



Alternatives
Access Fund

ANNUAL REPORT

For the year ended 30 June 2016

Blue Sky Alternatives Access Fund Limited

ACN 168 941 704

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Chairman's Review

Dear Shareholders

Blue Sky Alternatives Access Fund: 2016 result

The Alternatives Fund

Blue Sky Alternatives Access Fund Limited ('Alternatives Fund') is Australia's only Listed Investment Company that allows investors to make a strategic allocation to a diverse portfolio of directly managed alternative assets. The Alternatives Fund invests in alternative asset funds managed by Blue Sky Alternative Investments Limited ('Blue Sky') and, as a listed structure, provides investors with the additional benefit of liquidity and fees that are lower than other alternative assets funds.

Alternative asset classes (such as private equity, hedge funds, private real estate and real assets) tend to have different risk, return and correlation characteristics to traditional asset classes such as equities and fixed income, and as a result have the potential to increase overall portfolio returns or reduce overall portfolio risk. During FY16, those uncorrelated characteristics were apparent as we continued to see NTA growth and income generation during periods of sustained volatility in capital markets.

Investment highlights

The Alternatives Fund entered the year with a fully deployed portfolio. By mid-December 2015, 47.2 million options issued at IPO had been exercised raising an additional \$46.4 million. Whilst this represented a pleasing 78% exercise rate, the exercise price of \$0.9827 reduced NTA by over 2 cents. These options expired in December 2015, and the additional funds were fully deployed across a range of private equity, private real estate and real asset opportunities by February 2016. This deployment confirms the strong pipeline of investment opportunities which continue to present themselves to the Alternatives Fund. As at 31 August 2016, the Alternatives Fund's capital was deployed as follows:

Private Equity and Venture Capital	24%	\$25m in 9 single asset private equity funds \$9m in 3 single asset venture capital funds and 1 multi-asset fund
Private Real Estate	38%	\$21m in 6 purpose built student accommodation assets \$18m in 12 residential developments \$11m in management letting rights and commercial property
Real Assets	31%	\$24m in the Blue Sky Water Fund \$12m in 4 infrastructure and private equity style agricultural investments
Cash	7%	-

During FY16, the Alternatives Fund realised two assets in which it invested in mid-2014 following its IPO, namely:

- Readify (private equity) generating a return on equity of 72% over its two-year investment life; and
- Alice Street Kedron (private real estate – residential development) generating a return on equity of 68% over its two-year investment life.

Pleasingly, the price realised by each asset value exceeded the carrying value of that asset.

Our monthly NTA reports publish our expected timeline for realisation of the Alternatives Fund's investments. In recent months we have forecast realisations of one management rights project and six residential developments projects in FY17. I am pleased to confirm that, not only do each of those projects remain on track to be realised in FY17 in line with initial project forecasts, but we also expect at least one other realisation in private equity in FY17.

We continue to see a strong pipeline of investment opportunities across all asset classes, but particularly in private equity, venture capital, private real estate (notably in student accommodation and retirement living) and real assets (notably water and agribusiness).

Financial results

In FY16, the Alternatives Fund has recorded NPAT of \$13.496 million (FY15: \$4.670 million) and declared a fully franked dividend of \$0.05 per share (FY15: \$0.03). Our current portfolio comprises approximately one third income producing assets, which will increase to more than 50% as the current portfolio matures. This mix, together with selected realised gains, is expected to support our intention to pay interim and final dividends with a total targeted yield of at least 4% of closing post-tax NTA, provided that BAF has sufficient profit and cash flow to do so.

At 30 June 2016 our pre-tax NTA was \$1.1216 per share (30 June 2015: \$1.0408). This pleasing result contributed to a total shareholder return of 11.2% per annum since inception to 30 June 2016. In FY16, the relative impact of the cost of capital allocation on NTA has reduced. We expect that relative impact to continue to decline as the Alternatives Fund continues to scale and mature.

At this year's AGM I will step down as Chairman and a director of the Alternatives Fund. From the AGM, Andrew Champion, who has served as a Director since IPO, will assume the role as Chairman. I am happy to say that the Alternatives Fund will be left in very good shape with an established track record of delivering shareholder returns, a diverse portfolio of performing and maturing alternative assets, a sustainable dividend policy and strong internal processes and governance. I thank you for your support of the Alternatives Fund to date. As a fellow shareholder, I look forward to continuing to share in the success of the Alternatives Fund over the coming years.

Yours faithfully



John Kain
Chairman | Blue Sky Alternatives Access Fund Limited

Directors' Report

The Directors present their report for Blue Sky Alternatives Access Fund Limited (the 'Company' or 'the Alternatives Fund') for the financial year ended 30 June 2016.

Directors

The names of the Company's Directors in office during the financial year and until the date of this report are set out below. Directors were in office for this entire financial year unless otherwise stated.

- John Kain (Chair)
- Alexander McNab (Non-Independent Executive Director) – resigned on 21 March 2016
- Andrew Champion (Non-Independent Executive Director)
- Lazarus Siapantas (Non-Independent Executive Director) – appointed on 21 March 2016
- Paul Masi (Independent Director)
- Philip Hennessy (Independent Director)

About the Company

The Alternatives Fund is a listed investment company that invests in a diverse range of alternative assets including:

- Real assets;
- Private real estate;
- Private equity and venture capital; and
- Hedge funds.

The Alternatives Fund is the only listed investment company on the ASX that allows investors to make a strategic allocation to a diverse portfolio of directly managed alternative assets.

The Alternatives Fund is listed on the ASX trading under the code BAF.

BSAAF Management Pty Limited ('Manager') is the manager of the Alternatives Fund. All investments made by the Manager on behalf of the Alternatives Fund are directly managed by wholly owned subsidiaries of Blue Sky Alternative Investments Limited ('Blue Sky'), which is listed on the ASX trading under the code BLA.

Objectives of the Company

The primary objectives of the Alternatives Fund are to:

- Deliver long term absolute returns to shareholders, comprised of both capital appreciation and a dividend yield (franked to either 100% or the maximum extent possible);
- Provide investors with access to a diverse range of alternative assets; and
- Provide investors with the ability to invest in alternative assets through an ASX listed structure that is more readily accessible and liquid than is typical for many alternative assets.

Operating and Financial Review

Capital raised from exercise of options

Upon the initial public offering ('IPO') of the Company's shares in May 2014, a total of 60.4 million BAF Options were issued to shareholders who participated in the IPO. With these options expiring in December 2015, the Alternatives Fund raised approximately \$46.4 million from option holders exercising their options prior to expiry which represents a conversion rate of more than 78%.

Deployment of capital

The Directors are pleased to report that approximately \$53 million was deployed in FY16 in new and follow-on investments, and over \$135 million has been deployed since the Alternatives Fund's IPO in May 2014. As a result of these investments, the Alternatives Fund has a well-diversified portfolio of alternative investments, with allocations at 30 June 2016 as follows:

- 31.1 % in real assets;
- 37.7 % in private real estate;
- 22.6% in private equity and venture capital;
- 3.8% in hedge funds; and
- 4.8% in cash.

Investment performance

The profit from ordinary activities after income tax amounted to \$13.50 million in FY16 (2015: \$4.67 million).

The Alternatives Fund's net asset value per share after all fees and excluding tax increased by 7.8% over the course of FY16, rising from \$1.0408 per share at 30 June 2015 to \$1.1216 per share at 30 June 2016, after also paying a 3.0 cents per share fully franked dividend in November 2015. This is a pleasing result in a period where the dilutive impact from the exercise of BAF options partially offset growth in the Alternatives Fund's net asset value per share. These options expired in December 2015.

Gains were made across the majority of asset classes in the Alternatives Fund's portfolio in FY16, with many of the Company's early investments transitioning into growth phase. By the end of the financial year, assets representing approximately one third of the portfolio by value were delivering regular income, with an additional 23% of the portfolio expected to begin delivering income once mature (such as the Company's student accommodation investments).

In addition to yield from the portfolio, gains were crystallised on two investments which successfully exited during June 2016: Blue Sky's private equity investment in Readify Pty Ltd, a leading Australian IT services business which was acquired by Telstra, and the Alice Street Kedron residential development project. The Alternatives Fund received capital and profit distributions, as well as fee rebates, from these investments, to deliver realised IRRs of 34.3% and 36.3% (72.1% and 68.5% return on invested capital) respectively.

Directors' Report

Consolidation and growth

The outlook for the Company in FY17 is expected to include:

- a period of continuing maturity and capital growth within the portfolio;
- an increasing proportion of the portfolio generating yield, particularly from student accommodation projects;
- selected realisations from the private real estate and private equity portfolios; and
- a smaller relative proportion of costs from capital deployment.

With Australia facing an environment of continued low interest rates, low inflation and yield compression, the Alternatives Fund enables investors of all types to include an allocation to alternatives in their portfolio through a diversified, cost efficient and liquid structure.

Dividends

On 26 May 2016, the Directors provided Shareholders with guidance with respect to its intentions in relation to future dividend payments. This guidance stated that the Company is committed to paying annual dividends targeting at least 4.0% of closing post-tax NTA for each financial year, franked to the highest extent possible, provided that BAF has sufficient profit and cash flow to do so. From FY17 the Company intends to pay part of this dividend as an interim dividend.

On 19 August 2016, the Directors resolved to pay a final fully franked dividend of 5 cents per share in relation to the 2016 financial year. The record date for this dividend is 2 September 2016 and the payment date is 23 September 2016.

Earnings per share

	30 June 2016 Cents	30 June 2015 Cents
Basic and diluted earnings per share	12.17	7.43

Significant changes in the state of affairs

There have been no significant changes, other than those noted above, in the state of affairs of the Company during the financial year.

Matters subsequent to the end of the financial year

There are no matters subsequent to the end of the financial year that have significantly affected or may significantly affect, the operations of the Company, the results of those operations or the state of affairs of the Company in subsequent financial years.

Likely developments and expected results of operations

The Company 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 Company is not affected by any significant environmental regulation in respect of its operations.

Information on Directors

John Kain (appointed 4 April 2014)

Non-independent non-executive Chair

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, a specialist legal consulting company working exclusively in corporate, commercial and mergers and acquisition law.

John is currently Chair of a widely held private investment company and a member of the Financial Council of the Roman Catholic Archdiocese of Adelaide. He has also served on a number of boards, including as a Director of public charitable trusts, as 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.

John graduated from Adelaide University and was admitted to legal practice in South Australia in 1990. He was subsequently admitted to practice in England and in New South Wales. John is a member of the Audit and Risk Committee and the Remuneration and Nomination Committee of the Company.

Other current Directorships of listed entities:

Blue Sky Alternative Investments Limited (appointed 1 July 2011)

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

Interests in shares: 514,285 shares

Directors' Report

Alexander McNab (appointed 4 April 2014 and resigned on 21 March 2016)

Non-independent executive Director

Alexander joined Blue Sky in 2009 as a partner in Blue Sky's private equity business. He is now Blue Sky's Chief Investment Officer, sitting on the investment committees of all 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, Alexander formulated corporate and business unit strategies, led performance improvement projects and influenced management teams to drive results, working with clients across a range of industries, including financial services, telecommunications, retail, consumer products and technology.

Alexander holds a Masters of Business Administration (with Distinction) from INSEAD, and a Bachelor of Economics (First Class Honours) and Bachelor of Laws from the University of Queensland. He is a Graduate Member of the Australian Institute of Company Directors.

Other current Directorships of listed entities:

Blue Sky Alternative Investments Limited (appointed 23 September 2011)

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

Commstrat Limited (appointed 15 February 2011)

Interests in shares: 500,000 shares

Andrew Champion (appointed 4 April 2014)

Non-independent executive Director

Andrew has over 20 years of experience in corporate advice and finance and has been responsible for private equity and alternative assets coverage for two leading investment banks out of London and Sydney. He also has extensive experience in leading M&A and debt and equity funding for SME's in Australia.

Having joined Blue Sky in January 2013, Andrew leads Blue Sky's Sydney office and is head of Blue Sky's capital market activities. Andrew is also the lead portfolio manager for the Alternatives Fund.

Andrew holds a Bachelor of Commerce and Bachelor of Laws and has been a member of the ICAA since 1994. Andrew is a member of the Audit and Risk Committee and the Remuneration and Nomination Committee of the Company.

Other current Directorships of listed entities: None

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

Interests in shares: 350,000 shares

Lazarus Siapantas (appointed 21 March 2016)

Non-independent executive Director

With more than 12 years of experience in the financial services industry, Laz's focus has been on distribution and capital raising for domestic and international asset managers across alternative investments, equities, currencies and bonds. Laz has extensive experience in dealing with boutique and private wealth businesses, multi-managers, private banks, foreign investment banks, high net worth and family office investors. Prior to working in funds management, Laz held compliance, investment committee and investment advisory roles for a privately owned Australian wealth management firm.

Laz joined Blue Sky in December 2013 establishing the Melbourne office and since that time has been responsible for building Blue Sky's presence across the Victorian and South Australian markets. Since its IPO in May 2014, Laz has played a pivotal role in the growth of BAF and has an intimate understanding of the requirements to deliver on its goals for growth. He is a Graduate Member of the Australian Institute of Company Directors.

Other current Directorships of listed entities: None

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

Interests in shares: 26,667 shares

Paul Masi (appointed 16 April 2014)

Independent Director

Paul has over 35 years of experience in financial services and investment banking.

Paul is currently the non-executive Chair of Shaw and Partners Limited, the President and non-executive Chair of the Cerebral Palsy Alliance and a non-executive Director of The Girls and Boys Brigade.

Previously Paul was Managing Director and CEO of Austock Group Limited, and CEO of Bank of America Merrill Lynch Limited in Australia.

Paul holds a Bachelor of Economics from Macquarie University and has completed the AGSM Accelerated Management Program. Paul is a member of the Audit and Risk Committee and the Chair of the Remuneration and Nomination Committee of the Company.

Other current Directorships of listed entities: None

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

Interests in shares: 375,000 shares

Directors' Report

Philip Hennessy (appointed 15 April 2014)

Independent Director

Philip stood down as Queensland Chair of KPMG in February 2013 after 12 years in the role and retired from the partnership in July 2013.

Over the past 30 years Philip has been involved in corporate insolvency and reorganisation across a variety of industries including construction, real estate, mining, manufacturing, professional services, hospitality, tourism, agriculture and financial services.

He has served as a Chair and Director on a number of government owned corporations focussed on water storage, treatment and transport services to industrial and mining customers and for household use, and also involving the construction of pipelines, dams and other infrastructure. Philip has also been a Director of various not-for-profit organisations serving intellectually disabled women, children with chronic health issues, hospitals and education.

Philip is currently an independent company Director and adviser to public, private and not for profit organisations. Philip is a member of the Audit and Risk Committee (Chair) and the Remuneration and Nomination Committee of the Company.

Other current Directorships of listed entities:

Collection House Limited (appointed 22 August 2013)

Metro Mining Limited (appointed 30 September 2014)

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

Interests in shares: 116,667 shares

Shareholdings of Directors

Refer to page 9 of the Remuneration Report and Note 8 for a summary of the shares held by the Directors.

Meetings of Directors

The numbers of meetings of the Company's board of Directors and of each board committee held for the year ended 30 June 2016 and the numbers of meetings attended by each Director were:

	Full meetings of Directors		Meetings of committees			
			Audit and Risk		Remuneration and Nomination	
	A	B	A	B	A	B
John Kain	24	25	4	4	2	2
Philip Hennessy	25	25	4	4	2	2
Paul Masi	25	25	4	4	2	2
Andrew Champion	25	25	1	1	2	2
Alexander McNab ¹	20	20	3	3	-	-
Lazarus Siapantas ¹	4	5	-	-	-	-

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

¹ On 21 March 2016, Mr Alexander McNab resigned as a Director of the Company and Mr Lazarus Siapantas was appointed as a Director of the Company.

Company Secretary

Jane Prior is the Company Secretary. Jane was previously based at a London law firm where she advised on fund establishments and investments as well as a range of joint venture, venture capital, private equity and mergers and acquisitions transactions. Prior to her time in London, Jane worked at Brisbane-based law firm McCullough Robertson Lawyers. Jane has also worked as a judge's associate in the Supreme Court of Queensland. Jane has a Bachelor of Arts/Law from the University of Queensland and was admitted as a solicitor in 2005. Jane is also Company Secretary and in-house legal counsel of Blue Sky Alternative Investments Limited, a related party of the Company.

Former joint Company Secretary David Mitchell resigned on 26 April 2016.

Insurance and indemnification of officers

The Company maintains Directors & Officers Insurance and has entered into a Deed of Access, Insurance and Indemnity with 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 such disclosure is prohibited under the terms of the contract.

Directors' Report

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 21 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 Act').

The Directors are of the opinion that the services as disclosed in Note 21 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.

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.

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 statements have been rounded to the nearest \$1,000 (unless otherwise stated) under the option available to the Company under ASIC Corporations (Rounding in the Financial/Directors' Report) Instrument 2016/191. The Company is an entity to which 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 10.

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

On behalf of the Directors:



John Kain
Chair

19 August 2016
Brisbane

Remuneration Report (Audited)

The remuneration report details the nature and amount of remuneration of each Director of the Company in accordance with the *Corporations Act 2001*.

Remuneration policy and framework

The Directors have agreed that the Independent Directors, Philip Hennessy and Paul Masi, are to receive \$40,000 per annum, and the Chair of the Company, John Kain, will receive \$60,000 per annum, in recognition of additional duties. These amounts are exclusive of Goods and Services Tax ('GST') and compulsory superannuation where applicable. The other Directors who are not independent will not receive any remuneration.

Under the ASX Listing Rules, the maximum fees payable to Directors may not be increased without approval from the Company at a general meeting. Directors will seek approval from time to time as appropriate. Entitled Directors receive a superannuation guarantee contribution required by the Government, which is currently 9.5%, and do not receive any retirement benefits or long service leave. All remuneration paid to Directors is valued at the cost to the Company and expensed where appropriate. At present, no employee share or option arrangements are in existence for the Company's Directors. As the Company does not pay performance based fees to the Directors, nor provide share or option schemes to Directors, remuneration is not explicitly linked to the Company's performance.

Notwithstanding this, the Board members are subject to ongoing performance monitoring and regular performance reviews.

Details of remuneration

The Directors' remuneration, inclusive of GST and compulsory superannuation where applicable, incurred during the current and prior period, is as follows:

Director	Position	Year ended 30 June 2016 \$	Year ended 30 June 2015 \$
John Kain	Chair	66,000	66,000
Philip Hennessy	Director	43,800	43,800
Paul Masi	Director	44,000	44,000
Alexander McNab ¹	Director/Resigned	-	-
Andrew Champion	Director	-	-
Lazarus Siapantas ¹	Director	-	-
		153,800	153,800

The Manager (BSAAF Management Pty Limited) will also be considered Key Management Personnel given it has the authority and responsibility for planning, directing and controlling the activities of the Company by virtue of the Management Services Agreement entered into on 6 May 2014. During the 2016 financial year, the Company incurred \$1,493,960 (2015: \$811,822) of management fees, inclusive of the net impact of GST and \$1,285,464 (2015: Nil) of performance fees, excluding GST, payable to the Manager. Refer to Note 7 for further information.

During the 2016 financial year, the non-independent executive directors were employees of Blue Sky.

Shareholdings of Directors

As at 30 June 2016, shares issued by the Company and held by the Directors and their related entities are set out below:

Director	Opening balance (Number of shares)	Net number of shares acquired	Net number of shares disposed	Closing balance (Number of shares)
John Kain	500,000 ²	14,285	-	514,285
Philip Hennessy	66,667 ²	50,000	-	116,667
Paul Masi	225,000 ²	150,000	-	375,000
Alexander McNab ¹	500,000 ²	400,000	400,000	500,000
Andrew Champion	350,000 ²	261,596	261,596	350,000
Lazarus Siapantas ¹	26,667	-	-	26,667

¹ On 21 March 2016, Mr Alexander McNab resigned as a Director of the Company and Mr Lazarus Siapantas was appointed as a Director of the Company.

² As at 1 July 2015, options issued by the Company and held by the Directors and their related entities are equivalent to the opening balance of shares issued with the exception of Philip Hennessy and Paul Masi who each held 50,000 and 150,000 respectively. These options expired in December 2015 if not exercised. Options exercised during the year by the Directors and their related entities were: Philip Hennessy exercised 50,000 options; Paul Masi exercised 150,000 options; Alexander McNab exercised 400,000 options; Andrew Champion exercised 261,596 options.

Auditor's Independence Declaration



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Auditor's independence declaration to the directors of Blue Sky Alternatives Access Fund Limited

As lead auditor for the audit of Blue Sky Alternatives Access Fund 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

Paula McLuskie
Partner
19 August 2016

Corporate Governance Statement

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

<http://www.blueskyfunds.com.au/blue-sky-funds/alternatives-fund/#governance>

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General information

The financial report covers Blue Sky Alternatives Access Fund Limited (the 'Company'). The Company was registered on 4 April 2014 and began trading on the Australian Securities Exchange on 16 June 2014.

The financial report is presented in Australian dollars, which is the Company's functional and presentation currency.

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

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

Suite 1808, Level 18, Australia Square
264-278 George Street
Sydney NSW 2000

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.

Statement of Comprehensive Income

For the year ended 30 June 2016

		Year ended 30 June 2016	Year ended 30 June 2015
	Notes	\$'000	\$'000
Net gains/(losses) on financial assets held at fair value through profit and loss	5	12,109	3,354
Rebates	6	5,637	3,264
Dividend and trust distribution income		3,020	756
Interest income		90	208
Management fees	7	(1,494)	(812)
Performance fees	7	(1,285)	-
Directors fees	8	(154)	(149)
Other expenses		(514)	(392)
Profit before income tax		17,409	6,229
Income tax expense	9	(3,913)	(1,559)
Profit after income tax		13,496	4,670
Other comprehensive income		-	-
Total comprehensive income		13,496	4,670
Earnings per share		Cents	Cents
Basic earnings per share (profit per share)	20	12.17	7.43
Diluted earnings per share (profit per share)	20	12.17	7.43

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

Statement of Financial Position

As at 30 June 2016

		As at	
		30 June 2016	30 June 2015
	Notes	\$'000	\$'000
Assets			
Cash and cash equivalents	10	6,717	2,018
Trade and other receivables		1,776	42
Financial assets held at fair value through profit and loss	5, 11	133,990	83,073
Other assets	12	3,549	1,568
Total assets		146,032	86,701
Liabilities			
Trade and other payables	13	1,626	2,419
Current tax payable		2,209	-
Deferred rebates	14	927	443
Deferred tax liabilities	15	1,315	677
Total liabilities		6,077	3,539
Net assets		139,955	83,162
Shareholders' equity			
Issued shares and options	16	125,558	78,987
Retained profits	17	14,397	4,175
Total shareholders' equity		139,955	83,162

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

Statement of Changes in Equity

For the year ended 30 June 2016

		Share capital	Share option reserve	Retained profits/ (accumulated losses)	Total shareholders' equity
	Notes	\$'000	\$'000	\$'000	\$'000
Balance as at 1 July 2014		57,351	1,812	(495)	58,668
Total comprehensive income for the year	17	-	-	4,670	4,670
Subtotal		57,351	1,812	4,175	63,338

Transactions with equity holders in their capacity as equity holders:

Shares and options issued during the year	16	20,157	-	-	20,157
Fundraising costs (net of tax)	16	(333)	-	-	(333)
Subtotal		19,824	-	-	19,824

Balance as at 30 June 2015		77,175	1,812	4,175	83,162
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		Share capital	Share option reserve	Retained profits	Total shareholders' equity
		\$'000	\$'000	\$'000	\$'000
Balance as at 1 July 2015		77,175	1,812	4,175	83,162
Total comprehensive income for the year	17	-	-	13,496	13,496
Subtotal		77,175	1,812	17,671	96,658

Transactions with equity holders in their capacity as equity holders:

Shares issued during the year	16	46,569	-	-	46,569
Transfer of share option reserve upon the forfeiture, exercise or expiry of share options		1,812	(1,812)	-	-
Fundraising costs (net of tax)	16	2	-	-	2
Dividends paid	18	-	-	(3,274)	(3,274)
Subtotal		48,383	(1,812)	(3,274)	43,297

Balance as at 30 June 2016		125,558	-	14,397	139,955
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The above statement of changes in equity should be read in conjunction with the accompanying notes.

Statement of Cash Flows

For the year ended 30 June 2016

		Year ended 30 June 2016	Year ended 30 June 2015
	Notes	\$'000	\$'000
Cash flows from operating activities			
Rebates of transaction costs and fees (inclusive of GST)		4,082	3,049
Dividends and trust distributions received		2,026	737
Payments to suppliers (inclusive of GST)		(2,920)	(1,979)
Interest received		90	208
Income tax paid		(1,066)	-
Net cash from operating activities	22	2,212	2,015
Cash flows from investing activities			
Payments for financial assets held at fair value through profit and loss		(53,335)	(43,500)
Proceeds from disposal of financial assets held at fair value through profit and loss		12,527	2,950
Net cash used in investing activities		(40,808)	(40,550)
Cash flows from financing activities			
Proceeds from issue of shares		196	20,132
Proceeds from exercise of options		46,373	25
Fundraising costs (inclusive of GST)		-	(419)
Dividends paid	18	(3,274)	-
Net cash from financing activities		43,295	19,738
Net increase/(decrease) in cash and cash equivalents		4,699	(18,797)
Cash and cash equivalents at the beginning of the financial year		2,018	20,815
Cash and cash equivalents at the end of the financial year	10	6,717	2,018

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

Notes to the Financial Statements

For the year ended 30 June 2016

1. General Information

The Company invests in a diverse range of alternative assets, deriving revenue such as dividend and trust distribution income, and investment income such as gains on disposals of investments.

2. 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 periods presented, with the exception of the adoption of a new reporting format as provided for under AASB 101 *Presentation of Financial Statements*. In this regard, the Company has adopted the liquidity method for the presentation of the Statement of Financial Position to more easily allow users to assess the liquidity and solvency position of the Company at various reporting dates. The new format applies to both current year and comparative period. In addition and of significance, the Company has continued to apply AASB 2013-5 (*Amendments to Australian Accounting Standards - Investment Entities*). As a result, the Company is defined as an investment entity.

(a) 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*. The Company is a for-profit entity for the purpose of preparing the financial statements.

The Financial Statements were authorised for issue by the Directors on 19 August 2016.

(i) Compliance with International Financial Reporting Standards

The financial statements of the Company also comply with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board ('IASB').

(ii) Historical cost convention

This financial report has been prepared on a going concern basis and under the historical cost convention except for assets and liabilities which are measured at fair value.

(iii) Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement of the process of applying the Company's accounting policies. The areas involving a higher degree of judgement of complexity, or areas where assumptions and estimates are significant to the financial statements, are the determination of the fair value of investments, which are disclosed in Note 5 of the Financial Statements.

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

(b) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

(i) Investment income

Profits and losses realised from the sale of investments and unrealised gains and losses on investments held at fair value are included in the Statement of Comprehensive Income in the year in which they arise in accordance with the policies described in Note 5.

Dividend and trust distribution income is included in the Statement of Comprehensive Income in the year in which it is received or when the right to receive payment is established.

(ii) Interest income

Interest income is recognised using the effective interest method.

(iii) Rebate income

Rebate income is recognised when it is received or when the right to receive payment is established.

(iv) Other income

The Company recognises other income when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Company's activities. The Company bases its estimates on historical results, taking into consideration the type of transaction and the specifics of each arrangement.

(c) Expenses

All expenses are recognised in the Statement of Comprehensive Income on an accruals basis, unless stated otherwise. Information regarding management fees is set out in Note 7. Directors' fees and related employment taxes are included as expenses in the Statement of Comprehensive Income as incurred. Information regarding Directors' remuneration is provided in the Remuneration Report on page 9 and in Note 8.

(d) Income tax

The income tax expense or benefit for the period is the tax payable on the current 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 to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantially enacted at the end of the reporting financial year. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Notes to the Financial Statements

For the year ended 30 June 2016

2. Significant accounting policies (continued)

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Financial Statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting financial year and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss in the Statement of Comprehensive Income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is recognised in other comprehensive income or directly in equity, respectively.

(e) Goods and Services Tax ('GST')

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

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the Statement of Financial Position.

Cash flows are presented on a gross basis.

(f) 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.

(g) Trade and other receivables

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

Collectability of trade and other receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly.

(h) Prepayments

The Company recognises costs incurred in advance for which a benefit is expected to be derived in the future as prepayments. The year over which the prepayment is expensed is determined by the year of benefit covered by the prepayment.

(i) Investments and other financial assets and liabilities

In accordance with AASB 10 *Consolidated Financial Statements*, the Company is considered to control a number of its investees during the financial year. As a result, the Company is required to consolidate these investees from the date that control was obtained. However, the Company meets the definition of an investment entity under AASB 10 *Consolidated Financial Statements*. As a result and given the Company satisfies the criteria required to be considered an investment entity, as well as displays the typical characteristics of an investment entity specified in the Standard, the investments in these investees have been accounted for in accordance with AASB 139 *Financial Instruments* at fair value through the profit or loss.

In accordance with AASB 128 *Investments in Associates and Joint Ventures*, the Company is considered to have significant influence over a number of its investees during the financial year. As a result, the Company is required to account for the investments using the equity method from the date that significant influence was obtained. However, as a result of the guidance provided in AASB 10 *Consolidated Financial Statements*, the Company has applied the Venture Capital Organisation exemption in AASB 128. As a result and given the Company satisfies the criteria required to be considered a venture capital organisation, the investments in these investees have been accounted for in accordance with AASB 139 *Financial Instruments* at fair value through the profit or loss.

Classification

Financial instruments designated at fair value through profit or loss upon initial recognition

These include financial assets that are held for trading purposes and which may be sold. These are investments in unlisted unit trusts.

Financial assets designated at fair value through profit or loss at inception, are those that are managed and their performance evaluated on a fair value basis in accordance with the Company's documented investment strategy. The Company's policy is to evaluate the information about these financial instruments on a fair value basis together with other related financial information.

Recognition and de-recognition

The Company recognises financial assets and financial liabilities on the date it becomes party to the contractual agreement (trade date) and recognises changes in the fair value of the financial assets or financial liabilities from this date.

Investments are de-recognised when the right to receive cash flows from the investments have expired or the Company has transferred substantially all risks and rewards of ownership.

Notes to the Financial Statements

For the year ended 30 June 2016

2. Significant accounting policies (continued)

Measurement – Financial assets and liabilities held at fair value through profit or loss

At initial recognition, the Company measures a financial asset or liability at its fair value.

Subsequent to initial recognition, all financial assets and financial liabilities at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value are presented in the statement of comprehensive income within 'Net unrealised gains/(losses) on financial assets held at fair value through profit and loss' in the period in which they arise.

The fair value of each investment is calculated as the amount which could be expected to be received from the disposal of an asset in an orderly market after deducting costs expected to be incurred in realising the proceeds of disposal.

The fair value of financial assets and liabilities that are not traded in an active market are determined using valuation techniques. The Company uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Valuation techniques used include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants making the maximum use of market inputs and relying as little as possible on entity-specific inputs.

Note 5 of the financial statements, 'Fair value measurement', provides additional information on how the Company measures its financial assets and liabilities in accordance with AASB 13 *Fair Value Measurement*.

(j) Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

(k) Deferred rebates

Rebates are deferred and recorded as a liability when the services to which the rebates relate have not yet been performed at the reporting date.

(l) Share capital

Ordinary shares are classified as equity.

Incremental costs attributable to the issue of new shares or options are recognised as a deduction from equity, net of any tax effects.

(m) Share option reserve

The share option reserve will be measured at the fair value of the Options at the date of issue. This reserve is adjusted, with a corresponding entry to share capital, on exercise of the Options. At the expiration of the Option period, the portion of the reserve relating to unexercised Options will be transferred to a capital reserve.

(n) Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares and potential ordinary shares (options) outstanding for the same financial year.

(o) Operating segments

The Company operated in Australia only and the principal activity is investment.

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.

Notes to the Financial Statements

For the year ended 30 June 2016

2. Significant accounting policies (continued)

(p) New accounting standards and interpretations

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

Reference	Title	Summary	Application date of standard*	Application date for the Company*
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 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 Directors are currently evaluating the impact of these standards.

Notes to the Financial Statements

For the year ended 30 June 2016

3. Segment Information

Although the Company invests in securities across a number of asset classes, the Company's financial statements are prepared on the basis that there is only one operating segment: Alternative Asset Investment. In assessing performance and determining the allocation of resources, the Directors (who are identified as the CODM) use internal reports which consider the revenue from distribution income, interest income and other returns from the Company's investment portfolio as a whole.

4. Financial Risk Management

The Company's activities expose it to a variety of financial risks including market risk (including currency risk, price risk, and interest rate risk), credit risk and liquidity risk.

The Board of Directors have implemented a risk management framework to mitigate these risks. The Board considers a number of matters in overall risk management including specific areas, such as foreign exchange risk, interest rate risk, credit risk, the use of derivative financial instruments and non-derivative financial instruments and the investment of excess liquidity.

The Company uses different methods to measure the different types of risk to which it is exposed. These methods are explained below and on the following pages.

(a) Market risk

AASB 7 *Financial Instruments*: Disclosure defines this as the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

(i) Currency risk

To date, the Company is invested in four assets which are either foreign currency denominated, or one or more assets of the investment trust are domiciled in an overseas jurisdiction. The Company has a foreign currency exposure totaling A\$10,667,305. A 10% increase/(decrease) in the foreign currency exchange rate would result in an increase/(decrease) in the financial assets of A\$1,066,730.

These investments represents 7.0% of the Company's investment portfolio (7.2% of Net Assets), based on Australian dollar carrying values translated using the prevailing spot rate on 30 June 2016. In April 2016, the Company's Directors endorsed a restriction on the level of unhedged foreign currency exposure to 10% of Net Assets. Proposed additional investments which would lead to an overall exposure in excess of this limit require specific pre-approval from the Company Board.

Relevant to monitoring risk in these investments as well as compliance with the Board's exposure limit and the Company's existing Investment Valuation Policy is consideration of how and when fluctuations in foreign exchange rates will be reflected in the Company's accounts.

(ii) Price risk

The Company is exposed to equity securities price risk. This arises from investments held by the Company and classified in the Statement of Financial Position as financial assets held at fair value through profit and loss.

The Company seeks to manage and constrain price risk by diversification of the investment portfolio across multiple investments and industry sectors. The portfolio is maintained by the Manager (refer to Note 8 – Related party transactions) within a range of parameters governing the levels of acceptable exposure to investments and industry sectors.

The Company's investment sector as at 30 June 2016, and for the prior period, is below:

	2016	2015
	%	%
Unlisted private equity and venture capital funds	22.6	25.9
Unlisted real assets funds	31.1	39.3
Unlisted hedge funds	3.8	5.6
Unlisted real estate funds	37.7	26.8
Cash and cash equivalents	4.8	2.4
	100.0	100.0

Investments representing over 5% of the trading portfolio at 30 June 2016, and for the prior period, is below:

	2016	2015
	%	%
Blue Sky Private Equity Early Learning Fund	-	5.0
Blue Sky Water Fund	22.0	32.0
Blue Sky Agriculture Fund	-	5.3
SRA Alliance Fund (Diversified Quant) ¹	-	5.6
Blue Sky Student Accommodation Fund No.2	-	5.7
Blue Sky Student Accommodation Fund No.3	5.0	-
	27.0	53.6

¹ The Company disposed of its investment in this fund on 26 May 2016.

Notes to the Financial Statements

For the year ended 30 June 2016

4. Financial Risk Management (continued)

(iii) Cash flow and fair value interest rate risk

The Company is exposed to cash flow interest rate risk on financial instruments with variable interest rates. Financial instruments with fixed rates expose the Company to fair value interest rate risk. As at 30 June 2016 the cash at bank balance was \$6,717,004.

The Company's interest bearing financial assets expose it to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows.

The Company has direct exposure to interest rate changes on the valuation and cash flows of its interest bearing assets and liabilities. However, it may also be indirectly affected by the impact of interest rate changes on the earnings of certain funds in which the Company invests and by the impact on the valuation of certain assets that use interest rates as an input in their valuations.

(b) Credit risk

The standard defines this as the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The maximum exposure to credit risk excluding the value of any collateral or other security, at 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.

None of these assets are over-due or considered to be impaired.

The cash and cash equivalents are all held with one of Australia's leading financial institutions.

There are no amounts of collateral held as security at 30 June 2016.

(c) Liquidity risk

Liquidity risk is the risk that the Company may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

The Board and the Manager monitor the cash-flow requirements in relation to the investing activities taking into account upcoming dividends, tax payments and investing activity.

The Company's inward cash flows depend upon the level of dividend, interest, rebates and distribution revenue received. Should these decrease by a material amount, the Company would amend its outward cash flows accordingly. As the Company's major cash outflows are the purchase of investments and dividends paid to shareholders, the level of both of these is managed by the Board and the Manager.

(d) Capital management

For the purpose of the Company's capital management, capital includes issued capital and all other equity reserves attributable to the equity holders of the Company. The Company's primary objective is to maximise shareholder value. On 26 May 2016, the directors provided shareholders with guidance stating that the Company is committed to paying annual dividends targeting at least 4% of closing post-tax NTA for each financial year.

5. Fair value measurement

The table below presents the financial assets (by class) measured and recognised at fair value according to the fair value hierarchy. The different levels have been defined as follows:

Level 1: inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: 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 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As the Company invests in unlisted funds, market prices are not readily observable for all investments made by the Company. The calculation of the fair value for the various asset classes is discussed below.

As at 30 June 2016	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
Financial assets				
Unlisted private equity funds	-	-	24,518	24,518
Unlisted venture capital funds	-	-	7,380	7,380
Unlisted hedge funds	-	-	5,402	5,402
Unlisted real assets funds	-	-	43,720	43,720
Unlisted real estate funds	-	-	52,970	52,970
Total financial assets	-	-	133,990	133,990

Notes to the Financial Statements

For the year ended 30 June 2016

5. Fair value measurement (continued)

As at 30 June 2015	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
Financial assets				
Unlisted private equity funds	-	-	18,323	18,323
Unlisted venture capital funds	-	-	3,787	3,787
Unlisted hedge funds	-	-	4,733	4,733
Unlisted real assets funds	-	-	33,422	33,422
Unlisted real estate funds	-	-	22,808	22,808
Total financial assets	-	-	83,073	83,073

(i) Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include:

- the use of quoted market prices or broker quotes for similar instruments (such as water entitlements traded by the Blue Sky Water Fund or derivatives instruments traded by the Dynamic Macro Fund).
- the fair value of unlisted equity investments in going concern enterprises (such as private equity and venture capital-style investments) is determined using a capitalisation of revenue or earnings methodology, having regard to observable comparable transactions or quoted prices for similar enterprises.
- the fair value of investments in private real estate assets or projects, or unlisted equity investments in water infrastructure assets, is calculated as the present value of estimated future cash flows (discounted cash flow approach).
- the fair value of mature income-producing private real estate or real assets is measured using market prices for comparable assets in a similar geographic location.

(ii) Valuation process

Assets in the Company's investment portfolio are valued in accordance with the Company's published Investment Valuation Policy, a summary of which is provided below. This summary does not purport to be complete, and readers should refer to the full Investment Valuation Policy which is available on the Company's website or the ASX.

The value of assets in the Company's investment portfolio which are investments in closed-ended funds (typically Private Equity and Venture Capital, Private Real Estate and Real Asset funds not including the Blue Sky Water Fund) are reviewed by the Manager (or a related party thereof) at the end of each month. These values are reviewed by an independent third party at least annually.

In the event that the Manager believes there may have been a material change in the value of an asset in between the annual independent valuation reviews, an interim valuation is performed by the Manager. These internal or external valuations are used by the Manager to determine the relevant fund's net tangible assets and, as a consequence, a unit price for each fund. From the period from investment until an asset is initially revalued, it is held at fair value of consideration paid less transactions costs.

While an external review (or external valuation) is required at least annually, the Board may request that they be performed more regularly in relation to one or more closed-ended fund investments. For example, where there has been a material change in the value of an investment which is likely to have a material impact on the net tangible assets of the Company, the Board may request an 'off-cycle' external review (or external valuation) by an independent third party valuer be performed.

The value of assets in the Company's investment portfolio which are investments in open-ended funds, such as the Blue Sky Water Fund and Dynamic Macro Hedge Fund, are subject to external valuation by a third party fund administrator based on observable market prices. These external valuations are conducted at a minimum at the end of each month and are used by the fund administrator to determine a unit price for each fund. The Company will adopt the valuation and unit price determined by the third party fund administrator at the end of each month, less any costs that would have been incurred by the Company on that date to exit any units it may hold (for example, a sell spread).

(iii) Description of significant unobservable inputs to valuation

The significant unobservable inputs used in the fair value measurements categorised within Level 3 of the fair value hierarchy, together with a quantitative sensitivity analysis as at 30 June 2016 and 2015 are as shown on the following pages.

For the purposes of this analysis, the Company's financial assets have been grouped into classes according to investment theme. This is designed to facilitate the assessment of the impact of other indirect, macro-economic factors common between certain assets which may influence the significant unobservable inputs detailed.

Notes to the Financial Statements

For the year ended 30 June 2016

5. Fair value measurement (continued)

Segment	Valuation technique	Significant unobservable inputs	Range (weighted average)	Sensitivity of the input to fair value
Healthcare, education and hospitality	Capitalisation of revenue or earnings	Revenue or operating earnings	2016: \$7.0 million - \$9.0 million 2015: \$5.0 million - \$7.0 million	10% (2015: 10%) increase / (decrease) in forecast revenue or operating earnings would result in an increase / (decrease) in fair value by \$2,601,000 (2015: \$813,000)
		Capitalisation multiple	2016: 6.0x - 8.0x 2015: 6.0x - 8.0x	1.0x (2015: 1.0x) increase / (decrease) in capitalisation multiple applied would result in an increase / (decrease) in fair value by \$3,662,000 (2015: \$1,290,000)

Note the ranges reflect the weighted average of both the high and low range of unobservable inputs and therefore the actual ranges of inputs for individual investments may be outside these ranges.

Segment	Valuation technique	Significant unobservable inputs	Range (weighted average)	Sensitivity of the input to fair value
E-commerce & digital disruption	Capitalisation of revenue or earnings	Revenue or operating earnings	2016: \$20.0 million - \$23.0 million 2015: \$5.0 million - \$7.0 million	10% (2015: 10%) increase / (decrease) in forecast revenue or operating earnings would result in an increase / (decrease) in fair value by \$759,000 (2015: \$341,000)
		Capitalisation multiple	2016 ² : 3.0x - 5.0x 2015 ² : 6.0x - 8.0x	1.0x (2015: 1.0x) increase / (decrease) in capitalisation multiple applied would result in an increase / (decrease) in fair value by \$2,530,000 (2015: \$487,000)
Food & agriculture	Market approach	Asset value*	2016: \$30.0 million - \$34.0 million 2015: \$28.0 million - \$32.0 million	10% (2015: 10%) increase / (decrease) in the value of the assets would result in an increase / (decrease) of \$4,219,000 (2015: \$3,174,731)
	Discounted cash flow	Discount rate	2016: 10% - 13% 2015: 8% - 10%	1% (2015: 1%) increase / (decrease) in the range of discount rates used would result in an increase / (decrease) in fair value by \$151,000 (2015: \$342,000)
Apartment living	Discounted cash flow	Net assets	2016 ³ : \$1.5 million - \$2.0 million 2015 ³ : \$9.0 million - \$11.0 million	10% (2015: 10%) increase / (decrease) in the value of the net asset would result in an increase / (decrease) of \$1,157,000 (2015: \$372,000)
		Discount for project risk	2016: 10% - 18% 2015: 10% - 18%	1% (2015: 1%) increase / (decrease) in the range of discount rates used would result in an increase / (decrease) of \$24,000 (2015: \$7,000)

2 2015 capitalisation multiple applied to EBITDA; 2016 capitalisation multiple applied to revenue.

3 Market value of underlying assets approach adopted in 2015; Net asset value approach adopted in 2016.

Notes to the Financial Statements

For the year ended 30 June 2016

5. Fair value measurement (continued)

Segment	Valuation technique	Significant unobservable inputs	Range (weighted average)	Sensitivity of the input to fair value
Student accommodation	Discounted cash flow	Market value of underlying asset or project discounted for project risk	2016: \$25.0 million - \$28.0 million	10% (2015: 10%) increase / (decrease) in the as if completed value, discounted for remaining project risk, would result in an increase / (decrease) of \$1,850,000 (2015: not applicable)
		Net Asset Value	2016: \$16.0 million - \$18.0 million	10% (2015: 10%) increase / (decrease) in the value of the net asset would result in an increase / (decrease) of \$406,000 (2015: not applicable)
Other	Market approach*	Net asset value	2016: \$2.0 million to \$4.0 million 2015: \$3.0 million to \$5.0 million	10% (2015: 10%) increase / (decrease) in the net asset value would result in an increase / (decrease) of \$432,000 (2015: \$473,000 ⁶)
	Capitalisation of revenue or earnings	Revenue or operating earnings	2016: \$5.0 million - \$7.0 million 2015: not applicable	10% (2015: 10%) increase / (decrease) in forecast revenue or operating earnings would result in an increase / (decrease) in fair value by \$385,000 (2015: not applicable)
		Capitalisation multiple	2016 ⁴ : 0.5x– 0.8x 2015: not applicable 2016 ⁵ : 6.0x– 8.0x 2015: not applicable	1.0x (2015: 1.0x) increase / (decrease) in capitalisation multiple applied would result in an increase / (decrease) in fair value by \$1,026,000 (2015: not applicable)

4 Revenue multiple ranges.

5 EBITDA multiple ranges.

6 Discounted cash flow valuation approach adopted in 2015, where 1% increase / (decrease) within the range of rates used of between 10% and 18% would result in an increase / (decrease) of \$74,000.

* The assets held within the Blue Sky Water Fund are valued by an independent third party based on quoted prices for similar assets in the Australian water entitlements market. These valuations are used by the Water Fund's third party administrator to determine a unit price which is reviewed and approved by the Manager. Given the Water Fund does not have an observable market price, the Water Fund is recorded as a Level 3 investment. As such, the Manager has made no significant assumptions regarding fair value as the value of the underlying assets have observable market prices.

Similarly, assets held within the Dynamic Macro Hedge Fund are valued by a third party fund administrator based on observable market prices. These valuations are used by the fund administrator to determine a unit price for the Hedge Fund which is reviewed and approved by the Manager. Given each Hedge Fund does not have an observable market price (in contrast to the assets held within each Hedge Fund), Hedge Funds are recorded as Level 3 investments. The assets held within the Hedge Funds in which the Company invested are a portfolio of futures across bonds, interest rate, currency, commodity and equity markets. These assets are revalued regularly based on observable market prices quoted on a number of trading platforms and exchanges.

Notes to the Financial Statements

For the year ended 30 June 2016

5. Fair value measurement (continued)

Reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy

For the year ended 30 June 2015	Unlisted private equity funds	Unlisted venture capital funds	Unlisted hedge funds	Unlisted real assets funds	Unlisted real estate funds	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Beginning balance	18,323	3,787	4,733	33,422	22,808	83,073
Purchase	8,111	4,000	8,000	5,000	26,224	51,335
(Disposal)	(3,920)	-	(7,267)	-	(1,340)	(12,527)
Net unrealised gain/(loss)	1,785	(407)	401	5,298	5,108	12,185
Net realised gain/(loss)	219	-	(465)	-	170	(76)
Ending balance	24,518	7,380	5,402	43,720	52,970	133,990

For the year ended 30 June 2016	Unlisted private equity funds	Unlisted venture capital funds	Unlisted hedge funds	Unlisted real assets funds	Unlisted real estate funds	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Beginning balance	8,005	3,861	7,490	18,948	1,665	39,969
Purchase/(disposal)	9,000	-	(2,500)	11,050	22,200	39,750
Net unrealised gain/(loss)	1,318	(74)	(257)	3,424	(1,057)	3,354
Ending balance	18,323	3,787	4,733	33,422	22,808	83,073

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value. The carrying amounts of trade receivables and trade payables are assumed to approximate their fair values due to their short-term nature.

Notes to the Financial Statements

For the year ended 30 June 2016

6. Rebates

	Year ended 30 June 2016	Year ended 30 June 2015
	\$'000	\$'000
Rebates of transaction costs and management and performance fees (refer to Note 7 for further details)	5,637	3,264
Total rebates	5,637	3,264

7. Management and performance fees

The Company has outsourced its investment management function to the Manager. The Manager is a wholly owned subsidiary of Blue Sky Alternative Investments Limited, a related party of the Company. A summary of the fees charged by the Manager is set out below and on the following page.

(a) Management fees

The Manager is entitled to be paid a management fee equal to 1.20% of the Portfolio Net Asset Value per annum. The management fee is calculated and paid monthly within 14 days of the Portfolio Net Asset Value of the Company being calculated.

During the financial year, the Company incurred \$1,493,960 (2015: \$811,822) of management fees, inclusive of the net impact of GST.

(b) Performance fees

At the end of each financial year, the Manager is entitled to receive a performance fee from the Company, the terms of which are outlined below.

- (i) The fee is calculated and accrued monthly using the following formula:

$$P = 17.5\% \times (A - B) \times C$$

Where:

P is the Performance Fee for the relevant month;

A is the Investment Return of the Portfolio for the relevant month;

B is the Hurdle Return for the relevant month; and

C is the Portfolio Net Asset Value at the end of the last day of the relevant month.

- (ii) The Performance Fee for each month in a Financial Year will be aggregated (including any negative amounts carried forward) and paid annually in arrears if the aggregate performance fee for the Financial Year is a positive amount provided that:

(A) if the aggregate Performance Fee for a Financial Year is a negative amount, no Performance Fee shall be payable to the Manager in respect of that Financial Year, and the negative amount shall be carried forward to the following Financial Year; and

(B) any negative aggregate Performance Fee amounts from previous Financial Years that are not recouped in a Financial Year shall be carried forward to the following Financial Year.

- (iii) "Investment Return" means the percentage by which the Portfolio Net Asset Value at the end of the last day of the relevant month exceeds or is less than the Portfolio Net Asset Value at the end of the last day of the month immediately prior to the relevant month, excluding any additions to or reductions in equity in the Company during the relevant month including dividend reinvestments, new equity issues, the exercise of share options, share buy-backs, payment of dividends and the payment of tax.

- (iv) "Hurdle Return" means, in respect of the relevant month, 8.0% on a per annum basis.

- (v) "Portfolio Net Asset Value" means the Portfolio Market Value reduced by any accrued but unpaid expenses of the Company, but not provisions for tax payable, and after subtracting any borrowings drawn down and adding back any borrowings repaid.

- (vi) "Portfolio Market Value" means the market value of all the assets of the Portfolio (including cash).

For the year ended 30 June 2016, the Company accrued \$1,285,464 (2015: Nil) (excluding GST) of performance fees.

Notes to the Financial Statements

For the year ended 30 June 2016

7. Management and performance fees (continued)

(c) Transaction fees

- (i) The Manager must procure that the trustee, responsible entity or controlling entity (as applicable) of each Blue Sky Fund Entity in which an Authorised Investment by the Manager on behalf of the Company is made does not charge the Company any fees (whether management fees, performance fees or otherwise) in respect of the Authorised Investment.
- (ii) To the extent any such transaction fees are paid by the Company (either directly or indirectly), they will be rebated to the Company. For the financial year ended 30 June 2016 \$5,637,870 (2015: \$3,264,036) (excluding GST) of fees have been rebated to the Company (refer to Note 6). Performance fee rebates make up 56.22% of total rebates for the year.
- (iii) The Company is required to fund its pro-rata share of any transaction costs and establishment fees charged by a Blue Sky Entity to investors (excluding any capital raising and marketing fees) in a Blue Sky Fund Entity in which an Authorised Investment is made by the Manager on behalf of the Company.

8. Related party transactions

All transactions with related parties are conducted on normal commercial terms and conditions, and include:

- (a) The compensation arrangements with the Directors (refer to Directors' Remuneration below);
- (b) The interests in the Company held directly or indirectly by the Directors (refer to Shareholdings of Directors on the following page);
- (c) The Management Agreement between the Company and the Manager (refer to Note 7); and
- (d) Investments in unlisted funds (refer to Note 11).

Directors' remuneration

The Directors' remuneration, inclusive of GST and compulsory superannuation where applicable, incurred during the current and prior period, is as follows:

Director	Position	Year ended 30 June 2016	Year ended 30 June 2015
		\$'000	\$'000
John Kain	Chair	66	66
Philip Hennessy	Director	44	44
Paul Masi	Director	44	44
Alexander McNab ⁷	Director/Resigned	-	-
Andrew Champion	Director	-	-
Lazarus Siapantas ⁷	Director	-	-
		154	154

During the 2016 financial year, the non-independent executive directors were employees of Blue Sky.

Notes to the Financial Statements

For the year ended 30 June 2016

8. Related party transactions (continued)

Shareholdings of Directors

As at 30 June 2016, shares issued by the Company and held by the Directors and their related entities are set out below:

Director	Opening balance (Number of shares)	Net number of shares acquired	Net number of shares disposed	Closing balance (Number of shares)
John Kain	500,000	14,285	-	514,285
Philip Hennessy	66,667	50,000	-	116,667
Paul Masi	225,000	150,000	-	375,000
Alexander McNab ⁷	500,000	-	-	500,000
Andrew Champion	350,000	-	-	350,000
Lazarus Siapantas ⁷	26,667	-	-	26,667

⁷ On 21 March 2016, Mr Alexander McNab resigned as a Director of the Company and Mr Lazarus Siapantas was appointed as a Director of the Company.

9. Income tax (benefit)/expense

(a) Income tax expense through profit or loss:

	Year ended 30 June 2016	Year ended 30 June 2015
	\$'000	\$'000
Income tax expense is attributable to:		
Current tax	3,375	[34]
Deferred tax	538	1,593
Aggregate income tax expense	3,913	1,559

(b) Numerical reconciliation of income tax expense to prima facie tax payable:

	Year ended 30 June 2016	Year ended 30 June 2015
	\$'000	\$'000
Profit from continuing operations before income tax	17,409	6,229
Tax at the Australian tax rate of 30%	5,223	1,869

Tax effect amounts which are not deductible/(taxable) in calculating taxable income:

Non-assessable income	(1,310)	(310)
Income tax expense	3,913	1,559
The applicable weighted average effective tax rates are as follows:	22%	25%

Notes to the Financial Statements

For the year ended 30 June 2016

10. Cash and cash equivalents

	As at	
	30 June 2016	30 June 2015
	\$'000	\$'000
Cash at bank	6,717	2,018
Total cash and cash equivalents	6,717	2,018

11. Financial assets held at fair value through profit and loss

The information below reflects expected realisation timeframes for financial assets held at fair value through profit and loss. However, unforeseen circumstances could result in timeframes changing.

	As at	
	30 June 2016	30 June 2015
	\$'000	\$'000
Within 12 months of the reporting period		
Unlisted private equity funds	7,048	-
Unlisted real estate funds	12,643	1,817
Subtotal	19,691	1,817
More than 12 months of the reporting period		
Unlisted private equity funds	17,470	18,323
Unlisted venture capital funds	7,380	3,787
Unlisted hedge funds	5,402	4,733
Unlisted real asset funds	43,720	33,422
Unlisted real estate funds	40,327	20,991
Subtotal	114,299	81,256
Total financial assets held at fair value through profit and loss	133,990	83,073

12. Other assets

	As at	
	30 June 2016	30 June 2015
	\$'000	\$'000
Prepayments	278	161
Accrued performance fee rebates*	3,271	1,407
Total other assets	3,549	1,568

* Accrued performance fee rebates are anticipated to be received as follows: balances due within 12 months \$1,700,924 and more than 12 months \$1,570,398.

Notes to the Financial Statements

For the year ended 30 June 2016

13. Trade and other payables

	As at	
	30 June 2016	30 June 2015
	\$'000	\$'000
Trade payables	26	69
Uncalled capital – Blue Sky VC2014 Fund LP	-	2,000
Other payables	139	118
Accrued expenses	1,461	232
Total trade and other payables	1,626	2,419

Maturities of financial liabilities

The table below analyses the Company's non-derivative financial liabilities into relevant maturity groupings based on their contractual maturities at the end of the financial year.

The amounts disclosed in the table are contractual undiscounted cash flows. Balances due within 12 months are equal to their carrying balances as the impact of discounting is not significant.

Contractual maturities of financial liabilities

	At call	1 year or less	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual undiscounted cash flows
At 30 June 2016	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Trade and other payables	-	165	-	-	-	165
Total	-	165	-	-	-	165

Contractual maturities of financial liabilities

	At call	1 year or less	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual undiscounted cash flows
At 30 June 2015	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Uncalled capital	2,000	-	-	-	-	2,000
Trade and other payables	-	187	-	-	-	187
Total	2,000	187	-	-	-	2,187

14. Deferred rebates

	As at	
	30 June 2016	30 June 2015
	\$'000	\$'000
Deferred rebates*	927	443
Total deferred rebates	927	443

* Deferred rebates to be realised within 12 months are \$743,705 and greater than 12 months are \$183,847.

Notes to the Financial Statements

For the year ended 30 June 2016

15. Deferred taxes

Deferred tax assets

	As at	
	30 June 2016	30 June 2015
	\$'000	\$'000
The balance comprises temporary differences attributable to:		
Net unrealised losses of investments	777	822
Equity raising costs	300	440
Other temporary differences	395	18
Tax losses	-	99
Total deferred tax assets	1,472	1,379
Offset against deferred tax liability	(1,472)	(1,379)
Deferred tax asset reflected in the statement of financial position	-	-
	\$'000	\$'000

Movements:

Opening balance	1,379	861
Credited to profit or loss	193	340
Credited/(charged) to equity	(1)	144
Tax losses	(99)	34
Closing balance	1,472	1,379

Deferred tax liabilities

	As at	
	30 June 2016	30 June 2015
	\$'000	\$'000
The balance comprises temporary differences attributable to:		
Net unrealised gains of investments	1,806	1,573
Accrued rebates	981	422
Rebate income	-	61
Total deferred tax liabilities	2,787	2,056
Offset against deferred tax assets	(1,472)	(1,379)
Deferred tax liability reflected in the statement of financial position	1,315	677

Notes to the Financial Statements

For the year ended 30 June 2016

	\$'000	\$'000
Movements:		
Opening balance	2,056	123
Credited to profit or loss	731	1,933
Credited to equity	-	-
Closing balance	2,787	2,056

The Company has assessed that the deferred tax asset is reasonable and recoverable through derivation of revenue such as dividend and trust distribution income, and investment income such as gains on disposals of investments.

16. Authorised and issued shares and options

Movements in share capital during the financial year are set out below:

	Number of shares	\$'000
Opening balance as at 1 July 2015 (net of fundraising costs)	80,549,235	78,987
Shares issued: Dividend Reinvestment Plan	186,645	196
Options exercised during the financial year	47,188,990	46,373
Total	127,924,870	125,556

Less costs directly attributable to shares issued and options exercised:

	Gross (net of GST)	Deferred tax asset	Net
	\$'000	\$'000	\$'000
Fundraising costs:			
Joint lead manager and broker fees	56	(17)	39
Other offer fees	(53)	16	(37)
	3	(1)	2
Closing balance at 30 June 2016			125,558

Movements in share capital during the prior period are set out below and on the following page:

	Number of shares	\$'000
Opening balance as at 1 July 2014	60,391,801	59,163
Entitlement Offer issue during the financial year	20,131,934	20,132
Options exercised during the financial year	25,500	25
Total	80,549,235	79,320

Notes to the Financial Statements

For the year ended 30 June 2016

16. Authorised and issued shares and options (continued)

Less costs directly attributable to the Entitlement Offer issue:

	Gross (net of GST)	Deferred tax asset	Net
	\$'000	\$'000	\$'000
Fundraising costs:			
Joint lead manager and broker fees	(366)	110	(256)
Other offer fees	(111)	34	(77)
	(477)	144	(333)
Closing balance at 30 June 2015			78,987

17. Retained profits/(accumulated losses)

	As at	
	30 June 2016	30 June 2015
	\$'000	\$'000
Retained profits/(accumulated losses) at the beginning of the financial year	4,175	(495)
Profit after income tax at the end of the financial year	13,496	4,670
Dividend paid	(3,274)	-
Retained profits at the end of the financial year	14,397	4,175

18. Dividends paid and proposed

	As at	
	30 June 2016	30 June 2015
	\$'000	\$'000
Cash dividends to the equity holders		

Dividends on ordinary shares declared and paid:

Final dividend for 2015 financial year: 3.0 cents per share fully franked	3,274	-
(2014 financial year: nil)		

Proposed dividends on ordinary shares:

Final dividend for 2016 financial year: 5.0 cents per share fully franked	6,396	3,274
(2015 financial year: 3.0 cents per share)		

Proposed dividends declared subsequent to year end are not recognised as a liability at 30 June 2016.

Notes to the Financial Statements

For the year ended 30 June 2016

19. Equity - dividends

	As at	
	30 June 2016	30 June 2015
	\$'000	\$'000
Franking accounts		
Balance as at the end of the financial year at 30%	199	211
Franking credits that will arise from the payment of income tax payable	2,209	-
Franking debits that will arise from the payment of dividends	-	-
Franking credits available for subsequent financial years at 30%	2,408	211
Franking credits that will be used from the payment of dividends declared subsequent to the reporting date at 30%	(2,741)	(1,036)
	(333)	(825)

In relation to the above franking credit deficit, it is anticipated that this will be brought back to at least nil on or before 30 June 2017.

20. Earnings per share

	Year ended 30 June 2016	Year ended 30 June 2015
	\$'000	\$'000
Profit after income tax	13,496	4,670
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	110,925,939	62,827,505
Weighted average number of ordinary shares and ordinary shares under option used in calculating diluted earnings per share	110,925,939	62,827,505
	Cents	Cents
Basic earnings per share	12.17	7.43
Diluted earnings per share*	12.17	7.43

* At 30 June 2015, the Company had 60,366,300 options over unissued ordinary shares on issue. Diluted earnings per share is equal to basic earnings per share as the dilution that would occur following exercise of the options is anti-dilutive.

Notes to the Financial Statements

For the year ended 30 June 2016

21. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by Ernst & Young, the auditor of the Company:

	Year ended 30 June 2016	Year ended 30 June 2015
Audit services		
Audit and review of financial report	74,800	65,000
Other services		
Accounting, due diligence and taxation advice	17,600	23,000
Total auditors' remuneration	92,400	88,000

22. Reconciliation of profit after income tax to net cash inflow from operating activities

	Year ended 30 June 2016	Year ended 30 June 2015
	\$'000	\$'000
Profit after income tax expense for the year	13,496	4,670
Non-cash adjustments to reconcile profit after tax to net cash flows from operations:		
Net gains on financial assets held at fair value through profit and loss	(12,109)	(3,354)
Changes in Assets and Liabilities during the financial year:		
(Increase)/Decrease in trade and other receivables	(994)	(37)
(Increase)/Decrease in other operating assets	(1,981)	(1,480)
Increase/(Decrease) in trade and other payables	1,207	214
Increase/(Decrease) in income tax provision	2,211	143
Increase/(Decrease) in deferred taxes	637	1,416
Increase/(Decrease) in deferred rebates	(255)	443
Net cash inflow from operating activities	2,212	2,015

23. Events occurring after the reporting date

On 19 August 2016, the Directors resolved to pay a final fully franked dividend of 5.0 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 23 September 2016. The Company's Dividend Reinvestment Plan ('DRP') will apply to the dividend resolved on 19 August 2016 with the Pricing Period for the Market Price to be the 5 trading days commencing on 6 September 2016 and ending on 12 September 2016. The final date to elect to participate in the DRP will be 5 September 2016. A complete copy of the DRP Rules can be found on the Company's website www.blueskyfunds.com.au/alternatives-fund/.

Other than the above, there are no other events occurring after the reporting date.

Directors' Declaration

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 13 to 36, are in accordance with the *Corporation Act 2001* and:
 - a. comply with Australian Accounting Standards, which, as stated in accounting policy Note 2 to the financial statements, constitutes compliance with International Financial Reporting Standards (IFRS); and
 - b. give a true and fair view of the entity's financial position as at 30 June 2016 and of the performance for the year ended on that date of the Company;
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 section 295A of the *Corporations Act 2001* from the Chief Financial Officer and Chief Operating Officer.

On behalf of the Directors

A handwritten signature in blue ink, appearing to read 'John Kain', with a horizontal line drawn underneath the name.

John Kain
Chair

19 August 2016
Brisbane

Independent Auditor's Report to the Members



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

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Independent auditor's report to the members Blue Sky Alternatives Access Fund Limited

Report on the financial report

We have audited the accompanying financial report of Blue Sky Alternatives Access Fund Limited, which comprises the statement of financial position as at 30 June 2016, the statement of comprehensive income, the statement of changes in equity and the 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.

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 2, 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.

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Independent Auditor's Report to the Members



Opinion

In our opinion:

- a. the financial report of Blue Sky Alternatives Access Fund Limited is in accordance with the *Corporations Act 2001*, including:
 - i giving a true and fair view of the company'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 2.

Report on the remuneration report

We have audited the remuneration report included on pages 7 and 8 of 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 Alternatives Access Fund Limited for the year ended 30 June 2016, complies with section 300A of the *Corporations Act 2001*.

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

Ernst & Young

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

Paula McLuskie
Partner
Brisbane
19 August 2016

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Shareholder information

As at 30 September 2016

The Shareholder information set out below was applicable as at 30 September 2016.

A. Distribution of equity securities

Analysis of numbers of equity security holders by size of holding:

Holding	Ordinary shares
1 – 1,000	46,575
1,001 – 5,000	1,193,220
5,001 – 10,000	3,478,116
10,001 – 50,000	38,325,502
50,001 – 100,000	19,900,722
100,001 and over	65,330,906
	128,275,041

There were 32 holders of less than a marketable parcel of ordinary shares.

B. Equity security holders

Twenty largest quoted equity security holders

The names of the twenty largest holders of quoted equity securities are listed below:

Name	Ordinary shares	
	Number held	Percentage of issued shares
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	20,351,270	15.87%
BLUE SKY ALTERNATIVE INVESTMENTS LIMITED	5,000,000	3.90%
NAVIGATOR AUSTRALIA LTD	3,568,084	2.78%
NATIONAL NOMINEES LIMITED	1,314,681	1.02%
BAHRAIN INVESTMENTS PTY LTD	1,000,000	0.78%
KING NOMINEES (VIC) PTY LTD	833,333	0.65%
CITICORP NOMINEES PTY LIMITED	828,823	0.65%
NETWEALTH INVESTMENTS LIMITED	809,767	0.63%
MR JOHN ALFRED CLAREBROUGH	750,000	0.58%
EXWERE INVESTMENTS PTY LTD	600,000	0.47%
SLUMP INVESTMENTS PTY LTD	600,000	0.47%
EMERALD HILL NOMINEES PTY LTD	535,894	0.42%
THE RALI FOUNDATION PTY LTD	500,000	0.39%
DOCHART HOLDINGS PTY LIMITED	500,000	0.39%
RETAIL BIDS LIMITED	500,000	0.39%
CHARMSEAT PTY LTD	500,000	0.39%
MALCOLM HOLDINGS PTY LIMITED	500,000	0.39%
ROSYABBEY PTY LIMITED	465,150	0.36%
J P MORGAN NOMINEES AUSTRALIA LIMITED	463,357	0.36%
ANIMAKO PTY LTD	375,126	0.29%

Shareholder information

As at 30 September 2016

C. Substantial holders

Substantial holders in the Company are set out below:

Name	Number held	Percentage
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	20,351,270	15.87%
	20,351,270	15.87%

D. Voting rights

The voting rights attaching to each class of equity securities are set out below:

Ordinary Share

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

E. Stock exchange listing

Quotation has been granted for all of the ordinary shares of the Company on all member exchanges of the ASX.

F. Unquoted securities

There are no unquoted shares on issue.

G. Securities subject to voluntary escrow

There are currently no shares that are subject to voluntary escrow.

Corporate Directory

As at 30 September 2016

Registered Office

Blue Sky Alternatives Access Fund Limited

Suite 1808, Level 18, Australia Square
264-278 George Street
Sydney NSW 2000

www.blueskyfunds.com.au/alternativesfund

Directors

Andrew Champion

John Kain

Lachlan McMurdo

Lazarus Siapantas

Paul Masi

Philip Hennessy

Company Secretary

Jane Prior

Share Registry

Link Market Services Limited

Level 15
324 Queen Street
Brisbane QLD 4000

www.linkmarketservices.com.au

Auditor

Ernst & Young

Level 51, 111 Eagle Street
Brisbane QLD 4000

www.ey.com.au

Stock Exchange Listings

Blue Sky Alternatives Access Fund Limited shares are listed on the Australian Securities Exchange under the code BAF.

