Operating	(2,169)	982
Investing	122	(590)
Financing	1,914	(344)
Net increase/(decrease) in cash and cash equivalents	**(133)**	**48**

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

NOTE 37. INVESTMENTS IN ASSOCIATES

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

1. **Private Equity and Venture Capital**

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

2. **Private Real Estate**

   Specialise in funds that include a range of real estate investments focusing on residential development and student accommodation.

3. **Real Assets**

   Specialise in funds that include a range of investments focusing on water entitlements (which are perpetual rights to access a share of a defined water resource such as a river system), water infrastructure and agribusiness.

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

	Percentage interest	
	30 June 2016 %	30 June 2015 %
Associate		
Blue Sky Private Equity Retirement Village Fund	17.84	17.84
Blue Sky Private Equity Software Services Fund	20.25	20.25
Blue Sky Private Equity Vinomofo Fund	19.30	-
The Pad Management (Australia) Pty Ltd	35.00	-
Blue Sky Alternatives Access Fund Limited	3.91	6.21

Summary – 2016	Blue Sky Private Equity Retirement Village Fund	Blue Sky Private Equity Vinomofo Fund	The Pad Management (Australia) Pty Ltd	Blue Sky Alternatives Access Fund Limited
	$'000	$'000	$'000	$'000
Share of assets and liabilities				
Current assets	36	213	358	12,042
Non-current assets	61,279	20,000	384	133,990
Total assets	61,315	20,213	742	146,032
Current liabilities	(6,028)	(3,195)	(256)	(3,835)
Non-current liabilities	-	-	-	(2,242)
Total liabilities	(6,028)	(3,195)	(256)	(6,077)
Net assets/(liabilities)	**55,287**	**17,018**	**486**	**139,955**
Proportion of the Group's ownership	17.84%	19.30%	35.00%	3.91%
Carrying amount of the investment	**9,863**[1]	**3,284**[1]	**170**[1]	**5,472**[1]
Share of revenue, expenses and results				
Revenue	7,124	-	667	20,856
Expenses	(1,159)	(1,438)	(758)	(7,360)
Profit/(loss) for the year	**5,965**	**(1,438)**	**(91)**	**13,496**
Group's share of profit for the year	**1,064**	**(277)**	**(32)**	**528**

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NOTE 37. INVESTMENTS IN ASSOCIATES (CONTINUED)

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
Share of assets and liabilities			
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)
Net assets/(liabilities)	**49,322**	**23,121**	**83,162**
Proportion of the Group's ownership	17.84%	20.25%	6.21%
Carrying amount of the investment	**8,799**[1]	**4,682**[1]	**5,164**[1]
Share of revenue, expenses and results			
Revenue	21,028	1,926	7,582
Expenses	(3,599)	(590)	(2,912)
Profit/(loss) for the year	**17,429**	**1,336**	**4,670**
Group's share of profit for the year	**3,109**	**271**	**290**

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 14 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.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

38. BUSINESS COMBINATIONS

INVESTMENTS INTO FUNDS

During the year end 30 June 2014, the Group 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 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%. Subsequently, the group increased its equity interest from 33% to 48% during the 2016 financial year.

In accordance with AASB 10 *Consolidated Financial Statements*, the Group controlled 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 controlled 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 2016.

Blue Sky Mezzanine Fund 4

On 2 January 2014, the Group obtained 37% of the 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 controlled 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.

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38. 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 $30,926 impact on the value of the deferred consideration component at 30 June 2016.

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
Total consideration transferred	**26,796**

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)
Acquisition date fair value of identifiable net assets	**21,875**

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)
Goodwill	**8,511**

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

NOTE 39. EVENTS OCCURRING AFTER THE REPORTING DATE

On 19 August 2016, the Directors resolved to pay a final fully franked dividend of 16 cents per share in relation to the 2016 financial year. The record date for this dividend will be 2 September 2016 and the payment date will be 16 September 2016.

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

NOTE 40. RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH USED IN OPERATING ACTIVITIES

	Year ended	
	30 June 2016 $'000	30 June 2015 $'000
Profit after income tax expense for the year	10,507	9,861
Non-cash adjustments to reconcile profit after tax to net cash flow from operations:		
Depreciation and amortisation	2,302	2,209
Share of profit of associate	(2,802)	(3,650)
Share-based payments	275	140
Interest capitalised	153	475
Gain on financial assets held at fair value in profit and loss	159	(595)
Proceeds on disposal of investments held in associates	545	(1,748)
Other	-	(8)
Change in operating assets and liabilities		
(Increase)/Decrease in trade and other receivables	(31,531)	(8,860)
(Increase)/Decrease in inventories	822	(2,007)
(Increase)/Decrease in deferred tax assets	(6)	(841)
(Increase)/Decrease in other operating assets	(2,817)	(1,303)
Increase/(Decrease) in trade and other payables	18,594	2,315
Increase/(Decrease) in deferred revenue – current	1,790	1,644
Increase/(Decrease) in deferred revenue – non-current	2,872	(329)
Increase/(Decrease) in income tax provision	(2,853)	1,347
Increase/(Decrease) in deferred tax liabilities	6,551	1,961
Increase/(Decrease) in employee benefits	3,153	1,989
Increase/(Decrease) in other non-current liabilities	5,535	105
Increase/(Decrease) in other provisions	(29)	125
Net cash provided by operating activities	**13,220**	**2,830**

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NOTE 41. EARNINGS PER SHARE

	Year ended	
	30 June 2016 $'000	**30 June 2015 $'000**
Profit after income tax	10,507	9,861
Non-controlling interests	894	526
Total earnings	**11,401**	**10,387**
Number of shares	**'000**	**'000**
Weighted average number of ordinary shares used in calculating basic earnings per share	57,594	56,330
Weighted average number of ordinary shares and ordinary shares under option used in calculating diluted earnings per share:	58,306	57,618
EPS (cents)	**19.80**	**18.44**
Diluted EPS (cents)	**19.55**	**18.03**

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

NOTE 42. SHARE-BASED PAYMENTS

	2016 Number '000	2016 WAEP	2015 Number '000	2015 WAEP
Outstanding at 1 July	**2,820**	**$2.03**	**1,485**	**$1.52**
Granted during the year	911	$6.29	1,410	$2.51
Forfeited during the year	(750)	$2.26	-	-
Exercised during the year	(553)	$1.28	(75)	-
Expired during the year	-	-	-	-
Outstanding at 30 June	**2,428**	**$3.72**	**2,820**	**$2.03**
Exercisable at 30 June	1,073	$1.80	1,496	$1.39

The weighted average remaining life for the share options outstanding as at 30 June 2016 was 3.15 years (2015: 3.59 years).

The weighted average fair value of options granted during the year was $227,216 (2015: $30,656).

The range of exercisable prices for options outstanding at the end of the year was $1.00 to $7.50 (2015: $1.00 to $3.70)

The information below lists the inputs to the models used for the years ended 30 June 2016 and 30 June 2015.

2016	Issue 1	Issue 2	Issue 3
Dividend yield (%)	2.00%	2.00%	2.05%
Expected volatility (%)	35.00%	35.00%	35.00%
Risk-free interest rate (%)	2.03%	1.61%	2.22%
Expected life of options (years)	5.0	5.0	5.0
Weighted average share price ($)	$6.87	$7.50	$4.13
Model used	Binomial	Binomial	Binomial

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

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 $275,000 (2015: $140,000) expense in relation to share based payments in the 30 June 2016 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 2016

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 22 to 70, 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 2016 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

John Kain
Chair

19 August 2016
Brisbane

INDEPENDENT AUDITOR'S REPORT

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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 2016, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

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

Auditor's responsibility

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

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

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

Independence

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

Opinion

In our opinion:

a. the financial report of Blue Sky Alternative Investments Limited is in accordance with the *Corporations Act 2001*, including:

   i giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 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 the directors' report for the year ended 30 June 2016. 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 2016, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Ernst & Young

P McLuskie

Paula McLuskie
Partner
Brisbane
19 August 2016

APPENDIX A
FOR THE YEAR ENDED 30 JUNE 2016

FY16: RECONCILIATION OF CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME WITH UNDERLYING RESULTS

In AUD $Ms	Consolidated statement of comprehensive income ('statutory results')	Impact where investments are consolidated or equity accounted rather than reported at fair value	Underlying results
Revenue			
Management fees	$31.0m	$0.5m	$31.5m
Performance fees	$18.7m	-	$18.7m
Investment income	-$0.7m	$7.6m	$6.9m
Share of profit of associates accounted for using the equity method	$2.8m	-$1.7m	$1.1m
Other income	$19.1m	-$14.5m	$4.6m
Total revenue	**$70.9m**	**-$8.1m**	**$62.8m**
Expenses			
Employee benefits expense	-$20.7m	$1.5m	-$19.2m
Fee rebates to BAF	-$5.6m	-	-$5.6m
External capital raising costs	-$2.1m	-	-$2.1m
External service providers	-$4.5m	$0.3m	-$4.2m
Travel and entertainment	-$2.3m	-	-$2.3m
Occupancy	-$2.1m	$0.2m	-$1.9m
Finance costs	-$1.3m	$0.5m	-$0.8m
Depreciation and amortisation expense	-$2.3m	$1.8m	-$0.5m
Other expenses	-$14.3m	$11.3m	-$3.0m
Total expenses	**-$55.2m**	**$15.6m**	**-$39.6m**
Profit before income tax	**$15.7m**	**$7.5m**	**$23.2m**
Income tax expense	-$5.2m	-$1.7m	-$6.9m
Profit after income tax for the period	**$10.5m**	**$5.8m**	**$16.3m**
Total comprehensive income for the period	**$10.5m**	**$5.8m**	**$16.3m**
Profit is attributable to:			
Non-controlling interests	-$0.9m	$0.9m	-
Owners of Blue Sky Alternative Investments Limited	$11.4m	$4.9m	$16.3m

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FY16: 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
Current assets			
Cash and cash equivalents	$63.8m	-$0.9m	$62.9m
Trade and other receivables	$54.4m	$0.2m	$54.6m
Inventory	$2.5m	-$2.5m	-
Financial assets at fair value through profit and loss	-	-	-
Other assets	$4.3m	-$0.4m	$3.9m
Total current assets	**$125.0m**	**-$3.6m**	**$121.4m**
Non-current assets			
Receivables	$18.5m	$2.6m	$21.1m
Inventory	-	-	-
Investments accounted for using the equity method	$35.5m	-$33.8m	$1.7m
Financial assets at fair value through profit and loss	-	$51.5m	$51.5m
Property, plant and equipment	$30.1m	-$26.4m	$3.7m
Intangible assets	$18.7m	-$13.1m	$5.6m
Deferred tax assets	$0.6m	-$0.5m	$0.1m
Total non-current assets	**$103.4m**	**-$19.7m**	**$83.7m**
Total assets	**$228.4m**	**-$23.3m**	**$205.1m**
Current liabilities			
Trade and other payables	$20.9m	-$1.1m	$19.8m
Borrowings	$8.6m	-$0.7m	$7.9m
Deferred revenue	$6.7m	-$0.2m	$6.5m
Income tax	-$0.9m	$0.4m	-$0.5m
Employee benefits	$4.5m	-$0.2m	$4.3m
Total current liabilities	**$39.8m**	**-$1.8m**	**$38.0m**
Non-current liabilities			
Deferred revenue	$4.8m	-$0.4m	$4.4m
Provisions	$0.4m	-	$0.4m
Borrowings	$9.3m	-$9.3m	-
Other non-current liabilities	$13.1m	-$0.1m	$13.0m
Deferred tax liabilities	$13.6m	-$3.7m	$9.9m
Total non-current liabilities	**$41.2m**	**-$13.5m**	**$27.7m**
Total liabilities	**$81.0m**	**-$15.3m**	**$65.7m**
Net assets	**$147.4m**	**-$8.0m**	**$139.4m**
Equity			
Contributed equity	$119.6m	-	$119.6m
Reserves	-$6.6m	-	-$6.6m
Accumulated profits	$16.8m	$9.6m	$26.4m
Total equity attributable to the owners of Blue Sky	**$129.8m**	**$9.6m**	**$139.4m**
Non-controlling interests	$17.6m	-$17.6m	-
Total equity	**$147.4m**	**-$8.0m**	**$139.4m**

APPENDIX A
FOR THE YEAR ENDED 30 JUNE 2016

FY16: RECONCILIATION OF CONSOLIDATED STATEMENT OF CASH FLOWS WITH UNDERLYING RESULTS

In AUD $Ms	Consolidated statement of cash flows	Impact where investments are consolidated rather than reported at fair value	Underlying results
Cash flows from operating activities			
Receipts from customers (inclusive of GST)	$65.4m	-$13.3m	$52.1m
Payments to suppliers and employees (inclusive of GST)	-$48.9m	$10.7m	-$38.2m
Interest received	$1.2m	-	$1.2m
Interest and other finance costs paid	-$1.2m	$0.5m	-$0.7m
Income taxes paid	-$3.3m	$0.4m	-$2.9m
Net cash from operating activities	**$13.2m**	**-$1.7m**	**$11.5m**
Cash flows from investing activities			
Cash disposed on de-consolidation of a controlled entity	-	-	-
Payments for equity investments	-$14.3m	-	-$14.3m
Proceeds from disposal of equity investments (including distributions)	$7.1m	-	$7.1m
Payments for property, plant and equipment	-$2.3m	$1.5m	-$0.8m
Payments for intangible assets	-$0.1m	-	-$0.1m
Loans (to)/from related parties	-$20.5m	-$0.9m	-$21.4m
Net cash used in investing activities	**-$30.1m**	**$0.6m**	**-$29.5m**
Cash flows from financing activities			
Proceeds from issue of shares	$67.5m	-	$67.5m
Issue of shares to non-controlling interests, net of returns of capital	-	-	-
Share issue transaction costs	-$2.4m	-	-$2.4m
Proceeds from borrowings	$7.7m	-$0.1m	$7.6m
Repayment of borrowings	-$8.2m	$1.5m	-$6.7m
Dividends paid	-$6.3m	$0.1m	-$6.2m
Net cash from financing activities	**$58.3m**	**$1.5m**	**$59.8m**
Net increase in cash and cash equivalents	**$41.4m**	**$0.4m**	**$41.8m**
Cash and cash equivalents at the beginning of the year	$22.4m	-$1.3m	$21.1m
Cash and cash equivalents at the end of the year	**$63.8m**	**-$0.9m**	**$62.9m**

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

In AUD $Ms	Consolidated statement of comprehensive income ('statutory results')	Impact where investments are consolidated or equity accounted rather than reported at fair value	Underlying results
Revenue			
Management fees	$24.7m	$0.1m	$24.8m
Performance fees	$8.8m	-	$8.8m
Investment income	$2.3m	$3.2m	$5.5m
Share of profit of associates accounted for using the equity method	$3.7m	-$3.7m	-
Other income	$25.0m	-$20.5m	$4.5m
Total revenue	**$64.5m**	**-$20.9m**	**$43.6m**
Expenses			
Employee benefits expense	-$15.2m	$2.8m	-$12.4m
Fee rebates to BAF	-$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
Total expenses	**-$50.4m**	**$21.5m**	**-$28.9m**
Profit before income tax	**$14.1m**	**$0.6m**	**$14.7m**
Income tax expense	-$4.2m	-$0.1m	-$4.3m
Profit after income tax for the period	**$9.9m**	**$0.5m**	**$10.4m**
Total comprehensive income for the period	**$9.9m**	**$0.5m**	**$10.4m**
Profit is attributable to:			
Non-controlling interests	-$0.5m	$0.5m	-
Owners of Blue Sky Alternative Investments Limited	$10.4m	-	$10.4m

APPENDIX A
FOR THE YEAR ENDED 30 JUNE 2016

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
Current assets			
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
Total current assets	**$45.3m**	**-$7.0m**	**$38.3m**
Non-current assets			
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	-
Total non-current assets	**$85.1m**	**-$29.4m**	**$55.7m**
Total assets	**$130.4m**	**-$36.4m**	**$94.0m**
Current liabilities			
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
Total current liabilities	**$29.0m**	**-$6.7m**	**$22.3m**
Non-current liabilities			
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	-$5.5 m	$3.5m
Total non-current liabilities	**$24.5m**	**-$15.4m**	**$9.1m**
Total liabilities	**$53.5m**	**-$22.1m**	**$31.4m**
Net assets	**$76.9m**	**-$14.3m**	**$62.6m**
Equity			
Contributed equity	$53.2m	-	$53.2m
Reserves	-$6.9m	-	-$6.9m
Accumulated profits	$11.6m	$4.7m	$16.3m
Total equity attributable to the owners of Blue Sky	**$57.9m**	**$4.7m**	**$62.6m**
Non-controlling interests	$19.0m	-$19.0m	-
Total equity	**$76.9m**	**-$14.3m**	**$62.6m**

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FY15: RECONCILIATION OF CONSOLIDATED STATEMENT OF CASH FLOWS WITH UNDERLYING RESULTS

In AUD $Ms	Consolidated statement of cash flows	Impact where investments are consolidated rather than reported at fair value	Underlying results
Cash flows from operating activities			
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
Net cash from operating activities	**$2.8m**	**$3.3m**	**$6.1m**
Cash flows from investing activities			
Cash disposed on de-consolidation of a controlled entity	-$1.3m	$1.3m	-
Payments for equity investments	-$1.7m	-$0.7m	-$2.4m
Proceeds from disposal of equity investments	$8.2m	$1.3m	$9.5m
Payments 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
Net cash from investing activities	**$3.3m**	**$1.1m**	**$4.4m**
Cash flows from financing activities			
Proceeds from issue of shares	$0.1m	-	$0.1m
Issue of shares to non-controlling interests, net of 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
Net cash used in financing activities	**-**	**-$4.2m**	**-$4.2m**
Net increase in cash and cash equivalents	**$6.1m**	**$0.2m**	**$6.3m**
Cash and cash equivalents at the beginning of the year	$16.3m	-$1.5m	$14.8m
Cash and cash equivalents at the end of the year	**$22.4m**	**-$1.3m**	**$21.1m**

SUPPLEMENTARY INFORMATION

The following information is current as at 30 September 2016:

a. Distribution of Shareholders

Holding	Ordinary Shares
1 – 1,000	442,472
1,001 – 5,000	3,547,014
5,001 – 10,000	3,670,811
10,001 – 100,000	14,820,329
100,001 and over	44,910,772
	67,391,398

b. There were 56 holders of less than a marketable parcel of ordinary shares.

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

Name	Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
J P MORGAN NOMINEES AUSTRALIA LIMITED	6,511,315	9.66%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	5,389,681	8.00%
BLUE DOG GROUP PTY LIMITED	5,000,000	7.42%
ADCOCK PRIVATE EQUITY PTY LTD	4,801,615	7.12%
		32.20%

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.

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e. 20 Largest Shareholders – Ordinary Shares

Name	Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
J P MORGAN NOMINEES AUSTRALIA LIMITED	6,511,315	9.66%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	5,389,681	8.00%
BLUE DOG GROUP PTY LIMITED	5,000,000	7.42%
ADCOCK PRIVATE EQUITY PTY LTD	4,801,615	7.12%
CITICORP NOMINEES PTY LIMITED	3,344,930	4.96%
NATIONAL NOMINEES LIMITED	3,093,389	4.59%
PHENOMENON HOLDINGS PTY LTD	1,700,480	2.52%
EMERALD HILL HOLDINGS PTY LTD	1,208,477	1.79%
BNP PARIBAS NOMS PTY LTD	1,066,851	1.58%
DOCHART HOLDINGS PTY LIMITED	1,003,504	1.49%
GEOMAR SUPERANNUATION PTY LTD	990,000	1.47%
MR KIM SCOTT MORISON	909,376	1.35%
UBS NOMINEES PTY LTD	858,086	1.27%
CHRISTOPHER STACEY & PATRICIA ANN STACEY	722,529	1.07%
RNAJ PTY LTD	657,958	0.98%
STEENHUISEN SUPER PTY LTD	477,832	0.71%
BNP PARIBAS NOMINEES PTY LTD	464,448	0.69%
BOND STREET CUSTODIANS LIMITED	414,925	0.62%
MRS SUSAN MARY TAYLOR	390,698	0.58%
BT PORTFOLIO SERVICES LIMITED	343,732	0.51%

f. Use of cash

For the period 1 July 2015 to 30 June 2016, 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 2016:

DIRECTORS

John Kain

Tim Wilson

Alexander McNab

Kim Morison

Elaine Stead

Nick Dignam

COMPANY SECRETARY

Jane Prior

REGISTERED OFFICE

Level 46
111 Eagle Street
Brisbane QLD 4000

(07) 3270 7500

SHARE REGISTRY

Link Market Services Limited

Level 15, 324 Queen Street
Brisbane, QLD 4000

AUDITOR

Ernst & Young

111 Eagle Street
Brisbane, QLD 4000

STOCK EXCHANGE LISTINGS

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

WEBSITE

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Alternative Thinking

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