Appendix 4E

Preliminary final report
Full year ended 30 June 2013

BLUE SKY ALTERNATIVE INVESTMENTS LIMITED
ABN 73 136 866 236

The following information sets out the requirements of Appendix 4E with the stipulated information either provided here or cross-references to the 2013 Annual Financial Report, which is attached.

1. **Statutory Results**

Current reporting period: 30 June 2013
Previous Reporting period: 30 June 2012

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

Item	2013	2012	Movement	Movement	
	$	$	$	%	
Revenues from Ordinary Activities	13,202,841	8,888,309	4,314,532	48.54%	Up
Profit (loss) before tax from Ordinary Activities	5,146,388	6,225,217	-1,078,829	-17.33%	Down
Profit (loss) after tax from Ordinary Activities	3,586,892	4,752,320	-1,165,428	-24.52%	Down
Net profit (loss) for the period attributable to members	3,586,892	4,871,648	-1,284,756	-26.37%	Down

On 26 August 2013, the Directors resolved to pay a final fully franked dividend of 6 cents per share in relation to the 2013 financial year. The record date for this dividend will be 13 September 2013.

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

Refer 2013 Annual Financial Report attached:

3.1. Consolidated Statement of Comprehensive Income

3.2. Notes to the Consolidated Financial Statements

4. **Balance Sheet with notes to the statement**

Refer 2013 Annual Financial Report attached:

4.1. Consolidated Statement of Financial Position

4.2. Notes to the Consolidated Financial Statements

5. **Cash Flow Statement with note to the statement**

Refer 2013 Annual Financial Report attached:

5.1. Consolidated Statement of Cash Flows

5.2. Notes to the Consolidated Financial Statements

6. **Dividends**

Refer 2013 Annual Financial Report attached:

6.1. Refer Directors Report in the Financial Statements

7. **Dividend reinvestment plan**

Not applicable.

8. **Statement of changes in equity**

Refer 2013 Annual Financial Report attached:

8.1. Consolidated Statement of Changes in Equity

8.2. Notes to the Consolidated Financial Statements

9. **Net tangible assets per security**

	2013	2012
Net tangible asset backing per ordinary share	$0.38	$0.34

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

Not applicable

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

Name of Associate	Reporting Entity's Percentage Held
Riverside Gardens Trust	37.5%
Water Utilities Australia	43.2%

Refer 2013 Annual Financial Report attached:

11.1. Notes 13 and 37 to the Financial Statements

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

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

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

Not applicable.

14. Commentary on the results

Refer 2013 Annual Financial Report attached:

14.1. Directors' Report – Review of Operations section.

15. Status of audit

The attached 2013 Annual Financial Report has been audited.

16. Dispute or qualification if not yet audited

Not applicable.

17. Dispute or qualification if audited

Not applicable.

Signed: .... Date: 27 August 2013
John Kain
Chairman

Blue Sky Alternative Investments Limited

ACN 136 866 236

Consolidated Annual Financial Report for the year ended 30 June 2013

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Directors' Report

The Directors present their report, together with the Financial Report of Blue Sky Alternative Investments Limited ('Company' or 'parent entity') and the entities it controlled ('Group') for the financial year ended 30 June 2013.

Directors

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

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

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

Principal Activities

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

Dividends

On 26 August 2013, the Directors resolved to pay a final fully franked dividend of 6 cents per share in relation to the 2013 financial year. The record date for this dividend will be 13 September 2013.

On 23 August 2012, the Directors resolved to pay a final fully franked dividend of 6 cents per share in relation to the 2012 financial year, as shown below.

Dividends paid/payable during the previous financial year were as follows:

	2013	2012
	$	$
Dividends paid during the year (fully franked)	1,952,796	54,000

Review of Operations

Financial performance and financial position

The Directors are pleased to report the Group earned a net profit after tax in the 2013 financial year of $3.59 million, consistent with guidance provided in our half year report that full year earnings would be commensurate with the financial performance of the previous financial year (FY2012: $3.57 million NPAT after adjusting for significant non-cash items and other items associated with the roll up and IPO, the most significant of which was a downward adjustment for a gain on the Blue Sky Water Partners Pty Limited equity investment of $1.74 million).

There are two key drivers that have a significant influence on the revenue earned by the Group: (i) the ability to develop investment opportunities and attract capital from investors to the investment funds managed by the Group and (ii) the ability to generate compelling investment returns for investors in those funds. Success in these two areas generates management and performance fee income for the Group, as well as returns on the investments held by the Group in the funds that it manages.

In FY2013, the Group's operating revenue increased 48% on the previous corresponding period. This growth was largely driven by increases in management fees as new capital was raised and deployed. Invested well, these funds should deliver growth in performance fees in future years. Total income increased by 26% after adjusting for the one-off gain in FY2012 of $1.74 million attributable to the acquisition of Blue Sky Water Partners Pty Limited prior to the IPO.

Expenses increased by 31% for the reporting period, reflecting increased distribution and marketing efforts, and costs associated with the development and preparation of investment opportunities for institutional investment. Labour costs increased as additional staff were hired to consolidate future growth.

The Group's cash position increased $0.17 million during the year excluding the impact of cash held on trust on behalf of investors. The Group generated net cash inflows from operating and investing activities of $2.24 million during the year and had net financing cash outflows of $2.42 million ($1.95 million of which was the payment of a fully franked dividend to shareholders of the Company).

The Group's financial position improved during the 2013 financial year, with net assets increasing from $15.65 million at 30 June 2012 to $17.29 million at 30 June 2013. The major driver of this improved financial position was a $3.93 million increase in financial assets and investments.

These assets comprise the units and other equity interests the Group holds in a range of funds it manages, with the change driven by an increase in the value of the assets held at the start of the year as well as new units and other equity interests acquired by the Group during the year (for example, through taking units in several of the funds it manages in lieu of cash fees). This increase was partially offset by a $2.15 million reduction in property, plant and equipment resulting from the disposal of a water infrastructure asset (the Lightsview Re-water Infrastructure Network) in December 2012.

Investment themes

One of the strengths of the Group is the ability to calibrate our investment focus and enhance our push into asset classes that we believe will perform strongly. This has been an important driver of investment returns over the medium term as we seek to capture rewards for investors across a range of innovative opportunities in the funds managed by the Group.

In FY2013, our key investment themes were a structurally high Australian dollar, falling interest rates as the Australian economy faltered, and a shift in focus by Governments to the housing industry as a source of growth. In addition, we maintained our conviction that institutional investors would continue to seek out opportunities in infrastructure and agriculture.

We expressed these themes through increased exposure to real assets with strong income generation, additional investment in affordable housing development, private equity investments into companies with products or services that people need, and the establishment of an investment vehicle focused on water infrastructure ('Water Utilities Australia').

Capital raising activities

Assets under management increased by $150 million through the course of the 2013 financial year to approximately $350 million, driven by ongoing expansion of our private investor base, improved penetration of financial planning channels, and successful engagement of international and domestic institutional investors. The Group anticipates assets under management will continue to grow in the medium term, and is targeting over $500 million in assets under management by 30 June 2014 and $2 billion in assets under management within the next four years.

The Group's business is characterised by a much longer lead time to capital raising, matched by extremely high investor 'stickiness' once invested. This is in part due to the long term, illiquid nature of many of the funds we manage as well as the high disparity in comparative performance amongst alternative asset managers, causing many investors to observe performance for a period before committing funds. This leads to a high cost to attract new investors, but a relatively low cost to retain investors.

The Group's capital raising activities are focused on three 'channels': institutional investors, private investors, and financial planning networks. Institutional investor engagement continues to grow, primarily as a function of our track record and unique offerings meeting their needs. In a low growth, low inflation, low interest rate environment, institutions are seeking out managers with a demonstrated ability to innovate and deliver uncorrelated, absolute returns.

The Group established an office in New York in 2012 as part of its strategy to attract off-shore institutional capital and anticipates this strategy will continue to build momentum in future reporting periods. The Group will also open an office in Sydney during FY2014 to bolster its presence in this key domestic market.

Since its inception in 2006, the Group has engaged directly with a large number of private investors and demand from this channel has underpinned growth in the Group's overall assets under management to date. Continued growth from private investors remains a direct engagement proposition as clients make their own investment decisions with the help of trusted advisors. Self-managed super funds have changed the way these individuals think about investing with stronger consideration of longer term trends and outcomes. Distribution to these investors will increasingly rely on brand awareness and technology if scale is to be achieved.

While we have had solid and growing engagement from the sophisticated end of the financial planning networks, overall this channel remains challenging despite overall increases in alternative asset allocations. The propensity for platforms to demand daily liquidity from asset classes that are inherently illiquid will preclude investment in most alternative asset managers. We anticipate this will lead to the proliferation of additional listed products as a means of providing clients with an efficient alternative asset solution.

Significant changes in the state of affairs

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

Matters subsequent to the end of the financial year

On 9 July 2013, the Company exercised its option to acquire 5 million stapled securities in Water Utilities Australia, an investment vehicle focused on investing in water infrastructure. The exercise price is $1 per option and is payable by the Group on 24 December 2014 unless otherwise agreed in writing between Blue Sky Water Partners Pty Limited and Water Utilities Australia.

The Company successfully completed a private placement on 14 August 2013 for 4,881,902 fully paid ordinary shares at an issue price of $1.40 per share, raising $6.83 million. The placement was oversubscribed and the Company accepted the maximum amount available to it having regard to ASX Listing Rule 7.1. The funds raised from the placement will be used to provide additional capital to co-invest in funds managed by the Group.

Subsequent to the completion of this private placement, the Company announced that a share purchase plan would be offered to eligible shareholders, giving them the ability to acquire up to A$15,000 in fully paid ordinary shares at an issue price of $1.40 per share. This share purchase plan will close at 5.00pm on Thursday 29 August 2013 (or earlier at the Company's discretion) and remained open on the date of this report.

On 26 August 2013, the Directors resolved to pay a final fully franked dividend of 6 cents per share in relation to the 2013 financial year. The record date for this dividend will be 13 September 2013.

Likely developments and expected results of operations

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

Environmental regulation

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

Information on Current Directors

Name:	**John Kain** **Chairman** **Non-Executive Director**
Qualifications:	John graduated from Adelaide University and was admitted to legal practice in South Australia in 1990. He was subsequently admitted to practice in England and Wales, and in New South Wales.
Experience and expertise:	John is a corporate lawyer with expertise in corporate advisory, private equity and mergers and acquisitions. John practised as a partner at two commercial law firms before establishing Kain Corporate + Commercial Lawyers in mid-2004. Kain C+C Lawyers is a specialist legal consulting company, with more than 25 team members advising customers across Australia in corporate, commercial and mergers and acquisitions law. John is currently Chairman of an Adelaide based investment company and has served on a number of boards, including as a director of public charitable trusts, Chairman of a Commonwealth government advisory panel and as director of a number of private companies. John is a Fellow 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:	893,065 shares
Interests in options:	None

Name:	**Mark Sowerby** **Managing Director**
Qualifications:	Mark holds a Bachelor of Agricultural Science from the University of Queensland, a Graduate Diploma of Applied Finance from the Financial Services Institute of Australia, and a Masters of Business Administration from the University of Queensland. Mark has also completed the Private Equity and Venture Capital course at Harvard Business School, Boston, USA.
Experience and expertise:	Mark is the founder and Managing Director of the Group. Mark manages the strategic direction of the Group and plays an active role in all facets of the business, including the sourcing of investment opportunities and management of the investment portfolio. Before founding the Blue Sky group, Mark worked for 12 years in commodity trading, living and working in a variety of locations including the US, Mexico, Central America, Europe and Asia. He developed a strong understanding of global trade and economics, logistics, operations, finance and derivatives. The experience Mark gained during this time has been instrumental in the establishment of the values and principles on which the Group is based.
Other current directorships of listed entities:	Commstrat Limited (Appointed 8 April 2009)
Former directorships of listed entities (in the last 3 years):	None
Interests in shares:	10,899,399 shares
Interests in options:	None

Name:	**Tim Wilson** **Executive Director**
Qualifications:	Tim holds a Bachelor of Commerce and a Bachelor of Laws from the University of Queensland, a Graduate Diploma of Applied Finance and Investment and a Master of Science in Finance from the London Business School. Tim has also undertaken the Private Equity and Venture Capital course at Harvard Business School, Boston, USA.
Experience and expertise:	Tim is the Managing Director of the Group's private equity team. He is responsible for leading this team, sourcing and negotiating deals, advising portfolio companies on financing, entry and exit negotiation and building the Group's network. Tim has been involved in private equity for the last sixteen years with Blue Sky Private Equity, and previously through investment banking roles in London, Sydney and Brisbane. He began his career as a commercial lawyer in Brisbane with Minter Ellison before moving to London where he lived for six years, working in investment banking roles with Paribas and Credit Suisse First Boston. Tim then returned to Australia and worked in finance roles with Babcock & Brown, Westpac Institutional Bank and Investec before joining Blue Sky in 2009 to run the private equity group.
Other current directorships of listed entities:	None
Former directorships of listed entities (in the last 3 years):	None
Interests in shares:	1,860,480 shares
Interests in options:	None

Name:	**Alexander McNab** **Executive Director**
Qualifications:	Alexander holds a Bachelor of Economics (University Medal) and a Bachelor of Laws from the University of Queensland. Alexander is also a graduate of the Royal Military College of Australia and is an INSEAD graduate with a Masters of Business Administration (Honours).
Experience and expertise:	Prior to joining the Group, Alexander worked for eight years with Bain & Company, a leading global strategy consultancy. Alexander worked in numerous locations including Sydney, Melbourne, Singapore and San Francisco and developed a broad skill set including the formulation of corporate and business unit strategies, leading performance improvement projects and influencing management teams to drive results. His experience stretches across a broad range of sectors including financial services, telecommunications, retail, consumer products, and technology.
Other current directorships of listed entities:	Commstrat Limited (Appointed 15 February 2011)
Former directorships of listed entities (in the last 3 years):	None
Interests in shares:	1,162,800 shares
Interests in options:	None

Company Secretary

Jane Prior

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

Meeting of Directors

During the financial year, 10 full meetings of Directors were held. Due to the size of the business the entire Board forms the Remuneration Committee, and the entire Board with the exception of the Managing Director forms the Audit and Risk Committee. Two meetings of the Audit and Risk Committee and one meeting of the Remuneration Committee occurred during the financial year both with full attendance.

Attendances by each Director during the year were as follows:

	Full meetings of Directors	
	A	B
John Kain	10	10
Mark Sowerby	10	10
Tim Wilson	10	10
Alexander McNab	10	10

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

Shares under option

As at the date of this report, there are no unissued ordinary shares of the Company under option.

Shares issued on the exercise of performance rights

There were no shares of the Company issued on the exercise of performance rights during the year ended 30 June 2013 (2012: 731,820 shares issued on exercise of performance rights).

Indemnity and insurance of officers

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

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

Proceedings on behalf of the Company

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

Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in Note 32 to the financial statements.

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

The Directors are of the opinion that the services as disclosed in Note 32 to the financial statements do not compromise the external auditor's independence for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor, and

- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

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

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

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Act is set out on page 14.

Auditor

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

Remuneration Report (audited)

This Remuneration Report for the financial year ended 30 June 2013 outlines the remuneration arrangements of the Group in accordance with the requirements of the Act and its regulations. This information has been audited as required by section 308(3C) of the Act.

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

The Remuneration Report is presented under the following sections:

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

i. Individual key management personnel disclosures

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

The Company has determined that its key management personnel under the requirements of AASB 124 are defined and determined as follows:

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

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

Details of KMP are set out below.

Key Management Personnel

Non-Executive Director

John Kain	Chairman	(Appointed 1 July 2011)

Executive Directors

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

Other Key Management Personnel

Jane Prior	Company Secretary	(Determined as KMP 1 July 2011)

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

ii. **Remuneration at a glance**

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

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

Although performance fees were realised (as distinct from accrued) during the current financial year, the Board exercised its discretion and did not pay (or record a provision to pay) any bonuses during the year.

iii. **Board oversight of remuneration**

Remuneration Committee

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

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

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

The remuneration of the non-executive director for the year ended 30 June 2013 and 30 June 2012 is detailed in *Table 1* and *Table 2* respectively of this report. The remuneration of the non-executive director is determined and reviewed on an annual basis based on the anticipated level of services to be rendered.

v. **Executive remuneration arrangements**

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

As such, the Group rewards each executive with a fixed remuneration package, the value of which is determined by the remuneration committee based on the remuneration policy noted above. In the 2013 financial year, remuneration of KMP is not dependent on sales targets or any other performance measures. This policy has been developed in light of the fact that each of the KMP are also shareholders of the Company. The Board has endorsed the Investment Company Bonus Policy noted above.

Structure

In the 2013 financial year, the executive remuneration framework consisted of the following two components:

(a) *Fixed remuneration*

This component has been negotiated by each KMP with the Board, based on their experience and duties. The remuneration of KMP for the year ended 30 June 2013 and 30 June 2012 is disclosed in Table 1 and Table 2.

(b) *Performance Rights Plan*

The Company adopted a Performance Rights Plan on 14 October 2010 under which it issued Performance Rights to selected key employees and other officers. Those Performance Rights were issued at the Board's discretion. The Board made invitations to eligible persons (being Directors, officers, KMP, employees or contractors of the Group) to participate in the Company's Performance Rights Plan specifying the total number of shares being made available, or the manner for determining that number, the closing date for applications, the exercise period, exercise price and exercise conditions (if any). The performance rights were exercised on the date of lodgement of the prospectus in relation to the initial public offering of the Company's shares ('IPO') which occurred on 7 November 2011.

Table 1: Remuneration of Key Management Personnel for the year-ended 30 June 2013 (Consolidated)

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

Table 2: Remuneration of Key Management Personnel for the year-ended 30 June 2012 (Consolidated)

	Short-Term	Post Employment	Long Term	Share-based Payment	Total	Performance related %
	Salary & Fees	*Superannuation*	*Long Service Leave*	*Rights*		
	$	*$*	*$*	*$*	*$*	
Non-executive Directors						
John Kain	27,250	-	-	5,966	33,216	17.96%
Sub-Total	27,250	-	-	5,966	33,216	17.96%
Executive Directors						
Mark Sowerby	282,885	21,115	4,431	-	308,431	0%
Alexander McNab	167,500	15,075	1,129	-	183,704	0%
Tim Wilson	241,923	18,672	2,408	-	263,003	0%
Leylan Neep	104,156	8,914	-	11,932	125,002	9.54%
Subtotal	796,464	63,776	7,968	11,932	880,140	1.36%
Other Key Management Personnel						
Jane Prior	135,000	12,150	640	21,169	168,959	12.53%
Sub-Total	135,000	12,150	640	21,169	168,959	12.53%
Total	**958,714**	**75,926**	**8,608**	**39,067**	**1,082,315**	**3.60%**

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

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

vii. **Executive contractual arrangements**

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

Each agreement commenced on the date of listing of the Company on the ASX and continues until terminated in accordance with the agreement. During the term, either party may terminate the agreement by giving 6 months' notice. Grounds of termination by the Company without notice include misconduct and bankruptcy.

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

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

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

On behalf of the Directors

John Kain
Chairman

27 August 2013
Brisbane

Building a better working world

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

In relation to our audit of the financial report of Blue Sky Alternative Investments Limited for the financial year ended 30 June 2013, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Ernst & Young

P McLuskie

Paula McLuskie
Partner
27 August 2013

Corporate Governance Statement

The Board of Directors of the Company is responsible for the Company's overall corporate governance, including adopting the appropriate policies and procedures designed to ensure that the Company is properly managed to protect and enhance shareholder interests and that Directors, management and employees fulfill their functions effectively and responsibly.

The Board has created a framework for managing the Company, including adopting relevant internal controls and a risk management process which it believes are appropriate for the Company's business. The main corporate policies and practices adopted by the Company are summarised below. In addition, many governance elements are contained in the constitution of the Company.

The Board, in establishing its corporate governance principles, had regard to the ASX Corporate Governance Principles and Recommendations, and unless disclosed below all of the recommendations have been applied. The reasons for any departure from these principles and recommendations are explained below. The Board guides and monitors the business and affairs of the Company on behalf of the shareholders by whom they are elected and to whom they are accountable.

The objective of the Board is to create and deliver long-term shareholder value through a range of diversified but inter-related alternative investment management activities. While each area of the Group's business activities holds significant value and makes a substantial contribution towards achieving the Board's objective, management of the synergies arising from the interrelations between the various business activities is critical to achieving the objective of creating and delivering long-term shareholder value.

The Board considers there to be an unambiguous and positive relationship between the creation and delivery of long-term shareholder value and high-quality corporate governance. Accordingly, in pursuing its objective, the Board has committed to corporate governance arrangements that strive to foster the values of integrity, respect, trust and openness among and between board members, management, employees, customers and suppliers.

Principle 1 — Lay solid foundations for management and oversight

The Board has adopted a Charter to provide a framework for its effective operation. The Board's role and responsibilities, as set out in its Charter, include to:

- take and fulfill an effective leadership role in relation to the Company;
- oversee the development and implementation of an appropriate strategy for the Company;
- ensure corporate accountability to the shareholders of the Company;
- oversee the Company's control and accountability systems;
- review and oversee the operation of systems of risk management and internal compliance and control; and
- appoint and oversee the performance of, and determine the remuneration of, the Managing Director.

The Board delegates functions to the Company's Managing Director and senior management to deliver the strategic direction and goals determined by the Board.

Directors have direct access to, and may rely upon, the Managing Director and the senior management as well as external advisers. Directors and Board Committees may seek independent professional advice at the Company's expense in the performance of their duties.

Principle 2 — Structure the Board to add value

The Board is currently made up of four Directors: a non-independent non-executive chairman and three non-independent executive directors. The Board believes that, having regard to the Company's size, the significant economic interests of the Directors in the Company and the management input of the non-independent directors, this is currently the most efficient structure.

While the Board does not currently comprise of a majority of independent Directors or have an independent Chair (as recommended by Recommendation 2.1 of the ASX Corporate Governance Principles and Recommendations), the Board is structured such that it comprises Directors from a variety of business and professional backgrounds who bring a range of commercial, operational and financial skills and experience relevant to the Company and the industry in which it operates. The Board considers that the current Board composition has a proper understanding of, and competence to deal with, the current and emerging issues of the business of the Company, and can effectively review and challenge the performance of the Company.

The Chairman, John Kain is not considered an independent chairman. The Board considers this departure from Recommendation 2.2 of the ASX Corporate Governance Principles and Recommendations is appropriate given that John Kain's non-executive capacity and his role as legal advisor means that he still brings an independent mind to governance, management and operational issues.

The Board separates the roles of Chairman and Managing Director.

A complete listing of the Directors for the year ended 30 June 2013, along with their biographical details is provided in the Directors' Report.

The Board recognises that regular reviews of its effectiveness and performance are key to the improvement of the governance of the Company. The Board reviews and evaluates:

- its own performance, including against the requirements of the Board Charter;
- the performance of its Committees;
- the performance of individual Directors; and
- the performance of the Managing Director and the senior management team,

on an annual basis against both measurable and qualitative indicators.

The Board has established a Nomination and Remuneration Committee with the full Board carrying out these functions. The Board considers this departure from recommendation 2.2 of the ASX Corporate Governance Principles and Recommendations as appropriate given the nature and size of the Company and given the full Board considers the matters and issues that would fall to a Nomination and Remuneration Committee. The full Board ensures that the performance of the Board is reviewed annually and that appropriate steps are taken for selection and appointment of appropriate candidates to the Board. Given the size, scale and nature of the Company's business, the Board does not consider the non-compliance with the Principle to be materially detrimental to the Company.

The Board considers that at this stage, no efficiencies or other benefits would be gained by establishing a separate nominations committee.

The primary role of the Board forming and acting under the Nomination and Remuneration Committee Charter is to assume responsibility for all matters relating to succession planning, recruitment and the appointment and remuneration of the Directors and the Managing Director, and overseeing succession planning, selection and appointment practices and remuneration packages for management and employees of the Company.

The objectives of the Board acting in this capacity include to:

- review, assess and make recommendations to the Board on the desirable competencies of the Board;
- assess the performance of the members of the Board;
- oversee the selection and appointment practices for Directors and senior management;
- develop succession plans for the Board and oversee the development of succession planning in relation to management; and
- assist the Board in developing and determining appropriate remuneration policies.

In making recommendations regarding the appointment of Directors, the Board acting in this capacity is to periodically assess the appropriate mix of skills, experience and expertise required on the Board and assess the extent to which the required skills and experience are represented on the Board.

Principle 3 — Promote ethical and responsible decision-making

Code of Conduct

The Company has adopted a formal Code of Conduct to guide Directors and senior management in the performance of their duties. The Code has been designed with a view to ensuring the highest ethical and professional standards, as well as compliance with legal obligations, and therefore compliance with these Guidelines.

The Code of Conduct sets out standards to which each Director and officer will adhere whilst conducting his/ her duties. The Code requires a Director, amongst other things, to:

- act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Company and, where possible, to act in accordance with the interests of shareholders, staff, clients and all other stakeholders in the Company;
- perform the functions of office and exercise the powers attached to that office with a degree of care and diligence that a reasonable person would exercise if he or she were a Director in the same circumstances; and
- not give preference to personal interests or to the interests of any associate or other person, where to do so would be in conflict with the interests of the Company.

The Code of Conduct policy requires all Directors, management and employees to at all times:

- act honestly and in good faith;
- exercise due care and diligence in fulfilling the functions of office;
- avoid conflicts and make full disclosure of any possible conflict of interest;
- comply with both the letter and spirit of the law;
- encourage the reporting and investigation of unlawful and unethical behaviour; and
- comply with the share trading policy outlined in the Code of Conduct.

Directors are obliged to be independent in judgement and ensure all reasonable steps are taken to ensure that the Board's core governance values are not compromised in any decisions the Board makes.

Share Trading Policy

The Company has adopted a Share Trading Policy for dealing in securities. The Share Trading Policy seeks to ensure that Directors and senior employees:

- are aware of the legal restrictions on securities trading (such as where they are aware of material price sensitive information that is not known to the market);
- cannot trade during certain closed periods, except in accordance with prior written clearance obtained in accordance with the policy; and
- report such dealings.

Directors and other shareholders are encouraged to be long term holders of the Company's shares.

The Company has adopted a policy that imposes certain restrictions on Directors and employees trading in the securities of the Company. The restrictions have been imposed to prevent inadvertent contraventions of the insider trading provisions of the Act.

The key aspects of the Share Trading Policy are:

- trading whilst in the possession of material price sensitive information is prohibited;
- Directors and executive officers are not permitted to trade during closed periods (half year (31 December) and full year (30 June) balance dates until the date of release to the ASX of the Appendix 4D Half Year Report or the Appendix 4E Full Year Report (as applicable)) unless exceptional circumstances exist and the Director or executive officer has received prior written clearance; and
- Directors and executive officers may trade outside the closed periods provided they have prior written clearance.

Diversity Policy

The Group recognises the value contributed to the organisation by employing people with varying skills, cultural backgrounds, ethnicity and experience. The Company believes its diverse workforce is the key to its continued growth, improved productivity and performance.

We actively value and embrace the diversity of our employees and are committed to creating an inclusive workplace where everyone is treated equally and fairly, and where discrimination, harassment and inequity are not tolerated. While the Group is committed to fostering diversity at all levels, gender diversity has been and continues to be a priority for the Group. The Company does not have any women on its Board however Jane Prior does hold a senior executive position and is Company Secretary.

The Board has not established a policy concerning diversity. This departure from Recommendation 3.2 of the ASX Corporate Governance Principles and Recommendations is considered appropriate given the current nature and size of the Company and the Board does not consider the departure to be materially detrimental to the Company.

Principle 4 — Safeguard integrity in financial reporting

The role of the Audit and Risk Committee is to assist the Board in discharging its obligations with respect to ensuring the correctness and reliability of financial information prepared for use by the Board and the integrity of the Company's internal controls affecting the preparation and provision of that financial information in determining policies or for inclusion in the Financial Report.

The composition of the Audit and Risk Committee includes all members of the Board with the exception of the Managing Director. The primary role of the Audit and Risk Committee is to:

- oversee the process of financial reporting, internal control, financial and non-financial risk management and compliance and external audit;
- monitor the Company's compliance with laws and regulations;
- appoint and encourage effective relationships with, and communication between, the Board, senior management and the Company's external auditor in order to ensure the integrity of the audit process; and
- evaluate the adequacy and effectiveness of processes and internal controls established to identify and manage areas of potential risk and to seek to safeguard the Company's assets.

Members of senior management and the external auditors attend meetings of the Audit and Risk Committee by invitation. The Audit and Risk Committee will review and assess the independence of the external auditor on an ongoing basis.

The Company has a policy that its external auditing firm must be independent. The Audit and Risk Committee will review and assess the independence of the external auditor on an ongoing basis.

Other functions and responsibilities of the Audit and Risk Committee include:

- monitoring and making recommendations to the Board on the effectiveness of the Company's internal and external audit function;
- making recommendations to the Board regarding:
    - the scope of internal and external audit, and the development of audit plans;
    - the process for putting the external audit function out to tender at least once in every three years;
    - the appointment of the external auditors; and
    - any exceptions or qualifications reported, or recommendations made, by the external auditor in the auditor's opinion and management letter;
- directly overseeing the external audit tender process, and including at least two of the members of the Audit and Risk Committee on the interview panel for the tender;
- reviewing the form and content of representation letter/s provided by the external auditors and management representation letters provided by management to the external auditors;

- monitoring implementation of any actions required by the Board to be taken by management to address any exceptions or qualifications reported, or recommendations made, by the external auditor;
- liaising with the external auditors, including at least two meetings each year with the auditors, including a portion of the meeting in absence of all management, in relation to the preparation of the audited accounts of the Company;
- reviewing and making recommendations to the Board in relation to accounting policies, or changes, or required changes, to the major accounting policies of the Company, and monitoring compliance by management with all approved accounting policies; and
- evaluating the adequacy and effectiveness of internal financial and other controls used by the Company.

Recommendation 4.2 of the ASX Corporate Governance Council's Principles and Recommendations provides that the Audit and Risk Committee is to comprise a majority of non-executive Directors. Accordingly, the composition of the current Audit and Risk Committee does not satisfy the ASX Corporate Governance Council's Principles and Recommendations.

As the Company is in a growth phase and given the size, scale and nature of the Company's business, the Board believes that the current Audit and Risk Committee is of a sufficient size, independence, and technical expertise to discharge its mandate effectively.

Principle 5 — Make timely and balanced disclosure

The Company is committed to observing its disclosure obligations under the Act and the Listing Rules of the ASX, to keep the market fully informed of information which is not generally available and which may have a material effect on the price or value of the Company's securities. The Company has adopted a Continuous Disclosure Policy which establishes procedures and protocols aimed at ensuring that Directors and management are aware of and fulfill their obligations in relation to the timely disclosure of material price sensitive information.

Pursuant to the Continuous Disclosure Policy, the Company will immediately notify the market, by announcing to the ASX, any information concerning the business of the Company which a reasonable person would expect to have a material effect on the price or value of the Company's securities (subject to applicable exceptions).

The aims of the Continuous Disclosure Policy are to:

- assess new information and co-ordinate any disclosure or releases to the ASX, or any advice required in relation to that information, in a timely manner;
- provide an audit trail of the decisions regarding disclosure to substantiate compliance with the Company's continuous disclosure obligations;
- report to the Board on continuous disclosure matters; and
- ensure that employees, consultants, associated entities and advisers of the Company understand the obligations to bring material information to the attention of the Company secretary.

The Managing Director is responsible for communications with the ASX including responsibility for ensuring compliance with the continuous disclosure requirements in the ASX Listing Rules and overseeing information going to the ASX, shareholders and other interested parties.

Principle 6 — Respect the rights of shareholders

The Board recognises the importance of communicating with Shareholders regularly and clearly.

The Company has adopted a Shareholder Communications Policy. The Shareholder Communications Policy is designed to promote effective communication with Shareholders and to encourage them to attend and participate at general meetings. The Board Charter is available on the Company's website as are links to recent announcements, presentations (where applicable) and past and current reports to shareholders.

The Board aims to ensure that the shareholders, on behalf of whom they act, are informed of information necessary to assess the performance of the Directors. Information on major developments affecting the

Company is communicated to the shareholders through the annual and half yearly reports, general meetings and notices of the general meetings, and by general correspondence from the Board.

Shareholders will be encouraged to participate in the annual general meeting and other general meetings to ensure a high level of accountability and identification with the Company's strategies and goals. Important issues are presented to shareholders as single resolutions.

Principle 7 — Recognise and manage risk

The Company's approach to risk management is formalised in the Risk Management Policy.

The Board has identified the key risks faced by the Company and will constantly seek to identify, monitor and mitigate risk. Internal controls will be monitored on a continuous basis and, wherever possible, improved.

The Managing Director reports to the Board monthly on material business risks. The Managing Director provides an annual written report to the Board summarising the effectiveness of the Company's risk management. The Board reviews the Risk Management Policy at least once a year.

Given the current size and operations of the Company, the Board considers it in the shareholders' interest for the Board as a whole to oversee and manage formal risk management policies formulated by the Board from to time.

The Directors' Declaration provides assurance in accordance with section 259A of the Act with respect to effective operation of the Company's risk management and internal controls

Principle 8 — Remunerate fairly and responsibly

The full Board carries out the Remuneration Committee function and is responsible for determining the appropriate remuneration of the executive directors. The non-executive director's remuneration is also reviewed on an annual basis based on anticipated extent of services to be rendered. Given the size, scale and nature of the Company's business, the Board does not consider the non-compliance with the ASX Corporate Governance Principle to be materially detrimental to the Company. The Board's Remuneration Policy has been developed to ensure that remuneration packages properly reflect each person's duties and responsibilities and that remuneration is competitive in attracting, retaining and motivating people of the highest quality.

The Company's Remuneration Policy will link the nature and amount of executive directors' and officers' remuneration to the Company's financial and operational performance

Non-executive directors may receive options in respect of shares in the Company. The Board considers this departure from Recommendation 8.3 of the ASX Corporate Governance Principles and Recommendations is appropriate as, in some limited circumstances, it may be appropriate to align the long-term interests of non-executive directors with those of shareholders by the issue of options.

The terms of employment for all senior management team members contain a fixed remuneration component (inclusive of superannuation and any agreed salary sacrifice arrangements), which may in the future include performance based and equity based incentives.

Other than as disclosed in the Remuneration Report, the Company has no current policy on performance based remuneration or equity based remuneration given the early stage of the Company's growth. The Board will defer consideration of such policies until an appropriate future time. Refer to the Remuneration Report on page 9.

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General information

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

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

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

Level 2, 40 Edward Street
Brisbane QLD 4000

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

The financial report was authorised for issue, in accordance with a resolution of Directors, on the date that the Directors’ Declaration was signed. The Directors have the power to amend and reissue the financial report.

	Note	Consolidated 2013 $	2012 $
Revenue			
Operating revenue	4	13,202,841	8,888,309
Share of loss of associates accounted for using the equity method	5	(398,939)	(84,813)
Other income	6	933,501	3,995,132
Expenses			
Employee benefits expense	7	(4,557,210)	(3,722,274)
Depreciation and amortisation expense	7	(268,570)	(104,847)
Consultancy		(312,973)	(339,303)
Distribution		(294,640)	(190,549)
Marketing		(68,269)	(92,164)
Occupancy	7	(355,369)	(305,388)
Administrative		(2,510,402)	(1,680,632)
Other expenses		(154,259)	(65,520)
Finance costs	7	(69,323)	(72,734)
Profit / (loss) before income tax		5,146,388	6,225,217
Income tax (expense) / benefit	8	(1,559,496)	(1,472,897)
Profit / (loss) after income tax for the year		**3,586,892**	**4,752,320**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Gain on the revaluation of available-for-sale financial assets, net of tax		-	-
Other comprehensive income for the year, net of tax		-	-
Items that will not be reclassified subsequently to profit or loss			
Total comprehensive income/(loss) for the year		**3,586,892**	**4,752,320**
Profit / (loss) for the year is attributable to:			
Non-controlling interest		-	(119,328)
Owners of Blue Sky Alternative Investments Limited	28	3,586,892	4,871,648
		3,586,892	4,752,320
Total Comprehensive income/(loss) for the year is attributable to:			
Non-controlling interest		-	(119,328)
Owners of Blue Sky Alternative Investments Limited		3,586,892	4,871,648
		3,586,892	4,752,320

Earnings per share		**Cents**	**Cents**
Basic earnings per share (profit/(loss) per share)	42	11.02	18.86
Diluted earnings per share (profit/(loss) per share)	42	11.02	18.86

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

	Note	Consolidated 2013 $	2012 $
Assets			
Current assets			
Cash and cash equivalents	9	5,552,348	5,736,702
Trade and other receivables	10	2,157,453	1,429,785
Other assets	11	228,888	290,417
Total current assets		7,938,689	7,456,904
Non-current assets			
Receivables	12	1,154,327	1,624,494
Investments accounted for using the equity method	13	3,637,265	1,161,204
Financial assets at fair value through profit and loss	14	4,053,462	2,595,159
Property, plant and equipment	15	108,269	2,258,548
Intangible assets	16	4,898,238	4,591,176
Deferred tax assets	17	44,126	255,020
Total non-current assets		13,895,687	12,485,601
Total assets		21,834,376	19,942,505
Liabilities			
Current liabilities			
Trade and other payables	18	2,280,890	2,467,365
Borrowings	19	54,423	75,784
Deferred revenue	20	599,160	570,000
Income tax	21	859,784	883,846
Employee benefits	22	327,636	219,451
Total current liabilities		4,121,893	4,216,446
Non-current liabilities			
Provisions	23	35,171	20,132
Borrowings	24	-	53,824
Deferred tax liabilities	25	391,113	-
Total non-current liabilities		426,284	73,956
Total liabilities		4,548,177	4,290,402
Net assets		17,286,199	15,652,103
Equity			
Contributed equity	26	18,676,705	18,676,705
Reserves	27	(7,104,181)	(7,104,181)
Accumulated profits/(losses)	28	5,713,675	4,079,579
Total equity, attributable to the owners of Blue Sky Alternative Investments Limited		17,286,199	15,652,103

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

Consolidated	**Contributed equity**	**Reserves**	**Accumulated profits / (losses)**	**Non-controlling interests**	**Total equity**
	$	**$**	**$**	**$**	**$**
Balance at 1 July 2011	2,060,721	117,813	(792,069)	296,372	1,682,837
Profit/(loss) after income tax for the year	-	-	4,871,648	(119,328)	4,752,320
Other comprehensive income for the year, net of tax	-	-	-	-	-
Total comprehensive income/(loss) for the year	-	-	4,871,648	(119,328)	4,752,320
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs	16,615,984	-	-	-	16,615,984
Share-based payments	-	290,217	-	-	290,217
Transactions with non-controlling interests	-	(7,436,611)	-	(42,644)	(7,479,255)
Revaluation surplus reserve	-	(75,600)	-	(134,400)	(210,000)
Dividends paid	-	-	-	-	-
Balance at 30 June 2012	18,676,705	(7,104,181)	4,079,579	-	15,652,103

Consolidated	**Contributed equity**	**Reserves**	**Accumulated profits / (losses)**	**Non-controlling interests**	**Total equity**
	$	**$**	**$**	**$**	**$**
Balance at 1 July 2012	18,676,705	(7,104,181)	4,079,579	-	15,652,103
Profit/(loss) after income tax for the year	-	-	3,586,892	-	3,586,892
Other comprehensive income for the year, net of tax	-	-	-	-	-
Total comprehensive income/(loss) for the year	-	-	3,586,892	-	3,586,892
Transactions with owners in their capacity as owners:					
Dividends paid	-	-	(1,952,796)	-	(1,952,796)
Balance at 30 June 2013	18,676,705	(7,104,181)	5,713,675	-	17,286,199

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

		Consolidated	
		2013	**2012**
	Note	**$**	**$**
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		11,138,171	5,007,754
Payments to suppliers and employees (inclusive of GST)		(9,239,898)	(5,826,939)
		1,898,273	(819,185)
Interest received		118,233	154,630
Interest and other finance costs paid		(25,941)	(50,092)
Income taxes paid		(981,551)	(124,755)
Net cash used in operating activities	41	1,009,014	(839,402)
Cash flows from investing activities			
Cash acquired on purchase of controlled entity, net of cash payment for acquisition		-	53,727
Payments for investments		-	(195,160)
Payments for property, plant and equipment		(27,648)	(38,084)
Payments for intangibles		(5,063)	(344,985)
Proceeds of disposal of subsidiary, net of cash transferred		1,261,223	-
Net cash used in investing activities		1,228,512	(524,502)
Cash flows from financing activities			
Proceeds from issue of shares		-	7,555,000
Share issue transaction costs		-	(446,617)
Repayment of borrowings		-	(850,000)
Loans from/(to) related and other parties		(394,958)	476,567
Payment of finance lease and hire purchase liabilities		(74,126)	(117,130)
Dividends paid		(1,952,796)	(54,000)
Net cash from financing activities		(2,421,880)	6,563,820
Net increase in cash and cash equivalents		(184,354)	5,199,916
Cash and cash equivalents at the beginning of the financial year		5,736,702	536,786
Cash and cash equivalents at the end of the financial year	9	5,552,348	5,736,702

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

Note 1. Significant Accounting Policies

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

Going concern

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

Basis of preparation

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

Historical cost convention

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

Critical accounting estimates

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

Parent entity information

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

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Company as at 30 June 2013 and the results of all subsidiaries for the year then ended or from when control was obtained. The Company and its subsidiaries together are referred to in these financial statements as the ‘Group’.

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

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

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

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

Note 1. Significant accounting policies (continued)

Operating segments

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

Revenue recognition

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

Management fees

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

Performance fees

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

Responsible Entity and Trustee fees

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

Investment Management Services

The Group provides Investment Management services for which it charges management fees to the respective Funds that it manages. Revenue recognition relating to the provision of services is determined with reference to the stage of completion of the project at the end of the reporting period and where the outcome of the contract can be reliably estimated. Stage of completion is determined with reference to the services performed to date as a percentage of total anticipated services to be performed. Where the outcome cannot be estimated reliably revenue is recognised only to the extent that related expenditure is recoverable.

Interest

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

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.
All revenue is stated net of the amount of goods and services tax ('GST').

Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and unused tax losses and under and over provision in prior periods, where applicable.

Note 1. Significant accounting policies (continued)

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

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or

- When the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

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

Tax Consolidation

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

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

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

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

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

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

Note 1. Significant accounting policies (continued)

Cash and cash equivalents

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

Trade and other receivables

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

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

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

Associates

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

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

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

Investments and other financial assets

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

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

Loans and receivables

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

Note 1. Significant accounting policies (continued)

Financial assets at fair value through profit or loss

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

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets, principally equity securities, that are either designated as available-for-sale or not classified as any other category. After initial recognition, fair value movements are recognised directly in the available-for-sale reserve in equity. Cumulative gain or loss previously reported in the available-for-sale reserve is recognised in profit or loss when the asset is derecognised or impaired.

Impairment of financial assets

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

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

Available-for-sale financial assets are considered impaired when there has been a significant or prolonged decline in value below initial cost. Subsequent increments in value are recognised directly in the available-for-sale reserve.

Property, plant and equipment

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

Depreciation is calculated on a straight-line and diminishing balance basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives in line with ATO guidelines as follows:

Plant and equipment (infrastructure assets)	15 - 80 years
Motor vehicles	6 – 8 years
Office equipment	2 – 5 years

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

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

Note 1. Significant accounting policies (continued)

Leases

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

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

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

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

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

Intangible assets

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

Goodwill

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

Website

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

Software

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

Formation costs

Significant costs associated with the establishment of investment infrastructure and product development including those for the Hedge and Water Funds are to be amortised over the relevant income generating period in order to match with expected revenue.

Note 1. Significant accounting policies (continued)

Impairment of non-financial assets

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

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

Trade and other payables

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

Borrowings

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

Finance costs

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

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

Provisions

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

Employee benefits

Wages and salaries, annual leave and sick leave

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

Note 1. Significant accounting policies (continued)

Long service leave

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

Share-based payments

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

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

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

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

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

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

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

Contributed equity

Ordinary shares are classified as equity.

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

Dividends

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

Note 1. Significant accounting policies (continued)

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

Business combinations

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

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

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

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

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

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

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

As at 30 June 2013, the initial accounting for all business combinations in the prior period has been completed. No adjustments to the amounts recorded in the prior period were required.

Earnings per share

Basic earnings per share

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

Note 1. Significant accounting policies (continued)

Diluted earnings per share

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

Diluted earnings per share is currently at parity.

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

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

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

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

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

Adoption of New and Revised Accounting Standards

The following standards and interpretations have been applied for the first time in the year ended 30 June 2013

Reference	Title	Application date of standard	Application date for Group
AASB 2011-9	Amendments to Australian Accounting Standards - Presentation of Other Comprehensive Income [AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1049] This standard requires entities to group items presented in other comprehensive income on the basis of whether they might be reclassified subsequently to profit or loss and those that will not.	1 July 2012	1 July 2012

New Accounting Standards for Application in Future Periods

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

Note 1. Significant accounting policies (continued)

Reference	Title	Application date of standard	Application date for Group
AASB 10	Consolidated Financial Statements The new control model broadens the situations when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations, including when acting as a manager may give control, the impact of potential voting rights and when holding less than a majority voting rights may give control.	1 Jan 2013	1 July 2013*
AASB 11	Joint Arrangements AASB 11 uses the principle of control in AASB 10 to define joint control, and therefore the determination of whether joint control exists/may change. In addition it removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation.	1 Jan 2013	1 July 2013*
AASB 12	Disclosure of Interests in Other Entities AASB 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. New disclosures have been introduced about the judgements made by management to determine whether control exists, and to require summarised information about joint arrangements, associates, structured entities and subsidiaries with non-controlling interests.	1 Jan 2013	1 July 2013*
AASB 13	Fair Value Measurement AASB 13 establishes a single source of guidance for determining the fair value of assets and liabilities. AASB 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value when fair value is required or permitted. Application of this definition may result in different fair values being determined for the relevant assets.	1 Jan 2013	1 July 2013*
AASB 119	Employee Benefits The main change introduced by this standard is to revise the accounting for defined benefit plans. The amendment removes the options for accounting for the liability, and requires that the liabilities arising from such plans is recognised in full with actuarial gains and losses being recognised in other comprehensive income. It also revised the method of calculating the return on plan assets.	1 Jan 2013	1 July 2013*

Reference	Title	Application date of standard	Application date for Group
AASB 2012-2	Amendments to Australian Accounting Standards - Disclosures - Offsetting Financial Assets and Financial Liabilities AASB 2012-2 principally amends AASB 7 *Financial Instruments: Disclosures* to require disclosure of the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position, when all the offsetting criteria of AASB 132 are not met.	1 Jan 2013	1 July 2013*
AASB 9	*Financial Instruments* AASB 9 includes requirements for the classification and measurement of financial assets. It was further amended by AASB 2010-7 to reflect amendments to the accounting for financial liabilities. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139.	1 Jan 2015	1 July 2015**

* Management have assessed the changes in these standards and there is no significant impact.

** The impact of this standard is yet to be assessed.

Note 2. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, that management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Revenue recognition - performance fees

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

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

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

Share-based payment transactions

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

Fair value and hierarchy of financial instruments

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

The fair value of financial instruments classified as Level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs.

Estimation of useful lives of assets

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

Note 2. Critical accounting judgements, estimates and assumptions (continued)

Goodwill and other indefinite life intangible assets

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

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

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

Recovery of deferred tax assets

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

Business combinations

As discussed in Note 1, business combinations are initially accounted for on a provisional basis. The fair value of assets acquired, liabilities and contingent liabilities assumed are initially estimated by the Group taking into consideration all available information at the reporting date. Fair value adjustments on the finalisation of the business combination accounting is retrospective, where applicable, to the period the combination occurred and may have an impact on the assets and liabilities, depreciation and amortisation reported.

Significant Influence

The Group has investments in a number of associates and therefore is required to assess whether it has significant influence over its associates in accordance with AASB 128. An assessment is performed at each reporting date, or more frequently where appropriate, with reference to the guidelines in AASB 128. Both quantitative and qualitative factors are taken into account when making this assessment.

Note 3. Operating segments

Identification of reportable operating segments

The Group has one operating segment only: Alternative Asset Management. This operating segment is based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources. There is no aggregation of operating segments.

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

Types of products and services

The principal products and services of each of these operating segments is Alternative Asset Management.

Note 4. Operating Revenue

	Consolidated	
	2013	2012
	$	$
Management fees	10,792,650	5,525,953
Administration fees	143,646	93,500
Responsible entity revenue	816,463	529,295
Performance fees	851,259	2,520,959
Expense reimbursement - WUA	425,000	-
Interest	118,233	157,373
Other revenue	55,590	61,229
Operating Revenue	13,202,841	8,888,309

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

	Consolidated	
	2013	2012
	$	$
Share of loss – associates	(398,939)	(84,813)

The Group had significant influence over the Riverside Gardens Trust and Water Utilities Australia ('WUA') during the year. As such, the Group is required to record its share of the investees' profit or loss for the period from the date that significant influence exists (Riverside Gardens Trust: $76,741, Water Utilities Australia: $322,198).

Refer to Note 38 for details regarding the Group's investment in WUA.

Note 6. Other Income

	Consolidated	
	2013	2012
	$	$
Distribution from investment in EC2010	60,007	-
Revaluation of investment in EC2010	252,803	133,681
Net gain on disposal of business - Lightsview Re-water infrastructure business (refer Note 38)	620,691	-
Revaluation of investments - Blue Sky Water Partners Pty Limited (refer Note 39)	-	1,740,676
Gain on business combination - Lightsview Re-water infrastructure business (refer Note 39)	-	2,120,775
Other Income	933,501	3,995,132

Note 7. Expenses

	Consolidated 2013 $	Consolidated 2012 $
Profit / (loss) before income tax includes the following specific expenses:		
Depreciation		
Plant and equipment	13,417	-
Motor vehicles	2,304	3,687
Motor vehicles under lease / hire purchase	6,316	8,421
Office equipment	22,782	23,547
Office equipment under lease / hire purchase	25,750	36,677
Total Depreciation	70,569	72,332
Amortisation		
Website	12,013	11,810
Software	19,161	19,687
Borrowing costs	323	1,018
Formation expenses	166,504	-
Total amortisation	198,001	32,515
Total depreciation and amortisation	268,570	104,847
Finance costs		
Interest and finance charges paid/payable	61,285	58,579
Finance charges payable under finance leases and hire purchase contracts	8,038	14,155
Finance cost expensed	69,323	72,734
Rental expense relating to operating leases		
Occupancy costs	355,369	305,388
Employee benefits expense		
Defined contribution superannuation expense	288,470	267,036
Share-based payments expense	-	290,217
Other employee benefits expense	4,268,740	3,165,021
Total employee benefits expense	4,557,210	3,722,274

Note 8. Income Tax Expense / (Benefit)

	Consolidated	
	2013	2012
	$	$
Income tax expense / (benefit)		
Current tax	1,103,586	1,240,124
Deferred tax	455,910	232,773
Aggregate income tax expense / (benefit)	1,559,496	1,472,897
Deferred tax included in income tax expense/(benefit) comprises:		
Decrease/(increase) in deferred tax assets (Note 17)	77,016	(181,285)
(Decrease)/increase in deferred tax liabilities (Note 25)	378,894	414,058
	455,910	232,773
Numerical reconciliation of income tax expense/(benefit) to prima facie tax payable		
Profit / (loss) before income tax	5,146,388	6,225,217
Tax at the Australian tax rate of 30%	1,543,916	1,867,565
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Non-deductible amounts	15,580	107,699
Share of loss of associate	-	13,805
Gain on revaluation - acquisition of Blue Sky Water Partners Pty Ltd	-	(522,203)
Sundry items	-	6,031
Income tax expense / (benefit)	1,559,496	1,472,897
Amounts charged directly to equity		
Deferred tax assets (Note 17)	-	(110,723)
Deferred tax liabilities (Note 25)	-	(90,000)
	-	(200,723)

Note 9. Current assets – cash and cash equivalents

	Consolidated	
	2013	2012
	$	$
Cash on hand	297	715
Cash at bank	5,552,051	5,735,987
	5,552,348	5,736,702

Note 10. Current assets – trade and other receivables

	Consolidated	
	2013	**2012**
	$	**$**
Trade receivables	169,554	904,472
Other receivables	270,345	86,215
Related party receivables (Note 34)	1,717,554	439,098
	2,157,453	1,429,785

Impairment of receivables

The Group has recognised a loss of $nil (2012: $nil) in profit or loss in respect of impairment of receivables for the year ended 30 June 2013.

Past due but not impaired

Customers with balances past due but without provision for impairment of receivables amount to $122,738 as at 30 June 2013 ($74,182 as at 30 June 2012). The Group did not adjust for credit risk on the aggregate balances after reviewing agency credit information and credit terms of customers based on recent collection practices.

The ageing of the past due but not impaired receivables are as follows:

	Consolidated	
	2013	**2012**
	$	**$**
0 – 1 month	9,125	2,105
1 – 2 months	10,195	1,576
Over 2 months	103,418	70,501
	122,738	74,182

Note 11. Current assets - other

	Consolidated	
	2013	**2012**
	$	**$**
Prepayments	228,888	290,417

Note 12. Non-current assets - receivables

	Consolidated	
	2013	**2012**
	$	**$**
Trade receivables	-	435,001
Performance fee receivable	1,154,327	1,189,493
	1,154,327	1,624,494

The performance fee receivable is in relation to the Blue Sky Private Equity EC2010 Institutional Trust and Blue Sky Mining Services Unit Trust and is payable upon an exit event from the relevant fund.

Note 13. Non-current assets – investments accounted for using the equity method

	Consolidated	
	2013	**2012**
	$	**$**
Investment in Riverside Gardens Trust (i)	1,084,463	1,161,204
Investment in Water Utilities Australia (stapled securities) (ii)	2,552,802	-
	3,637,265	1,161,204

Refer to Note 37 for additional information on investments in associates.

(i) On 1 December 2011, Blue Sky Private Real Estate Pty Limited was issued with 1.2 million units in the Riverside Gardens Trust. Between 1 December 2011 and 30 June 2013, the Riverside Gardens Trust has incurred losses of $308,098. Blue Sky Private Real Estate Pty Limited's share of these losses have been deducted against the initial holding amount of $1,200,000.

(ii) On 24 December 2012, Blue Sky Water Partners Pty Limited was issued with 2.875 million stapled securities in WUA (refer Note 38). Between 24 December 2012 and 30 June 2013, WUA incurred losses of $732,269. Blue Sky Water Partners Pty Limited's share of these losses have been deducted against the initial holding amount of $2,875,000.

Note 14. Non-current assets – financial assets at fair value through profit and loss

	Consolidated	
	2013	**2012**
	$	**$**
Units held in unlisted trusts (related parties)	3,372,962	2,070,159
Partnership interest in the Blue Sky VC2012 Fund LP	525,000	525,000
Options in Water Utilities Australia (refer Note 38)	155,500	-
	4,053,462	2,595,159

Reconciliation

Reconciliation of the fair values at the beginning and end of the current and previous financial year are set out as follows:		
Opening fair value	2,595,159	1
Additions	1,358,500	2,461,477
Movement in fair value of WUA option, recognised in performance fees (refer Note 38)	(153,000)	-
Revaluation of units in Blue Sky Private Equity EC2010 Institutional Trust	252,803	133,681
Closing fair value	4,053,462	2,595,159

Refer to Note 30 for detailed information on financial instruments.

Note 15. Non-current assets - property, plant and equipment

	Consolidated 2013 $	Consolidated 2012 $
Plant and equipment – at cost (Note 39)	-	2,120,775
Less: Accumulated depreciation	-	-
	-	2,120,775
Motor vehicles – at cost	38,495	38,495
Less: Accumulated depreciation	(28,511)	(26,207)
	9,984	12,288
Motor vehicles – under lease	50,168	50,168
Less: Accumulated depreciation	(31,222)	(24,906)
	18,946	25,262
Office equipment – at cost	103,146	75,498
Less: Accumulated depreciation	(53,691)	(30,909)
	49,455	44,589
Office equipment – under lease	119,276	119,276
Less: Accumulated depreciation	(89,392)	(63,642)
	29,884	55,634
	108,269	2,258,548

Reconciliations

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

	Plant and Equipment $	Motor Vehicles $	Leased motor vehicles $	Office Equipment $	Leased office Equipment $	Total $
Consolidated						
Balance at 1 July 2011	-	15,975	33,683	41,647	64,664	155,969
Additions	2,120,775	-	-	26,490	27,647	2,174,912
Disposals	-	-	-	-	-	-
Depreciation expense	-	(3,687)	(8,421)	(23,547)	(36,677)	(72,332)
Balance at 30 June 2012	2,120,775	12,288	25,262	44,589	55,634	2,258,548
Additions	-	-	-	27,648	-	27,648
Disposals	(2,107,358)	-	-	-	-	(2,107,358)
Depreciation expense	(13,417)	(2,304)	(6,316)	(22,782)	(25,750)	(70,569)
Balance at 30 June 2013	-	9,984	18,946	49,455	29,884	108,269

Property, plant and equipment secured under finance leases

Refer to Note 33 for detailed information on property, plant and equipment secured under finance leases.

Note 16. Non-current assets - intangibles

	Consolidated 2013 $	2012 $
Goodwill - at cost	4,407,227	4,407,227
Less: Impairment	(190,290)	(190,290)
	4,216,937	4,216,937
Management rights – at cost	500,000	-
Less: Accumulated amortisation	-	-
	500,000	-
Formation costs – at cost	333,008	333,008
Less: Accumulated amortisation	(166,504)	-
	166,504	333,008
Borrowing costs	1,725	1,582
Less: Accumulated amortisation	(1,634)	(1,311)
	91	271
Website – at cost	41,479	36,559
Less: Accumulated amortisation	(32,495)	(20,482)
	8,984	16,077
Software – at cost	23,135	23,135
Less: Accumulated amortisation	(17,413)	(8,161)
	5,722	14,974
Software – under lease	31,018	31,018
Less: Accumulated amortisation	(31,018)	(21,109)
	-	9,909
	4,898,238	4,591,176

Reconciliations

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

	Goodwill $	Management Rights $	Formation Costs $	Borrowing Costs $	Website Development $	Software $	Total $
Consolidated							
Balance at 1 July 2011	68,886	300,000	-	927	27,887	32,971	430,671
Additions	4,148,051	-	333,008	362	-	11,599	4,493,020
Disposals	-	(300,000)	-	-	-	-	(300,000)
Amortisation expense	-	-	-	(1,018)	(11,810)	(19,687)	(32,515)
Balance at 30 June 2012	4,216,937	-	333,008	271	16,077	24,883	4,591,176
Additions	-	500,000	-	143	4,920	-	505,063
Disposals	-	-	-	-	-	-	-
Amortisation expense	-	-	(166,504)	(323)	(12,013)	(19,161)	(198,001)
Balance at 30 June 2013	4,216,937	500,000	166,504	91	8,984	5,722	4,898,238

Note 16. Non-current assets – intangibles (continued)

Impairment

Goodwill is allocated to cash-generating units, which is based on the Group's operating segment. (Refer Note 3). At 30 June 2013, the Group has only one cash-generating unit to which any goodwill is attributable being the Alternative Funds Management Unit. The carrying amount of goodwill attributable to the Alternative Funds Management Unit is $4,216,937 (2012: $4,216,937).

There were no impairment losses during the financial year ended 30 June 2013 (30 June 2012 year: $nil).

Impairment testing of intangible assets with indefinite useful lives

The Group performed its annual impairment test as at 30 June 2013.

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

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

<u>Key assumptions used in value in use calculations:</u>
The calculation of value in use for Blue Sky Water Partners Pty Limited are most sensitive to the following assumptions:

- Procurement of funds under management in the water industry;
- Growth rate assumptions;
- Discount rates.

Procurement of funds under management in the water industry - management has made estimates of the total value of the funds under management to generate management and performance fees to the Group. Management is aware that there is a risk associated with these estimates, and hence has exercised significant prudence in regard to these.

Growth rate assumptions – Management recognises that the speed of technological change and the possibility of new entrants can have a significant impact on growth rate assumptions. The effect of new entrants is not expected to have an adverse impact on the forecasts included in the budget, but could possibly yield an alternative to the estimated long-term growth rate used.

Discount rates – Discount rates represent the current market assessment of the risks specific to the cash-generating unit taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and is derived from its weighted average cost of capital (‘WACC’). A reasonably expected change in key cash flow projections of 1% would not alter the impact of the impairment assessment.

Note 17. Non-current assets – deferred tax

	Consolidated 2013 $	Consolidated 2012 $
The balance comprises temporary differences attributable to:		
Tax losses	44,126	190,224
Property, plant and equipment	(747)	3,754
Employee benefits	93,646	69,568
Investments in associates	121,403	11,639
Accrued expenses	14,160	30,457
Transaction costs on share issue	122,423	150,736
Unearned income	-	171,000
Other	52,507	43,253
Deferred tax asset	447,518	670,631
Set-off of deferred tax liabilities pursuant to set-off provisions (Note 25)	(403,392)	(415,611)
Net deferred tax assets	44,126	255,020
Movements in deferred tax asset:		
Opening balance	670,631	394,312
Credited/(charged) to profit or loss (Note 8)	(77,016)	181,285
Credited to equity	-	110,723
Deferred tax acquired in business combination	-	332,442
Tax losses utilised	(146,097)	(348,131)
Closing balance	447,518	670,631

Note 18. Current liabilities – trade and other payables

	Consolidated 2013 $	Consolidated 2012 $
Trade payables	903,198	402,460
Other payables	140,062	199,618
Accrued expenses	114,748	407,084
Funds held in trust	172,000	535,000
Related parties payable (Note 34)	950,882	923,203
	2,280,890	2,467,365

Refer to Note 30 for detailed information on financial instruments.

Note 19. Current liabilities – borrowings

	Consolidated 2013 $	Consolidated 2012 $
Hire purchase	-	15,343
Lease liability	54,423	60,441
	54,423	75,784

Refer to Note 24 for further information on assets pledged as security and Note 30 for detailed information on financial instruments.

Note 20. Current liabilities – deferred revenue

	Consolidated	
	2013	**2012**
Unearned income	**$**	**$**
	599,160	570,000

Reconciliations
Reconciliations of deferred revenue at the beginning and end of the current and previous financial year are set out below:

	Consolidated	
	2013	**2012**
	$	**$**
Balance at 1 July	570,000	-
Deferred during the year	1,334,389	570,000
Released to the income statement	(1,305,229)	-
Balance at 30 June	599,160	570,000

Note 21. Current liabilities – income tax

	Consolidated	
	2013	**2012**
	$	**$**
Provision for income tax	859,784	883,846

Note 22. Current liabilities – employee benefits

	Consolidated	
	2013	**2012**
	$	**$**
Annual leave	243,699	160,945
Salaries and superannuation	83,937	58,506
	327,636	219,451

Note 23. Non-current liabilities – provisions

	Consolidated	
	2013	**2012**
	$	**$**
Long service leave	35,171	20,132

Note 24. Non-current liabilities – borrowings

	Consolidated	
	2013	**2012**
	$	**$**
Lease liability	-	53,824
	-	53,824

Refer to Note 30 for detailed information on financial instruments

Total secured liabilities

The total secured liabilities (current and non-current) are as follows:

Hire purchase	-	15,343
Lease liability	54,423	114,265
	54,423	129,608

Assets pledged as security

The lease liabilities are effectively secured as the rights to the leased assets recognised in the statement of financial position revert to the lessor in the event of default.

The carrying amounts of assets pledged as security for current and non-current borrowings are:

	Consolidated	
	2013	**2012**
	$	**$**
Office furniture & equipment – under lease	29,884	55,634
Motor vehicles – under lease	18,946	25,262
Software – under lease	-	9,909
	48,830	90,805

Financial guarantees

The Group has provided guarantees for the lease of business premises in Brisbane and Sydney which commit the Group to make payments upon its failure to perform under the relevant terms of the terms of the contract. The Group has guaranteed leases to a maximum amount of $144,100.

Note 25. Non-current liabilities - deferred tax	Consolidated	
	2013	**2012**
	$	**$**
The balance comprises temporary differences attributable to:		
Property, plant and equipment	1,542	1,749
Accrued revenue	753,244	413,862
Revaluation of investments	38,414	-
Prepayments	1,305	
Deferred tax liability	794,505	415,611
Set off of deferred tax liabilities pursuant to set-off provisions (Note 17)	(403,392)	(415,611)
Net deferred tax liabilities	391,113	-
Movements		
Opening balance	415,611	91,553
Charged/(credited) to profit or loss (Note 8)	378,894	414,058
Charged to equity	-	(90,000)
Closing balance	794,505	415,611

Note 26. Equity – contributed

	2013 Shares	2012 Shares	2013 $	2012 $
Ordinary shares – fully paid	32,546,018	32,546,018	18,676,705	18,676,705

Movements in ordinary share capital

Details	Date	No of shares	Issue price	$
Balance	1 July 2011	9,315,000		2,060,721
Share issue	3 August 2011	200,000	$1.00	200,000
Share issue	5 September 2011	35,000	$1.00	35,000
Share issue	28 September 2011	25,000	$1.00	25,000
Share issue	4 October 2011	425,000	$1.00	425,000
Bonus Issue	4 October 2011	5,570,580	$0.00	-
Acquisition of Blue Sky Private Real Estate Pty Limited	5 October 2011	2,687,500	$1.00	2,687,500
Acquisition of BSPE Pty Ltd	5 October 2011	3,023,280	$1.00	3,023,280
Acquisition of Blue Sky Apeiron Pty Limited	5 October 2011	1,768,476	$1.00	1,768,476
Acquisition of Blue Sky Water Partners Pty Limited	5 October 2011	2,294,362	$1.00	2,294,362
Employee performance rights	8 November 2011	731,820	$0.00	-
Share Issue on listing	24 January 2012	6,470,000	$1.00	6,470,000
Equity raising costs				(312,634)
Balance	30 June 2012	32,546,018		18,676,705
Balance	30 June 2013	32,546,018		18,676,705

Ordinary shares

The Group had authorised share capital amounting to 32,546,018 ordinary shares at 30 June 2013. Of this amount, 15,678,239 ordinary shares held by the Directors and their related parties are escrowed until 24 January 2014, two years from listing of the Company on the Australian Securities Exchange. During this period, the escrowed shares cannot be sold disposed of or encumbered. Refer to Note 40 for details regarding events occurring after the reporting date.

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

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

Share buy-back

There is no current share buy-back scheme in operation.

Note 26. Equity – contributed (continued)

Capital risk management

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

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

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

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

A formal capital risk management policy is to be developed.

Blue Sky Private Equity Limited holds AFS Licence No. 314177 and is a 100% owned subsidiary of Blue Sky Alternative Investments Limited.

As an AFS Licence holder Blue Sky Private Equity Limited is regulated by ASIC and required as part of its licence conditions to maintain adequate Net Tangible Assets (NTA) and Cash Holding requirements sufficient to meet its ongoing obligations toward any Managed Investment Schemes for which it acts as Responsible Entity. NTA and Cash Holding requirements are monitored on a monthly basis and reported to the Blue Sky Private Equity Limited Compliance Committee. An external audit of compliance with AFS Licence conditions is also undertaken on an annual basis.

Blue Sky Private Equity Limited has at all times during the financial year ended 30 June 2013 complied with its NTA and Cash Holding requirements as well as its AFS Licence conditions.

Note 27. Equity - reserves

	Consolidated	
	2013	**2012**
	$	**$**
Capital reserve	(7,436,611)	(7,436,611)
Share-based payments reserve	332,430	332,430
	(7,104,181)	(7,104,181)

Movements in reserves

	Revaluation surplus reserve	Share based payments reserve	Capital reserve	Total reserves
Balance at 1 July 2011	75,600	42,213	-	117,813
Share based payment transactions	-	290,217	-	290,217
Change in non-controlling interest	(75,600)	-	(7,436,611)	(7,512,211)
Balance at 30 June 2012	-	332,430	(7,436,611)	(7,104,181)
Balance at 30 June 2013	-	332,430	(7,436,611)	(7,104,181)

Note 27. Equity – reserves (continued)

Capital reserve

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

Revaluation surplus reserve

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

Share-based payments reserve

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

Note 28. Equity – retained profits / (accumulated losses)

	Consolidated	
	2013	**2012**
	$	**$**
Retained profits/(accumulated losses) at the beginning of the financial year	4,079,579	(792,069)
Profit / (loss) after income tax benefit for the year	3,586,892	4,871,648
Dividends paid (Note 29)	(1,952,796)	-
Retained profits/(accumulated losses) at the end of the financial year	5,713,675	4,079,579

Note 29. Equity – dividends

Dividends paid

	Consolidated	
	2013	**2012**
	$	**$**
Dividends paid during the year (fully franked)	1,952,796	-
Dividends for non-controlling interests paid during the year (fully franked)	-	54,000
	1,952,796	54,000

Franking credits

	Consolidated	
	2013	**2012**
	$	**$**
Franking credits available at the reporting date based on a tax rate of 30%	265,078	103,686
Franking credits that will arise from the payment of the amount of the provision for income tax at the reporting date based on a tax rate of 30%	846,703	883,846
Franking credits that will arise from the payment of dividends recognised as a liability at the reporting date based on a tax rate of 30%	-	-
Franking credits available for subsequent financial years based on a tax rate of 30%	1,111,781	987,532

Note 30. Financial instruments

Financial risk management objectives

The Group's principal financial instruments comprise receivables, payables, finance leases, available for sale financial assets and cash.

The Group's activities expose it to a variety of financial risks: market risk (including price risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, and ageing analysis for credit risk.

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

Price risk

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

At the reporting date, the exposure to unlisted equity securities at fair value was $4,053,462. A change of 10% in the overall earnings stream of the valuations performed could have an impact of approximately $405,346 increasing or decreasing the equity of the Group.

Interest rate risk

The Group's has limited risk exposure to short or long term borrowing.

Credit risk

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

Liquidity risk

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

Note 30. Financial instruments (continued)

Remaining contractual maturities

The following tables detail the Group's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

Consolidated – 2013	Weighted average interest rate	1 year or less	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Remaining contractual maturities
Non-derivatives						
Non-interest bearing						
Trade payables	-	2,280,890	-	-	-	2,280,890
Interest bearing – fixed rate						
Lease liability	8.43	61,937	-	-	-	61,937
Total non-derivatives		2,342,827	-	-	-	2,342,827
Assets						
Cash and cash equivalents	1.74	5,552,348	-	-	-	5,552,348
Trade and other receivables	-	2,157,453	1,154,327	-	-	3,311,780
Total assets		7,709,801	1,154,327	-	-	8,864,128

Consolidated – 2012	Weighted average interest rate	1 year or less	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Remaining contractual maturities
Non-derivatives						
Non-interest bearing						
Trade payables	-	2,467,365	-	-	-	2,467,365
Interest bearing – fixed rate						
Hire purchase	10.47	15,979	-	-	-	15,979
Lease liability	8.83	74,677	61,090	-	-	135,767
Total non-derivatives		2,558,021	61,090	-	-	2,619,111
Assets						
Cash and cash equivalents	3.35	5,736,702	-	-	-	5,736,702
Trade and other receivables	-	1,429,785	1,624,494	-	-	3,054,279
Total assets		7,166,487	1,624,494	-	-	8,790,981

The cash flows in the maturity analysis above are not expected to occur significantly earlier than disclosed.

Note 30. Financial instruments (continued)

Fair value of financial instruments

The following tables detail the Group's fair values of financial instruments categorised by the following levels:

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

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

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

Consolidated 2013

	Level 1 $	Level 2 $	Level 3 $	Total $
Assets				
Units in unlisted unit trusts – fair value through profit and loss	-	-	4,053,462	4,053,462
Total assets	-	-	4,053,462	4,053,462

Consolidated 2012

	Level 1 $	Level 2 $	Level 3 $	Total $
Assets				
Units in unlisted unit trusts – fair value through profit and loss	-	-	2,595,159	2,595,159
Total assets	-	-	2,595,159	2,595,159

There were no transfers between levels during the financial year.

Movements in Level 3 financial instruments

Movements in Level 3 financial instruments during the current and previous financial year are set out in Note 14.

Changing one or more inputs would not significantly change the fair value of Level 3 financial instruments.

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. The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial instruments.

Note 31. Key Management Personnel disclosures

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

Mark Sowerby
John Kain (Chairman)
Tim Wilson
Alexander McNab

Other key management personnel

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

Jane Prior (Company Secretary)

Compensation

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

	Consolidated	
	2013	**2012**
	$	**$**
Short-term employee benefits	964,212	958,714
Post-employment benefits and long service leave	73,408	84,534
Share based payments	-	39,067
	1,037,620	1,082,315

Shareholdings

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

	Balance at the start of the year	Granted as Remuneration	Additions	Disposals/other	Balance at the end of the year
2013					
Ordinary Shares					
Mark Sowerby	10,899,399	-	-	-	10,899,399
Alexander McNab	1,162,800	-	-	-	1,162,800
John Kain	876,065	-	17,000	-	893,065
Tim Wilson	1,860,480	-	-	-	1,860,480
Jane Prior	155,706	-	-	-	155,706
	14,954,450	-	17,000	-	14,971,450

Note 31. Key Management Personnel disclosures (continued)

	Balance at the start of the year	Granted as Remuneration	Additions	Disposals/other	Balance at the end of the year
2012					
Ordinary Shares					
Mark Sowerby	7,000,000	-	3,899,399	-	10,899,399
Alexander McNab	-	-	1,162,800	-	1,162,800
John Kain	200,000	50,000	626,065	-	876,065
Tim Wilson	-	-	1,860,480	-	1,860,480
Jane Prior	-	75,000	80,706	-	155,706
	7,200,000	125,000	7,629,450	-	14,954,450

Share based compensation

All performance rights issued in prior years had vested by 30 June 2012. No performance rights were issued, or other share based compensation made, during the year ended 30 June 2013.

Related party transactions

Related party transactions are set out in Note 34.

Note 32. Remuneration of auditors

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

	Consolidated	
	2013	**2012**
	$	**$**
Audit services – Ernst & Young		
Audit or review of financial report	110,000	81,200
Other services – Ernst & Young		
Accounting and taxation advice	112,225	15,000
	222,225	96,200

Note 33. Commitments for expenditure

	Consolidated 2013 $	Consolidated 2012 $
Lease commitments – operating		
Committed at the reporting date but not recognised as liabilities payable		
Within one year	348,614	216,855
One to five years	790,287	429,070
More than five years	-	-
	1,138,901	645,925
Lease commitments – finance		
Committed at the reporting date and recognised as liabilities payable:		
Within one year	56,298	67,888
One to five years	-	55,536
More than five years	-	-
Total commitment	56,298	123,424
Less: Future finance charges	(1,875)	(9,159)
Net commitment recognised as liabilities	54,423	114,265
Representing:		
Lease liability – current (Note 19)	54,423	60,441
Lease liability – non-current (Note 24)	-	53,824
	54,423	114,265
Hire purchase commitments		
Committed at the reporting date and recognised as liabilities payable		
Within one year	-	15,979
Total commitment	-	15,979
Less: Future finance charges	-	(636)
Net commitment recognised as liabilities	-	15,343
Representing:		
Hire purchase liability – current (Note 19)	-	15,343
	-	15,343
Application liability		
Committed at the reporting date and included in liabilities, payable:		
Within one year	950,882	750,000

Application liability represents uncalled capital in relation to Blue Sky Private Equity EC2010 Institutional Trust and Blue Sky VC2012 Fund LP.

There are no capital commitments as at 30 June 2013 (2012: Nil)

Operating lease commitments includes contracted amounts for various offices and plant and equipment under non-cancellable operating leases expiring within one to five years with, in some cases, options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated.

Finance lease commitments includes contracted amounts for various plant and equipment with a written down value of $48,830 (2012: $80,896) under finance leases expiring within one to five years. Under the terms of the leases, the Group has the option to acquire the leased assets for predetermined residual values on the expiry of the leases.

Note 34. Related party transactions

Ultimate Parent entity

The Company is the ultimate parent entity of the entities defined as subsidiaries in Note 36. These subsidiaries manage unit trusts and funds of the related entities detailed below:

24 Brookes Street Bowen Hills Development Trust
Blue Sky Apeiron Global Macro B Trust
Blue Sky Apeiron Global Macro Trust
Blue Sky Beach Burrito Company Fund
Blue Sky Carbon Services Trust
Blue Sky Construction Services Convertible Note Trust
Blue Sky Medical Technology Trust
Blue Sky Mezzanine Fund 1 – Yeppoon
Blue Sky Mezzanine Fund 2 - Kawana
Blue Sky Mezzanine Fund 3 – Bundock Street
Blue Sky Mezzanine Fund 4 – Kelvin Grove
Blue Sky Mining Services Trust
Blue Sky Private Equity EC2010 Institutional Trust
Blue Sky Private Equity EC2010 Retail Trust
Blue Sky Private Equity Retirement Village Fund
Blue Sky Private Equity Software Services Fund
Blue Sky Private Real Estate Riverside Gardens Trust
Blue Sky RAMS Management Rights Income Fund
Blue Sky RAMS Management Rights Income Fund 2
Blue Sky RAMS Plantations Fund
Blue Sky RAMS Residential Asset Income Fund 1
Blue Sky RAMS Riverway Point Trust
Blue Sky RAMS Skyring Terraces Trust
Blue Sky Residential Developments Fund
Blue Sky VC2012 Fund LP
Blue Sky Venture Capital Milk Fund
Blue Sky Water Fund
Blue Sky Water Fund Cayman Feeder
Blue Sky Water Fund LP
Brightwater Kawana Townhouse Trust
Brightwater Kawana Townhouse Trust No. 2
Brisbane Eight Mile Plains Trust
Fernleigh Paddocks Management Trust
Milky Way Development 2 Unit Trust
Milky Way Development 4 Unit Trust
Milky Way Development 4 Unit Trust
Professional Capital Investments Equities Trust
The Paradise Motor Homes Investment Trust
Water Utilities Australia

Other related parties include:

Lenards Group Holdings Pty Ltd
Commstrat Limited
Alcidion Corporation Pty Ltd
Firewire Limited
Balance Carbon Pty Ltd
Lightsview Rewater Supply Co Pty Ltd
Water Utilities Australia Infrastructure Trust
Water Utilities Infrastructure Holdings Limited
Water Utilities Australia Investment Trust
Water Utilities Australia Pty Ltd
Blue Sky Infrastructure Trust
Lightsview Rewater Infrastructure Trust

Milk Pty Ltd
Four Eyes Pty Ltd
OICS Holdings Pty Ltd
Q Energy Ltd
Enthalpy Pty Ltd
Noortquip Rentals Pty Ltd

Note 34. Related party transactions (continued)

Associates

Blue Sky Alternative Investments Limited has significant influence over the associates set out in Note 37.

Key management personnel

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

Investments with related parties

Related party investments in related trusts for 2012 and 2013 are as follows:

	Key Management Personnel 2013	Directors 2013	BSAIL 2013
Blue Sky Carbon Services Trust	-	35,000	-
Blue Sky Mining Services Unit Trust	-	60,000	-
The Paradise Motor Homes Investment Trust	-	50,750	-
Blue Sky Construction Services Convertible Note Trust	-	20,000	-
Fernleigh Paddocks Management Trust	-	50,000	-
Blue Sky Skyring Terraces Trust	-	30,000	-
Milky Way Development 4 Unit Trust	-	150,000	-
Milky Way Development 2 Unit Trust	-	145,235	-
Blue Sky Private Equity EC2010 Retail Trust	-	-	-
Riverside Gardens Trust	-	111,428	1,200,000
Blue Sky Private Equity EC2010 Institutional Trust	-	65,289	1,486,478
Blue Sky VC2012 Fund LP	-	175,000	175,000
Blue Sky Venture Capital Milk Fund	-	530,000	200,000
24 Brookes Street Bowen Hills Development Trust	-	60,000	-
Blue Sky Beach Burrito Company Fund	-	50,000	-
Blue Sky Water Fund	-	-	-
Water Utilities Australia	-	-	2,875,000
Blue Sky Apeiron Global Macro Trust	-	-	-
Blue Sky RAMS Management Rights Income Fund	-	-	250,000
Blue Sky RAMS Management Rights Income Fund 2	-	-	200,000
Blue Sky Private Equity Retirement Village Fund	-	-	350,000
Residential Asset Income Fund	-	-	500,000

Note 34. Related party transactions (continued)

	Key Management Personnel 2012	Directors 2012	BSAIL 2012
Blue Sky Carbon Services Trust	-	35,000	-
BSPE Mining Services Unit Trust	-	60,000	-
The Paradise Motor Homes Investment Trust	-	50,750	-
Blue Sky Construction Services Convertible Note Unit Trust	-	20,000	-
Fernleigh Paddocks Management Trust	-	50,000	-
Blue Sky RAMs Skyring Terraces Fund	-	30,000	-
Milky Way Development 4 Unit Trust	-	150,000	-
Milky Way Development 2 Unit Trust	-	145,235	-
Blue Sky RAMS Management Rights Income Fund	-	-	275,000
Riverside Gardens Trust	-	111,428	1,200,000
EC2010 Institutional Trust	-	65,289	1,486,478
Blue Sky VC2012 Fund LP	-	375,000	525,000
Blue Sky Venture Capital Milk Fund	-	20,000	200,000

Fees
The Group provides management services to related entities.

	Consolidated	
	2013	**2012**
	$	**$**
Revenue from associates		
Management fees	1,950,000	1,185,000
Other revenue	547,225	90,000
Total	2,497,225	1,275,000
Revenue from related entities		
Management fees	8,842,650	3,695,791
Responsible entity revenue	756,463	439,295
Performance fees	851,259	2,520,959
Other revenue	62,010	3,995,132
Total	10,512,383	10,651,177
Total revenue from related parties	13,009,608	11,926,177
Payment from other expenses:		
Consulting fees paid to director related entities	-	-
Other expenses paid to other related party (1)	57,341	60,077
Legal fees paid to related parties (2)	-	280,162

(1) During the year, arm's length transactions relating to the rental of office premises were made between the Company and Kain Corporate + Commercial Lawyers, where John Kain is a director and shareholder.
(2) During the year, arm's length transactions relating to the provision of legal services were made between the Company and Kain Corporate + Commercial Lawyers, where John Kain is a director and shareholder.

Note 34. Related party transactions (continued)

Receivable from and payable to related parties

Balances held with related parties are disclosed in trade and other receivables in Note 10 and trade and other payables in Note 18.

	Consolidated	
	2013	**2012**
	$	**$**
Current receivables		
Trade receivables from associate	118,443	411,458
Trade receivables from other related party	1,599,111	27,640
Total	1,717,554	439,098
Current payables		
Trade payables to other related parties	950,882	923,203

The Group has loans owing from related parties and associates at 30 June 2013. These loans are provided on commercial terms with interest charged at between 10% - 12%.

Note 35. Parent entity information

Set out below is the supplementary information about the parent entity

Statement of comprehensive income

	Parent	
	2013	**2012**
	$	**$**
Profit/(loss) after income tax	(1,311,594)	(1,403,880)
Total comprehensive income	(1,311,594)	(1,403,880)

Statement of financial position

	Parent	
	2013	**2012**
	$	**$**
Total current assets	4,394,541	4,218,600
Total assets	17,487,410	18,491,932
Total current liabilities	3,752,885	1,493,293
Total liabilities	3,773,293	1,513,425
Equity		
Contributed equity	18,676,705	18,676,705
Reserves	80,866	80,866
Retained profits/(accumulated losses)	(5,043,454)	(1,779,064)
Total equity	13,714,117	16,978,507

Contingent liabilities

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

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

Note 35. Parent entity information (continued)

Capital commitments – Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment at as 30 June 2013.

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the Group, as disclosed in Note 1, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment.
- Investments in associates are accounted for at cost, less any impairment.

Note 36. Subsidiaries

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

		Equity holdings	
Name of entity	**Country of incorporation**	**2013**	**2012**
		%	**%**
Blue Sky Private Equity Limited	Australia	100.00%	100.00%
BSPE Pty Limited	Australia	100.00%	100.00%
Blue Sky Private Real Estate Pty Limited	Australia	100.00%	100.00%
Blue Sky Residential Asset Managers Pty Limited	Australia	100.00%	100.00%
Blue Sky Apeiron Pty Limited	Australia	100.00%	100.00%
Blue Sky Water Partners Pty Limited	Australia	100.00%	100.00%
Blue Sky Infrastructure Pty Limited	Australia	0%	100.00%
Lightsview Re-water Infrastructure Pty Limited	Australia	0%	100.00%
Lightsview Re-water Supply Co Pty Limited	Australia	0%	100.00%
Blue Sky Alternative Investment LLC	USA	100.00%	100.00%
BSAI International Pty Limited (i)	Australia	100.00%	100.00%
BSVC Pty Limited	Australia	100.00%	100.00%
Blue Sky VC2012 GP Pty Limited	Australia	100.00%	100.00%

(i) Consistent with plans to expand fundraising activities beyond the national level to international sources overseas, in January 2012 the Company established a wholly owned subsidiary, BSAI International Pty Limited. This entity is the sole shareholder of Blue Sky Alternative Investments LLC, which was incorporated in the United States of America.

Note 37. Investments in associates

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

	Consolidated Percentage interest	
Associate	**2013**	**2012**
	%	**%**
Riverside Gardens Trust (refer Note 13)	37.5%	37.5%
Water Utilities Australia (refer Note 13)	43.2%	-

Note 37. Investments in associates (continued)

	Consolidated 2013 $	Consolidated 2012 $
Share of assets and liabilities		
Current assets	1,932,158	1,640,942
Non-current assets	2,123,358	76,643
Total assets	4,055,516	1,717,585
Current liabilities	237,766	9,884
Non-current liabilities	1,041,075	919,575
Total liabilities	1,278,841	929,459
Net assets / (liabilities)	2,776,675	788,126
Share of revenue, expenses and results		
Revenue	38,046	7,291
Expenses	(436,985)	(127,029)
Loss before income tax	(398,939)	(119,738)

Note 38. Lightsview Re-water Infrastructure Network

a) Disposal of interest in Lightsview Re-water Infrastructure Network

On 24 December 2012, the Group disposed of its 100% interest in the Lightsview Re-water Infrastructure Network (recycled water operations), held via its ownership in Blue Sky Water Partners Pty Ltd. The disposal represented a sale of the business, which included plant and equipment, the original contracts to supply recycled water to the Lightsview housing development in Adelaide (acquired in June 2012) as well as a recent contract (entered into in November 2012) to supply recycled water to the Port Adelaide Enfield Council*. The business operations were sold for $2,750,000 to Water Utilities Infrastructure Holdings Limited being a related party entity formed for the purpose of acquiring and investing in Australian water infrastructure assets. Consideration was received in cash and stapled securities in the new entity.

The consideration of $2,750,000 received on disposal was received in the following manner:

	$
Cash received by Blue Sky Water Partners Pty Ltd:	1,375,000
Investment in Water Utilities Australia issued to Blue Sky Water Partners Pty Limited comprising:	
1,375,000 stapled securities in Water Utilities Australia @ $1.00	1,375,000
Total consideration on sale/disposal	2,750,000

Note 38. Lightsview Re-water Infrastructure network (continued)

As a result of the above transaction the following gain on disposal of the Group's water infrastructure network business assets was recorded in the Consolidated Statement of Comprehensive income for the period:

	$
Consideration on Sale/ Disposal	2,750,000
Less: Holding value of the business identifiable assets comprising:	
Written down value of Plant and Equipment	(2,107,358)
Value of cash assets	(113,777)
Value of receivables/payables and other assets	91,826
Gain on disposal of business (Note 6)*	**620,691**

* The accounting gain on disposal of the Lightsview Re-water Infrastructure Network reflects the fair value of the contract (carrying value as at 30 June 2012 of $nil) with Port Adelaide Enfield Council that the business entered into during the period prior to disposal.

b) Ongoing relationship with Water Utilities Australia

Blue Sky Water Partners Pty Limited received $2,425,000 in fees from Water Utilities Australia. Consideration for the management fees received by Blue Sky Water Partners Pty Ltd was in the form of cash and stapled securities in the new entity.

In addition, Blue Sky Water Partners Pty Limited received an option to purchase a further 5,000,000 stapled securities in Water Utilities Australia. The option has an exercise price of $1.00 per security and a two year exercise period from the offer open date. The initial fair value on grant date has been determined to be $308,500.

The initial fair value on grant date of this option is deemed to be a management fee and has been recorded as a Financial Asset at Fair Value through Profit and Loss with a corresponding liability relating to unearned management fee income in the Statement of Financial Position. This unearned management fee income has now been recognised entirely in the Statement of Comprehensive Income to reflect the service period.

At 30 June 2013, the movement in the fair value of the option has been recorded in the Statement of Comprehensive Income as performance fee income or expense. At 30 June 2013, the fair value of the option was $155,500. This reduction in value was largely attributable to a reduction in the days to expiry for the option rather than a change in the value of the underlying asset.

On 9 July 2013, the option was exercised.

Note 39. Business Combinations

Acquisitions in the year ending 30 June 2012

(i) Blue Sky Water Partners Pty Limited

During the year ended 30 June 2012, the Group acquired the remaining 63% shareholding in Blue Sky Water Partners Pty Limited. The investment in Blue Sky Water Partners Pty Limited was previously recorded using the equity method as an associate. The carrying value recorded as at 30 June 2011 was $Nil. The carrying value prior to the acquisition was $46,017 however after applying the losses for the period, the carrying value was $Nil.

The acquisition of Blue Sky Water Partners Pty Limited was completed in two stages and the consideration for the acquisition was a combination of cash and shares in the Company.

Note 39. Business combinations (continued)

First, a cash component of $46,017 was paid to acquire a 7% shareholding from an existing shareholder who has no further ongoing role with the business. The transaction resulted in an increase in the Group's holding in Blue Sky Water Partners Pty Limited from 37% to 44%.

Second, the Group acquired all remaining shares in Blue Sky Water Partners Pty Limited (56%), providing consideration in the form of shares in the Group. The fair value adjustment on the acquisition of Blue Sky Water Partners Pty Limited has been allocated as goodwill in the financial statements.

Adopting the cost of acquisition, Blue Sky Water Partners Pty Limited was assigned a valuation of $3,936,000 against a historical book value of $(113,013). This valuation was negotiated by the Group with the shareholders of Blue Sky Water Partners Pty Limited, with reference to a discounted cash flow valuation undertaken by the Group. The total consideration of $2,294,362 was in the form of scrip–for-scrip issue of shares in the Company to execute the transaction. As a result of the valuation of Blue Sky Water Partners Pty Limited and the negative book value, a total goodwill balance of $4,148,050 has been realised on this transaction.

The goodwill of $4,148,050 on the completion of the staged acquisition of Blue Sky Water Partners Pty Limited comprises the value of expected synergies arising from the closing out of the acquisition and holding of 100% interest in a suite of Alternative Investment Managers.

Under AASB 3, where a business combination is completed in stages, the acquirer shall re-measure it's previously held equity interest in the acquired company at its acquisition date fair value and recognise any resulting gain as a profit. A net gain of $1,740,675 has arisen following the re-measurement of the previously held ownership interest prior to Blue Sky Water Partners Pty Limited becoming a wholly owned subsidiary of the Group and the reversal of the equity accounted losses to 5 October 2011.

As a result of the above acquisition and consolidation into the financial statements, adjustments were required to bring income, assets and liabilities into the financial statements of the Group as outlined below.

If the acquisition occurred at the beginning of the financial period, after removing the equity accounted share of loss of $46,017, the consolidated revenue for the period would be $9,475,295 and the profit before income tax would be $5,990,401.

Details of the acquisition are as follows:

	Acquirer's carrying amount	Fair value
	$	$
Cash equivalents	182,462	182,462
Trade Receivables	24,016	24,016
Plant and equipment	16,035	16,035
Deferred tax asset	332,442	332,442
Trade payables	(34,464)	(34,464)
Other payables	(16,147)	(16,147)
Other provisions	(17,357)	(17,357)
Borrowings	(600,000)	(600,000)
Net Liabilities acquired	(113,013)	(113,013)
Fair value of previously acquired interest		1,740,675
Purchase of consideration transferred		2,294,362
Goodwill on acquisition		4,148,050

Note 39. Business combinations (continued)

(ii) Lightsview Re-water Infrastructure Network business

In June 2012, the Group acquired 100% of the Lightsview Re-water Infrastructure Network (recycled) operations (the business), a business based in the Lightsview development, Adelaide SA specialising in the delivery of recycled water to local government and residents. The Group acquired this business as an expansion of its water infrastructure operations.

The Group measured its interest in the business as the fair value of the business's identifiable net assets. The assets comprise:

a. the Reticulation Network as it exists as at the date of the Agreement;
b. the Supply Infrastructure;
c. the Plant and Equipment; and
d. the Records.

The fair value of the identifiable assets and liabilities of the business as at the date of the acquisition were $2,120,775.

	Fair value recognised on acquisition
Asset	
Property, Plant & Equipment (Note 15)	2,120,775
Liabilities	-
Total identifiable net assets at fair value	2,120,775
Gain arising on acquisition (Note 6)	2,120,774
Purchase consideration transferred	1

The gain arising on acquisition of $2,120,775 comprises the future value of expected financial benefits and rights arising from the acquisition, being the sole supplier of recycled water to the development, the continued expansion of the development and the increasing scarcity of limited water resources.

The normal operations of the business did not have any financial effect on group revenue or profit and loss. Neither were there any material revenue or profit and loss earned by the business in the financial year prior to acquisition.

Refer to Note 38 for information regarding the subsequent disposal of the Lightsview Re-water Infrastructure Network business.

(iii) Acquisition of Non-Controlling Interests in Subsidiary Companies

On 5 October 2011, the Group acquired the shareholdings that it did not previously hold in BSPE Pty Ltd, Blue Sky Private Real Estate Pty Limited and Blue Sky Apeiron Pty Limited. The consideration for these "roll up" transactions was in the form of scrip-for-scrip issue of shares in the Company which has led to the recognition of $7,479,256 of additional equity. The issue of these shares has been credited to Contributed equity, with corresponding debit to Capital reserves.

Note 40. Events occurring after the reporting date

On 9 July 2013, the Group exercised its option to acquire 5 million stapled securities in Water Utilities Australia, an investment vehicle focused on investing in water infrastructure. The exercise price is $1 per option and is payable by the Group on 24 December 2014 unless otherwise agreed in writing between Blue Sky Water Partners Pty Limited and Water Utilities Australia.

Note 40. Events occurring after the reporting date (continued)

The Company successfully completed a private placement on 14 August 2013 for 4,881,902 fully paid ordinary shares at an issue price of $1.40 per share, raising $6.83 million. The placement was oversubscribed and the Company accepted the maximum amount available to it having regard to ASX Listing Rule 7.1. The funds raised from the placement will be used to provide additional capital to co-invest in Blue Sky managed funds.

Subsequent to the completion of this private placement, the Company announced that a share purchase plan would be offered to eligible shareholders, giving them the ability to acquire up to A$15,000 in fully paid ordinary shares at an issue price of $1.40 per share. This share purchase plan will close at 5.00pm on Thursday 29 August 2013 (or earlier at the Company's discretion) and remained open on the date of this report.

On 26 August 2013, the Directors resolved to pay a final fully franked dividend of 6 cents per share in relation to the 2013 financial year. The record date for this dividend will be 13 September 2013.

Note 41. Reconciliation of Profit /(loss) after income tax to net cash used in operating activities

	Consolidated	
	2013	**2012**
	$	**$**
Profit / (loss) after income tax benefit for the year	3,586,892	4,752,320
Non-cash adjustments to reconcile profit after tax to net cash flows from operations:		
Depreciation and amortisation	268,570	104,847
Share of loss – associates	398,939	84,813
Gain on disposal of subsidiary	(620,691)	-
Share-based payments	-	290,217
Revaluation of investments	(99,803)	(3,861,451)
Performance fee settled by receipt of investment in associated entity	-	(1,200,000)
Revenue settled by recognition of investments at fair value through profit and loss	(2,611,700)	(1,434,897)
Revenue settled by recognition of management rights	(500,000)	-
Change in operating assets and liabilities (net of effects from purchase of controlled entity)		
(Increase)/decrease in trade and other receivables	(169,829)	(1,824,797)
(Increase)/decrease in deferred tax assets	210,894	605,699
(Increase)/decrease in other operating assets	51,537	(191,531)
Increase/(decrease) in trade and other payables	3,931	1,012,448
Increase/(decrease) in provision for income tax	(24,062)	743,705
Increase/(decrease) in deferred tax liabilities	391,113	(1,553)
Increase/(decrease) in employee benefits	108,185	80,778
Increase/(decrease) in other provisions	15,039	-
Net cash used in operating activities	1,009,014	(839,402)

Note 42. Earnings per share

	Consolidated	
	2013	2012
	$	$
Profit / (loss) after income tax	3,586,892	4,752,320
Non-controlling interest	-	119,328
	3,586,892	4,871,648

	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	32,546,018	25,825,750
Adjustments for calculation of diluted earnings per share:		
Options	-	-
Weighted average number of ordinary shares used in calculating diluted earnings per share	32,546,018	25,825,750

	Cents	Cents
Basic earnings per share	11.02	18.86
Diluted earnings per share	11.02	18.86

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

1. the financial statements and notes, as set out on pages 22 to 70, are in accordance with the *Corporations Act 2001* and:

    a. comply with Australian Accounting Standards, which, as stated in accounting policy note 1 to the financial statements, constitutes compliance with International Financial Reporting Standards (IFRS); and

    b. give a true and fair view of the financial position as at 30 June 2013 and of the performance for the year ended on that date of the Group;

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

3. the Directors have been given the declarations required by s 295A of the *Corporations Act 2001* from the Chief Financial Officer and Chief Operating Officer.

On behalf of the Directors

John Kain
Chairman

27 August 2013
Brisbane

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

Report on the financial report

We have audited the accompanying financial report of Blue Sky Alternative Investments Limited, which comprises the consolidated statement of financial position as at 30 June 2013, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

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

Auditor's responsibility

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

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

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

Independence

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

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Opinion

In our opinion:

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

   i giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the year ended on that date; and

   ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Report on the remuneration report

We have audited the Remuneration Report included in pages 9 to 12 of the directors' report for the year ended 30 June 2013. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Blue Sky Alternative Investments Limited for the year ended 30 June 2013, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Ernst & Young

P McLuskie

Paula McLuskie
Partner
Brisbane
27 August 2013