

Blue Sky Alternative Investments Limited ACN 136 866 236

Appendix 4D Half Year Report

for the half year ended 31 December 2013

1. Details of the reporting period and the prior corresponding period

Current period: 1 July 2013 to 31 December 2013

Prior corresponding period: 1 July 2012 to 31 December 2012

2. Results for announcement to the market

Key information	6 months to 31 December 2013 \$000's	6 months to 31 December 2012 \$000's	Variance (%)
Revenue from ordinary activities	8,151	2,392	241
Profit/(loss) from ordinary activities after tax attributable to members	(1,160)	(944)	23
Profit/(loss) for the period attributable to members	(1,160)	(944)	23

Details of Distributions

Dividends per ordinary share	Amount per security	Franked amount per security
Final dividend (declared on 26 August 2013 and paid on 27 September 2013)	\$0.06	\$0.06

3. Net tangible assets

Net tangible assets	As at 31 December 2013	As at 31 December 2012
Net tangible asset backing per share ¹	\$0.7089	\$0.2810

¹ Under the Listing Rules NTA backing must be determined by deducting from total tangible assets all claims on those assets ranking ahead of the ordinary securities (i.e. all liabilities, preference shares, outside equity interest etc).

4. Details of Associates and Joint Venture entities

As at 31 December 2013, the Group held investments in the following associates that have been accounted for using the equity method in the consolidated interim financial report:

- Blue Sky Private Equity Software Services Fund
- Blue Sky Private Equity Retirement Village Fund
- Blue Sky RAMS Management Rights Income Fund
- Blue Sky RAMS Management Rights Income Fund 3
- Blue Sky Residential Asset Income Fund 1
- Regent Street Woolloongabba Trust
- Blue Sky Venture Capital Milk Fund
- 44 Brookes Street Bowen Hills Trust
- Railway Terrace Milton Trust
- Blue Sky Water Fund
- Blue Sky Private Equity 2010 Institutional Trust
- Blue Sky VC2012 Fund LP

5. Accounting standards used by foreign entities

Not applicable.

6. Audit

This report is based on accounts to which one of the following applies:

	The accounts have been audited (refer attached financial statements)	½	The accounts have been subject to review. (refer attached financial statements)
	The accounts are in the process of being audited or subject to review.		The accounts have not yet been audited or reviewed.



Blue Sky Alternative Investments Limited

ACN 136 866 236

Consolidated Half-Year Report for the period ended 31 December 2013

Directors' Report
For the half-year ended 31 December 2013

The Directors present their report, together with the Financial Report of Blue Sky Alternative Investments Limited (the Company or parent entity) and the entities it controlled (the Group or Blue Sky) for the half-year ended 31 December 2013.

Directors

The Directors of the Company at any time during or since the end of the period 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 period 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).

Operating and Financial Review

Group Results Summary and Key Milestones

The Directors monitor a range of financial and non-financial indicators to measure performance over time. The key financial measures are summarised in the table below.

	Consolidated Group Results¹		Underlying Results²	
	1H FY13	1H FY14	1H FY13	1H FY14
Revenue	\$2.4m	\$8.2m	\$5.5m	\$7.2m
Net profit/(loss) after tax ³	(\$0.9m)	(\$1.2m)	\$0.6m	\$0.3m
Net tangible assets	\$9.1m	\$39.7m	\$9.9m	\$44.0m

¹ The Consolidated Group Results reflect Blue Sky's statutory Financial Report. They include a range of Blue Sky managed funds that have been consolidated or equity accounted following the adoption of the revised AASB 10 *Consolidated Financial Statements*. This revised standard also requires the restatement of prior comparative periods. See page 6 for further details.

² The Underlying Results are non-IFRS financial information and are based on all investments held by Blue Sky in funds that it manages being accounted for at fair value using the same approach as outlined in AASB 13 *Fair Value Measurement* (rather than being consolidated or accounted for using the equity method). See page 6 for further details. Note that a reconciliation of Underlying Results to the Consolidated Group Results is provided starting on page 10.

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

³ NPAT . Profit / (loss) attributable to Blue Sky owners i.e. excluding non-controlling interests.

Directors' Report (cont'd)
For the half-year ended 31 December 2013

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

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

Blue Sky has adopted the revised AASB 10 *Consolidated Financial Statements* accounting standard (AASB 10) for the first time in this half year Financial Report. Following the adoption of the new control framework provided in AASB 10, the accounting treatment of a number of Blue Sky's funds has changed, with four funds now consolidated into the Group's 1H FY14 Financial Report and a further twelve funds accounted for using the equity method (previously, no funds were consolidated and only two funds were accounted for using the equity method).

The accounting treatment of each of these funds is discussed in more detail on page 6, and depends on:

- the economic interest that Blue Sky derives from its ownership in the relevant fund; and
- the management, performance and other fees Blue Sky is entitled to as manager of the fund.

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

In order to provide shareholders with meaningful insight into the financial condition and performance of the Group, comparative tables have been provided in this report (starting at page 10) that reconcile Blue Sky's statutory Financial Report with Blue Sky's underlying results. These underlying results are those that would be produced if Blue Sky reported all of its investments using the same principles of fair value that are included in AASB 13 *Fair Value Measurement*.

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

Drivers of Performance

There are three key drivers of Blue Sky's financial performance. The first key driver is the ability of Blue Sky's investment teams to generate strong risk-adjusted returns for investors in its funds. This performance is fundamental to attracting capital from investors and leads to performance fee income for the Group. In March 2014, Blue Sky will release an update of the investment performance since inception across the funds that it manages and the Directors anticipate that this will continue to exceed the historical performance of 15%+ per annum.

The second key driver is the ability of the Group to develop compelling investment opportunities and attract capital from investors to those opportunities. The performance of the Group in meeting this objective is reflected in its increasing AUM, which in turn typically leads to increased management fees. In the first six months of FY14, Blue Sky increased its AUM from approximately \$350 million to approximately \$400 million and is on track to achieve its target of greater than \$500 million in AUM by 30 June 2014.

The third key driver of Blue Sky's financial performance is the income it derives from direct investments held in the funds that it manages.⁴ Historically, this has been a relatively minor contributor to Blue Sky's earnings due largely to the fact that the investments held by Blue Sky in its funds have been relatively small. However, over time these investments have grown meaningfully as shown in the tables on the following

⁴ In previous financial reports, these investments have been reported in the Group's balance sheet as investments accounted for using the equity method and financial assets at fair value through profit and loss

Directors' Report (cont'd)
For the half-year ended 31 December 2013

page (note that due to the adoption of the revised AASB 10, units owned by Blue Sky in those funds that it manages that are consolidated in Blue Sky's statutory Financial Report are eliminated on consolidation).

This growth has come through a combination of Blue Sky choosing to invest from its balance sheet in a diverse range of the funds it manages, as well as the Group electing to take equity in the funds it manages in lieu of cash fees.

Investments in Blue Sky managed funds - as per Statutory Financial Report:

	30 Jun 13	31 Dec 13
Investments accounted for using the equity method	\$2.7m	\$10.8m
Financial assets at fair value through profit and loss	\$0.4m	\$0.0m
Total	\$3.1m	\$10.8m

Investments in Blue Sky managed funds - as per Underlying Results:

	30 Jun 13	31 Dec 13
Financial assets at fair value through profit and loss	\$8.1m	\$23.8m
Total	\$8.1m	\$23.8m

In 1H FY14, Blue Sky raised a total of \$34.6 million from shareholders in order to provide additional capital for ongoing co-investment in Blue Sky managed funds and to demonstrate balance sheet scale to enhance conversion of potential institutional mandates. These funds will be invested over the medium term. As such, the Directors anticipate growth in investments held by Blue Sky will continue and that this will contribute meaningfully to the Company's future earnings.

Review of Financial Performance – see table on page 10

Blue Sky's underlying operating revenue grew by 35% in 1H FY14 to \$6.5 million (vs. \$4.8 million in 1H FY13) and total underlying revenue rose 31% in 1H FY14 to \$7.2 million (vs. \$5.5 million in 1H FY13). This growth in revenue was largely driven by increased management fees derived from Blue Sky's increased AUM, as well as a strong pipeline of Private Real Estate and Private Equity deals translating to transaction fees.

Over the same period, Blue Sky's statutory operating revenue grew 241% to \$8.2 million (vs. \$2.4 million in 1H FY13). In addition to the factors described above, these significant increases are attributable to the consolidation of revenue from several funds in which Blue Sky owns units.

Traditionally, Blue Sky's business generates more underlying revenue in the second half of the financial year, driven in part by increased investment activity in that period. In 2014, we are again seeing the usual signs of increasing investment opportunities, which we expect to be reflected in the Group's income in the second half. In addition, as noted above, given the strong investment performance across the Group's asset classes, we expect a significant uplift in Blue Sky's underlying revenue in 2H FY14 from both performance fees and investment income.

Blue Sky's underlying net profit after tax (NPAT) in 1H FY14 was \$0.3 million (vs. \$0.6 million in 1H FY13). This marginally lower NPAT in the context of increased revenue reflects a number of investments Blue Sky has made in the last six months that the Directors anticipate will underpin the business's next wave of growth.

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Directors' Report (cont'd)
For the half-year ended 31 December 2013

These investments include adding additional staff to reinforce the business investment, distribution and operations teams as well as opening a new office in Sydney.

Blue Sky's statutory net loss after tax⁵ in 1H FY14 was -\$1.2 million (vs. -\$0.9 million in 1H FY13). This differs to the underlying NPAT principally because (i) fees earned by Blue Sky from funds that have been consolidated following the adoption of the revised AASB 10 have been eliminated upon consolidation and (ii) statutory losses in several funds that Blue Sky manages are consolidated into Blue Sky's statutory NPAT. The Directors consider that each of the assets in these funds are performing well, and that the losses reflect the early stage of each of these investments.

Review of Financial Position – see table on page 11

There was a substantial expansion of Blue Sky's balance sheet in 1H FY14. Net tangible assets in Blue Sky's underlying results increased from \$12.7 million to \$44.0 million. This expansion largely reflects the successful capital raises that were undertaken by the Group in the period.

Net tangible assets in Blue Sky's statutory Financial Report increased from \$11.3 million to \$39.8 million. This reflected in part the capital raises noted above, but was also a result of movements in the assets and liabilities of those funds that have been consolidated following the adoption of the revised AASB 10. Each of these funds are described in more detail on page 6, with the major impacts on the Group's balance sheet including:

- Consolidating inventory (i.e. apartments) that have been developed by the Riverside Gardens Trust. The legal ownership of this inventory resides with the unitholders in this Trust.
- Consolidating the debt that has been used as part of the Riverside Gardens Trust. This debt is a non-recourse facility guaranteed by the Riverside Gardens Trust. The lender has no recourse to Blue Sky itself.
- Consolidating the acquisition of Willunga Basin Water Company, which was acquired by the Water Utilities Group during 1H FY14. The ownership of these assets is held by investors in the Water Utilities Group. This has been a key driver of the significant increase in trade and other receivables, property, plant and equipment, intangible assets, deferred revenue and deferred tax liabilities.
- Consolidation of the Blue Sky RAMS Management Rights Income Fund 2, which resulted in large increases in property, plant and equipment, borrowings, and intangible assets on Blue Sky's Consolidated Statement of Financial Position. As with the debt held by the Riverside Gardens Trust, the debt facility held by the Blue Sky RAMS Management Rights Income Fund 2 is non-recourse. Indeed, all debt facilities held by Blue Sky managed funds have no recourse to Blue Sky itself.

Review of Cash Flow – see table on page 12

There was a net increase in Blue Sky's underlying cash position of \$19.4 million in 1H FY14. This increase was driven by \$33.6 million net financing cash flows that reflects both new equity and debt that was raised by Blue Sky during the period. These inflows were partially offset by net investing cash outflows of \$13.7 million, which reflects investments that the Group made in funds that it manages (either through equity or debt instruments). The operations of the Group were broadly cash flow neutral for the period (net operating cash flows were -\$0.4 million in 1H FY14).

There was a net increase in cash and cash equivalents on Blue Sky's Consolidated Statement of Cash Flows of \$19.7 million. In addition to the factors described above, this cash flow includes the cash flow of a number of funds managed by Blue Sky and that are now consolidated. These cash flows include:

⁵ After non-controlling interests.

Directors' Report (cont'd)

For the half-year ended 31 December 2013

- \$23.5 million in proceeds from Blue Sky raising money from investors in exchange for units in funds that it manages.
- \$15.1 million in borrowings, which includes debt raised within funds managed by Blue Sky such as the Riverside Gardens Trust and the Blue Sky RAMS Management Rights Income Fund 2.
- \$40.0 million in net investing cash outflows that resulted from funds managed by Blue Sky investing in assets such as the Willunga Basin Water Company and a range of management rights.
- \$6.4 million in net operating cash outflows, which included net cash outflows associated with the development at Riverside Gardens.

Outlook

The outlook for Blue Sky is positive. Investment returns generated for investors in funds managed by the Group remain strong and will continue to be a core focus of the business. The long term trend towards increased allocations to alternative assets continues to provide the Group with tailwinds and the Directors anticipate continuing to meaningfully grow AUM. The Group's engagement across institutional and wholesale investors continues to deepen, both in Australia and overseas and the Group expects to attract further capital from both these investor classes over the medium term. Finally, the Company has a strong balance sheet that was reinforced by the additional equity that was raised from shareholders in 1H FY14 and provides the Company with a great platform for future growth.

With the growth experienced by the Group over the last six months, the Directors anticipate that the Group's underlying NPAT for the full FY14 year will be at least \$5 million (vs. underlying NPAT of \$3.9 million in FY13).

Following the adoption of the revised AASB 10 *Consolidated Financial Statements* and re-assessing its accounting policy for determining whether it has significant influence, Blue Sky's full year Consolidated Group Results will include a range of Blue Sky managed funds that will be consolidated or equity accounted. As a result, it is not currently possible for the Directors to provide guidance for the Consolidated Group Results.

Comparative Tables

Investments Consolidated in Blue Sky's Statutory Financial Report

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

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

At 31 December 2013, four of the funds that Blue Sky manages are consolidated into the Group's Financial Report and the Group's statutory profit includes the financial performance of these funds:

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

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

In previous financial reports, Blue Sky has accounted for this investment using the equity method.

Directors' Report (cont'd)
For the half-year ended 31 December 2013

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

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

In previous financial reports, Blue Sky has accounted for its investment in the WUA Funds using the equity method. Water Utilities Australia Fund 2 was launched during 1H FY14 and therefore the Group's investment in this fund has not appeared in previous financial reports.

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

The Management Rights Fund 2 is managed by Blue Sky's Private Real Estate division. The trust owns management rights for a range of apartment complexes in Townsville. As at 31 December 2013, there were approximately 250 apartments in the letting pool managed by this trust. Blue Sky owns 1.2 million units in this trust.

Control was achieved in 1H FY14 and as such the investee has not been consolidated in previous financial reports.

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

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

As at 31 December 2013, Blue Sky held investments in the following funds that have been accounted for using the equity method:

- Blue Sky Private Equity Software Services Fund
- Blue Sky Private Equity Retirement Village Fund
- Blue Sky RAMS Management Rights Income Fund
- Blue Sky RAMS Management Rights Income Fund 3
- Blue Sky Residential Asset Income Fund 1
- Regent Street Woollongabba Trust
- Blue Sky Venture Capital Milk Fund
- 44 Brookes Street Bowen Hills Trust
- Railway Terrace Milton Trust
- Blue Sky Water Fund
- Blue Sky Private Equity 2010 Institutional Trust
- Blue Sky VC2012 Fund LP

In previous financial reports, these investments (where relevant) were accounted for as a financial assets at fair value.

Directors' Report (cont'd)
For the half-year ended 31 December 2013

Measurement of Fair Value

The underlying result of Blue Sky is based on the fair value of its investments in its funds. In the comparative tables that follow (and where relevant throughout Blue Sky's Financial Report), the same fair value hierarchy that is outlined in AASB 13 has been adopted. Specifically:

- Level 1 inputs

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. To date, Level 1 inputs have not been available for valuing the underlying assets in any of the funds in which Blue Sky has had an investment, however would be used for valuing assets such as currencies and liquid stocks that may be held by the hedge funds managed by Blue Sky Apeiron.

- Level 2 inputs

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. They include quoted prices for similar assets or liabilities in active markets. To date, Level 2 inputs have not been available for valuing the underlying assets in any of the funds in which Blue Sky has had an investment, however would be used for valuing assets such as fixed income securities that may be held by the hedge funds managed by Blue Sky Apeiron.

- Level 3 inputs

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

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

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

Private Real Estate Investments – The fair value of private real estate investments are determined by considering the projected operating cash flows and sales of comparable assets (if any). The methods used to estimate the fair value of real estate investments include the discounted cash flow method and/or capitalisation rates analysis. Valuations may be derived by reference to observable valuation metrics such as sales value of similar stock in similar locations.

Directors' Report (cont'd)
For the half-year ended 31 December 2013

In relation to investments involving management rights, valuations may also be derived by reference to observable valuation measures for comparable companies or assets (for example, multiplying a key performance metric of the investee company or asset, such as net income, by a relevant valuation multiple observed in a range of comparable transactions), adjusted by management for differences between the investment and the referenced comparables.

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

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

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Directors' Report (cont'd)
For the half-year ended 31 December 2013

1H FY14: Reconciliation of Consolidated Statement of Comprehensive Income with Underlying Results

In AUD \$ 000s

	Consolidated Statement of Comprehensive Income ('Statutory Profit')	Impact of AASB 10 where investments are consolidated rather than reported at fair value	Impact where investments are equity accounted rather than reported at fair value	Underlying Results
Revenue				
Operating Revenue	8,151	(1,939)	272	6,484
Share of gain/(loss) of associates accounted for using the equity method	85	-	(85)	-
Other income	-	-	706	706
Total revenue	8,236	(1,939)	893	7,190
Expenses				
Employee benefits expense	(3,722)	891	-	(2,831)
Depreciation and amortisation expense	(681)	476	-	(205)
Finance costs	(269)	98	-	(171)
Other expenses	(6,525)	3,018	-	(3,507)
Total expenses	(11,197)	4,483	-	(6,714)
Profit/(loss) before income tax	(2,961)	2,544	893	476
Income tax (expense)/benefit	65	77	(295)	(153)
Profit/(loss) after income tax for the period	(2,896)	2,621	598	323
Total comprehensive income/(loss) for the period	(2,896)	2,621	598	323
Profit/(loss) attributable to:				
Non-controlling interests	(1,736)	1,736	-	-
Owners of Blue Sky Alternative Investments Limited	(1,160)	885	598	323

Directors' Report (cont'd)
For the half-year ended 31 December 2013

1H FY14: Reconciliation of Consolidated Statement of Financial Position with Underlying Results

In AUD \$ 000s

	Consolidated Statement of Financial Position	Impact of AASB 10 where investments are consolidated rather than reported at fair value	Impact where investments are equity accounted rather than reported at fair value	Underlying Results
Current Assets				
Cash and cash equivalents	26,230	(1,295)	-	24,935
Trade and other receivables	8,698	(1,202)	-	7,496
Inventory	5,106	(5,106)	-	-
Other assets	705	(393)	-	312
Total current assets	40,739	(7,996)	-	32,743
Non-current assets				
Receivables	1,715	-	-	1,715
Non-Current Trading Stock	2,203	(2,203)	-	-
Investments accounted for using the equity method	10,798	-	(10,798)	-
Financial assets at fair value through profit and loss	-	-	23,891	23,891
Investments in controlled entities	-	11,152	(11,152)	-
Property, plant and equipment	11,196	(10,839)	-	357
Intangible assets	32,125	(26,768)	-	5,357
Deferred tax assets	425	(63)	(239)	123
Total non-current assets	58,462	(28,721)	1,702	31,443
Total assets	99,201	(36,717)	1,702	64,186
Current Liabilities				
Trade and other payables	4,193	271	-	4,464
Borrowings	13,828	(6,749)	-	7,079
Deferred revenue	1,770	(829)	-	941
Income tax	432	(476)	-	(44)
Employee benefits	678	(20)	-	658
Total current liabilities	20,902	(7,804)	-	13,098
Non-current liabilities				
Provisions	40	(5)	-	35
Borrowings	4,567	(4,567)	-	-
Deferred revenue	1,111	(485)	-	626
Other non-current liabilities	-	623	-	623
Deferred tax liabilities	708	(771)	495	432
Total non-current liabilities	6,426	(5,205)	495	1,716
Total liabilities	27,328	(13,009)	495	14,814
Net assets	71,873	(23,708)	1,207	49,372
Equity				
Contributed equity	52,472	-	-	52,472
Reserves	(7,104)	-	-	(7,104)
Accumulated profits/(losses)	(324)	3,121	1,207	4,004
Non-controlling interests	26,829	(26,829)	-	-
Total equity attributable to the owners of Blue Sky	71,873	(23,708)	1,207	49,372

Directors' Report (cont'd)
For the half-year ended 31 December 2013

1H FY14: Reconciliation of Consolidated Statement of Cash Flow with Underlying Results

In AUD \$ 000s

	Consolidated Statement of Cash Flow	Impact of AASB 10 where investments are consolidated rather than reported at fair value	Impact where investments are equity accounted rather than reported at fair value	Underlying Results
Cash flows from operating activities				
Receipts from customers (inclusive of GST)	8,580	(2,150)	-	6,430
Payments to suppliers and employees (inclusive of GST)	(13,965)	8,009	-	(5,956)
Interest received	110	-	-	110
Interest and other finance costs paid	(238)	97	-	(141)
Income taxes paid	(880)	-	-	(880)
Net cash used in operating activities	(6,393)	5,956	-	(437)
Cash flow from investing activities				
Payment for acquisition of controlled entity, net of cash acquired	(25,906)	25,906	-	-
Cash acquired on purchased of controlled entity, net of cash payment for acquisition	1,558	(1,558)	-	-
Payment for investments	(7,711)	(5,577)	-	(13,288)
Payment for property, plant and equipment	(2,864)	2,500	-	(364)
Payments for intangible assets	(5,085)	4,994	-	(91)
Proceeds from disposal of subsidiary, net of cash transferred	-	-	-	-
Loans from/(to) related and other parties	-	-	-	-
Net cash used in investing activities	(40,008)	26,265	-	(13,743)
Cash flow from financing activities				
Proceeds from issue of shares	31,370	-	-	31,370
Share issue transaction costs	(72)	-	-	(72)
Proceeds from issue of units to non-controlling interests	23,582	(23,582)	-	-
Proceeds from borrowings	15,105	(8,105)	-	7,000
Loans (to)/from related parties	(1,420)	(946)	-	(2,366)
Payment of finance lease and hire purchase liabilities	(30)	-	-	(30)
Dividends paid	(2,340)	-	-	(2,340)
Distributions paid to non-controlling interests in controlled entities	(120)	120	-	-
Net cash from financing activities	66,075	(32,513)	-	33,562
Net increase/(decrease) in cash and cash equivalents	19,674	(292)	-	19,382
Cash and cash equivalents at the beginning of the half-year	6,556	(1,003)	-	5,553
Cash and cash equivalents at the end of the half year	26,230	(1,295)	-	24,935

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For the half-year ended 31 December 2013

1H FY13: Reconciliation of Consolidated Statement of Comprehensive Income with Underlying Results

In AUD \$000s

	Consolidated Statement of Comprehensive Income ('Statutory Profit')	Impact of AASB 10 where investments are consolidated rather than reported at fair value	Impact where investments are equity accounted rather than reported at fair value	Underlying Results
Revenue				
Operating Revenue	2,392	2,425		4,817
Share of loss of associates accounted for using the equity method	(15)	-	15	-
Other income	-	621	53	674
Total revenue	2,377	3,046	68	5,491
Expenses				
Employee benefits expense	(2,229)	-	-	(2,229)
Depreciation and amortisation expense	(326)	-	(130)	(456)
Finance costs	(19)	-	-	(19)
Other expenses	(2,180)	180	130	(1,870)
Total expenses	(4,754)	180	-	(4,574)
Profit/(loss) before income tax	(2,377)	3,226	68	917
Income tax (expense)/benefit	(212)	-	(74)	(286)
Profit/(loss) after income tax for the period	(2,589)	3,226	(6)	631
Total comprehensive income/(loss) for the period	(2,589)	3,226	(6)	631
Profit/(loss) attributable to:				
Non-controlling interests	(1,645)	1,645	-	-
Owners of Blue Sky Alternative Investments Limited	(944)	1,581	(6)	631

Directors' Report (cont'd)
For the half-year ended 31 December 2013

Full Year FY13: Reconciliation of Consolidated Statement of Comprehensive Income with Underlying Results

In AUD \$000s

	Consolidated Statement of Comprehensive Income ('Statutory Profit')	Impact of AASB 10 where investments are consolidated rather than reported at fair value	Impact where investments are equity accounted rather than reported at fair value	Underlying Results
Revenue				
Operating Revenue	10,527	2,377	-	12,904
Share of loss of associates accounted for using the equity method	(31)	-	31	-
Other income	59	621	591	1,271
Total revenue	10,555	2,998	622	14,175
Expenses				
Employee benefits expense	(4,891)	334	-	(4,557)
Depreciation and amortisation expense	(202)	(67)	-	(269)
Finance costs	(70)	-	-	(70)
Other expenses	(4,796)	1,101	-	(3,695)
Total expenses	(9,959)	1,368	-	(8,591)
Profit/(loss) before income tax	596	4,366	622	5,584
Income tax (expense)/benefit	(1,423)	-	(268)	(1,691)
Profit/(loss) after income tax for the period	(827)	4,366	354	3,893
Total comprehensive income/(loss) for the period	(827)	4,366	354	3,893
Profit/(loss) attributable to:				
Non-controlling interests	(2,137)	2,137	-	-
Owners of Blue Sky Alternative Investments Limited	1,310	2,229	354	3,893

Directors' Report (cont'd)
For the half-year ended 31 December 2013

Significant changes in the state of affairs

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

Matters subsequent to the end of the reporting period

During January 2014, the Directors resolved to make the following investments:

- \$5.0 million in the Blue Sky Water Fund; and
- \$1.0 million in the Blue Sky Apeiron Global Macro B Trust.

Other than the matters above, there are no other subsequent events.

Likely developments and expected results of operations

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

Auditor's independence declaration

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

Auditor

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

This report is made in accordance with a resolution of Directors, pursuant to section 306 (3)(a) of the Act.

On behalf of the Directors



John Kain
Chairman

26 February 2014
Brisbane



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

In relation to our review of the financial report of Blue Sky Alternative Investments Limited for the half-year ended 31 December 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

PMcLuskie

Paula McLuskie
Partner
26 February 2014

Independent auditor's review report to the directors of Blue Sky Alternative Investments Limited

We have reviewed the non-IFRS information on underlying revenue, net profit after tax and net tangible assets ("underlying result") of Blue Sky Alternative Investments Limited as presented on pages 2 and 10 to 14 of the Directors' Report of Blue Sky Alternative Investments Limited for the half-year ended 31 December 2013 ("Directors' Report").

The applicable criteria are set out on page 2 of the Directors' Report.

The underlying result has been prepared for inclusion in the Directors' Report and is used as a financial performance measure of Blue Sky Alternative Investments Limited.

Directors' responsibility for the report

The Directors of the company are responsible for the preparation of the underlying result information in the Directors' Report, and have determined that the definition of underlying result, as presented within pages 2 and 10 to 14 of the Directors' Report is appropriate to the needs of financial users. This responsibility includes establishing and maintaining internal controls relevant to the preparation of the underlying result information that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the underlying result based on our review. We have conducted our review in accordance with Standard on Review Engagements ASRE 2405 *Review of Historical Financial Information Other than a Financial Report* in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that underlying result for the half year ended 31 December 2013 is not prepared, in all material respects, in accordance with the underlying result framework. No opinion is expressed as to whether the underlying result framework used is appropriate to the needs of the Directors of Blue Sky Alternative Investments Limited.

ASRE 2405 requires us to comply with the requirements of the applicable code of professional conduct of a professional accounting body.

The underlying result has been prepared for inclusion in the Directors' Report for the half year ended 31 December 2013. We disclaim any assumption of responsibility for any reliance on this review report on the Directors' Report to which it relates to any other person other than the Directors of Blue Sky Alternative Investments Limited.

A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, reconciliation of underlying result components to the financial report of Blue Sky Alternative Investments Limited for the half-year ended 31 December 2013, and review of the determination of underlying result and analytical procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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Independence

We are independent of Blue Sky Alternative Investments Limited and have met the independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the non-IFRS information as presented on pages 2 and 10 to 14 of the Directors' Report of Blue Sky Alternative Investments Limited for the half-year ended 31 December 2013 is not prepared, in all material respects, in accordance with the underlying result framework as defined on page 2 of the Directors' Report.

Ernst & Young

Ernst & Young

Brisbane
26 February 2014

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General information

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

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

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

Level 2, 40 Edward Street
Brisbane QLD 4000

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

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

Consolidated Statement of Comprehensive Income
For the half-year ended 31 December 2013

	Note	Consolidated	
		Dec 2013	Dec 2012 Restated*
		\$	\$
Revenue			
Operating revenue	3	8,150,605	2,391,666
Share of profit / (loss) of associates accounted for using the equity method		85,200	(14,468)
Expenses			
Employee benefits expense		(3,722,091)	(2,229,019)
Depreciation and amortisation expense		(681,015)	(326,322)
Consultancy		(438,286)	(368,328)
External service providers		(1,312,497)	(458,581)
Distribution		(338,683)	(248,687)
Marketing		(215,323)	(102,165)
Occupancy		(282,644)	(172,650)
Administrative		(470,116)	(450,551)
Travel & entertainment		(339,744)	(223,493)
Other expenses	4	(3,127,988)	(155,056)
Finance costs		(268,671)	(19,307)
Profit / (loss) before income tax		(2,961,253)	(2,376,961)
Income tax (expense) / benefit	5	65,517	(211,897)
Profit / (loss) after income tax for the half-year		(2,895,736)	(2,588,858)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss		-	-
Items that will not be reclassified subsequently to profit or loss		-	-
Total comprehensive income/(loss) for the half-year		(2,895,736)	(2,588,858)
Profit / (loss) for the half-year is attributable to:			
Non-controlling interest		(1,736,177)	(1,644,479)
Owners of Blue Sky Alternative Investments Limited		(1,159,559)	(944,379)
		(2,895,736)	(2,588,858)
Total Comprehensive income/(loss) for the half-year is attributable to:			
Non-controlling interest		(1,736,177)	(1,644,479)
Owners of Blue Sky Alternative Investments Limited		(1,159,559)	(944,379)
		(2,895,736)	(2,588,858)
Earnings per share			
		Cents	Cents
Basic earnings per share (profit/(loss) per share)	15	(3.00)	(2.90)
Diluted earnings per share (profit/(loss) per share)	15	(3.00)	(2.90)

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

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

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Consolidated Statement of Financial Position
As at 31 December 2013

	Note	Consolidated	
		Dec 2013	June 2013 Restated*
		\$	\$
Assets			
Current assets			
Cash and cash equivalents		26,230,448	6,556,496
Trade and other receivables	6	8,698,230	2,595,176
Inventory	7	5,106,173	1,429,671
Other current assets		704,503	291,315
Total current assets		40,739,354	10,872,658
Non-current assets			
Receivables		1,715,327	1,154,327
Inventory	7	2,202,500	2,060,002
Investments accounted for using the equity method	8	10,798,224	2,685,866
Financial assets at fair value through profit and loss	9	-	355,500
Property, plant and equipment	10	11,195,501	2,202,873
Intangible assets	11	32,125,108	5,622,292
Deferred tax assets		424,516	44,126
Total non-current assets		58,461,176	14,124,986
Total assets		99,200,530	24,997,644
Liabilities			
Current liabilities			
Trade and other payables		4,193,330	2,488,669
Borrowings	12	13,828,644	1,522,354
Deferred revenue	13	1,770,346	1,081,713
Income tax		432,131	859,784
Employee benefits		677,642	333,554
Total current liabilities		20,902,093	6,286,074
Non-current liabilities			
Borrowings	12	4,566,485	1,586,992
Deferred revenue	13	1,111,073	-
Provisions		40,051	35,171
Deferred tax liabilities		708,142	120,493
Total non-current liabilities		6,425,751	1,742,656
Total liabilities		27,327,844	8,028,730
Net assets		71,872,686	16,968,914

Consolidated Statement of Financial Position (cont'd)
As at 31 December 2013

	Note	Consolidated	
		Dec 2013	June 2013
		\$	Restated* \$
Equity			
Contributed equity	14	52,472,179	18,676,705
Reserves		(7,104,181)	(7,104,181)
Accumulated profits/(losses)		(324,776)	3,174,196
Equity attributable to the owners of Blue Sky Alternative Investments Limited		45,043,222	14,746,720
Non-controlling interests		26,829,464	2,222,194
Total equity		71,872,686	16,968,914

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

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

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Consolidated Statement of Changes in Equity
For the half-year ended 31 December 2013

Consolidated	Contributed equity	Reserves	Accumulated profits / (losses)	Non-controlling interests	Total equity
	\$	\$	\$	\$	\$
Balance at 1 July 2012, as previously reported	18,676,705	(7,104,181)	4,079,579	-	15,652,103
Impact of changes in accounting policies		-	(262,127)	396,454	134,327
Restated balance at 1 July 2012	18,676,705	(7,104,181)	3,817,452	396,454	15,786,430
Profit/(loss) after income tax for the half-year	-	-	(944,379)	(1,644,479)	(2,588,858)
Other comprehensive income for the half-year, net of tax	-	-	-	-	-
Total comprehensive income/(loss) for the half-year	-	-	(944,379)	(1,644,479)	(2,588,858)
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs	-	-	-	40,588	40,588
Increase / (decrease) in NCI due to acquisition	-	-	-	2,979,324	2,979,324
Dividends	-	-	(1,952,796)	-	(1,952,796)
Restated balance at 31 December 2012	18,676,705	(7,104,181)	920,277	1,771,887	14,264,688

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

Consolidated Statement of Changes in Equity (cont'd)
For the half-year ended 31 December 2013

Consolidated	Contributed equity	Reserves	Accumulated profits / (losses)	Non-controlling interests	Total equity
	\$	\$	\$	\$	\$
Balance at 1 July 2013, as previously reported	18,676,705	(7,104,181)	5,713,675	-	17,286,199
Impact of changes in accounting policies		-	(2,539,479)	2,222,194	(317,285)
Restated balance at 1 July 2013	18,676,705	(7,104,181)	3,174,196	2,222,194	16,968,914
Profit/(loss) after income tax for the half-year	-	-	(1,159,559)	(1,736,177)	(2,895,736)
Other comprehensive income for the half-year, net of tax	-	-	-	-	-
Total comprehensive income/(loss) for the half-year	-	-	(1,159,559)	(1,736,177)	(2,895,736)
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs (refer Note 14)	33,795,474	-	-	-	33,795,474
Increase/(decrease) in NCI	-	-	-	26,463,974	26,463,974
Dividends	-	-	(2,339,414)	(120,526)	(2,459,940)
Balance at 31 December 2013	52,472,179	(7,104,181)	(324,776)	26,829,464	71,872,686

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

Consolidated Statement of Cash Flows
For the half-year ended 31 December 2013

	Note	Consolidated	
		Dec 2013	Dec 2012 Restated*
		\$	\$
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		8,579,767	3,195,260
Payments to suppliers and employees (inclusive of GST)		(13,965,111)	(4,988,569)
		(5,385,344)	(1,793,309)
Interest received		110,461	72,748
Interest and other finance costs paid		(238,525)	(55,806)
Income taxes paid		(879,881)	(143,411)
Net cash used in operating activities		(6,393,289)	(1,919,778)
Cash flows from investing activities			
Payment for acquisition of controlled entity, net of cash acquired		(25,905,540)	-
Cash acquired on purchase of controlled entity, net of cash payment for acquisition		1,557,506	-
Payments for investments		(7,711,000)	-
Payments for property, plant and equipment		(2,863,742)	(112,591)
Payments for intangible assets		(5,085,305)	-
Loans from/(to) related and other parties		-	(883,907)
Net cash used in investing activities		(40,008,081)	(996,498)
Cash flows from financing activities			
Proceeds from issue of shares		31,369,736	-
Share issue transaction costs		(71,989)	-
Proceeds from issue of units to non-controlling interests		23,582,293	3,040,588
Proceeds from borrowings		15,105,161	239,059
Loans (to)/from related parties		(1,419,974)	-
Payment of finance lease and hire purchase liabilities		(29,966)	(40,113)
Dividends paid		(2,339,413)	(1,952,796)
Distributions paid to non-controlling interests in controlled entities		(120,526)	-
Net cash from financing activities		66,075,322	1,286,738
Net increase in cash and cash equivalents		19,673,952	(1,629,538)
Cash and cash equivalents at the beginning of the half-year		6,556,496	5,922,225
Cash and cash equivalents at the end of the half-year		26,230,448	4,292,687

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

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

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Note 1. Significant accounting policies

These financial statements for the interim half-year reporting period ended 31 December 2013 have been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

These financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2013 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Except as described below, the accounting policies applied in these interim financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 30 June 2013. The following changes in accounting policies are also expected to be reflected in the Group's consolidated financial statements as at and for the year ending 30 June 2014.

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

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

The nature and the effect of the relevant changes are explained below. Further, the Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

(a) Subsidiaries

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

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

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

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

(b) Associates

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

Note 1. Significant accounting policies (cont'd)

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

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

This is due to a combination of the size and nature of the Group's variable returns from the investees, the composition of the board of Directors of the trustee of the investees and the composition of the investee unit registers consistent with the control model as defined in AASB 10.

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

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

(c) 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. In addition, it removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation.

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

(d) 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.

The adoption of AASB 12 will result in the Group disclosing financial information regarding its investments in associates and subsidiaries. Prior to the adoption of AASB 12, only summarised financial information in relation to the Group's associates was disclosed, including the Group's share of profit and loss from the investee. It is anticipated that at least the same information will be disclosed at year-end.

(e) 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.

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

Note 1. Significant accounting policies (cont'd)

(f) Summary of quantitative impact

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

Condensed Consolidated Statement of Financial Position

Effect of changes in accounting policies

	As previously reported \$	Subsidiaries and Associates \$	As restated \$
1 July 2012			
Assets			
Cash and cash equivalents	5,736,702	185,524	5,922,226
Trade and other receivables	1,429,785	51,919	1,481,704
Other assets	290,417	69,818	360,235
Receivables	1,624,494	-	1,624,494
Non-current trading stock	-	2,935,314	2,935,314
Investments accounted for using the equity method	1,161,204	1,005,110	2,166,314
Financial assets at fair value through profit and loss	2,595,159	(2,595,159)	-
Property, plant and equipment	2,258,548	-	2,258,548
Intangible assets	4,591,176	663,298	5,254,474
Deferred tax assets	255,020	134,764	389,784
Total assets	19,942,505	2,450,588	22,393,093
Liabilities			
Trade and other payables	2,467,365	44,626	2,511,991
Borrowings	129,608	2,271,635	2,401,243
Deferred revenue	570,000	-	570,000
Income tax	883,846	-	883,846
Employee benefits	219,451	-	219,451
Provisions	20,132	-	20,132
Total liabilities	4,290,402	2,316,261	6,606,664
Net assets	15,652,103	134,327	15,786,430
Equity			
Contributed equity	18,676,705	-	18,676,705
Reserves	(7,104,181)	-	(7,104,181)
Accumulated profits/(losses)	4,079,579	(262,127)	3,817,452
Non-controlling interest	-	396,454	396,454
Total equity	15,652,103	134,327	15,786,430

Note 1. Significant accounting policies (cont'd)

Condensed Consolidated Statement of Financial Position

Effect of changes in accounting policies

	As previously reported \$	Subsidiaries and Associates \$	As restated \$
30 June 2013			
Assets			
Cash and cash equivalents	5,552,348	1,004,148	6,556,496
Trade and other receivables	2,157,453	437,723	2,595,176
Inventory	-	3,489,673	3,489,673
Other assets	228,888	62,427	291,315
Receivables	1,154,327	-	1,154,327
Investments accounted for using the equity method	3,637,265	(951,399)	2,685,866
Financial assets at fair value through profit and loss	4,053,462	(3,697,962)	355,500
Property, plant and equipment	108,269	2,094,604	2,202,873
Intangible assets	4,898,238	724,054	5,622,292
Deferred tax assets	44,126	-	44,126
Total assets	21,834,376	3,163,268	24,997,644
Liabilities			
Trade and other payables	2,280,890	207,779	2,488,669
Borrowings	54,423	3,054,923	3,109,346
Deferred revenue	599,160	482,553	1,081,713
Income tax	859,784	-	859,784
Employee benefits	327,636	5,918	333,554
Provisions	35,171	-	35,171
Deferred tax liabilities	391,113	(270,620)	120,493
Total liabilities	4,548,177	3,480,553	8,028,730
Net assets	17,286,199	(317,285)	16,968,914
Equity			
Contributed equity	18,676,705	-	18,676,705
Reserves	(7,104,181)	-	(7,104,181)
Accumulated profits/(losses)	5,713,675	(2,539,479)	3,174,196
Non-controlling interests	-	2,222,194	2,222,194
Total equity	17,286,199	(317,285)	16,968,914

Note 1. Significant accounting policies (cont'd)

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 31 December 2012

Effect of changes in accounting policies

	As previously reported	Subsidiaries and Associates	As restated
	\$	\$	\$
Revenue			
Operating revenue	4,831,291	(2,439,625)	2,391,666
Share of loss of associates accounted for using the equity method	(48,502)	34,034	(14,468)
Other income	620,691	(620,691)	-
Expenses			
Employee benefits expense	(2,229,019)	-	(2,229,019)
Depreciation and amortisation expense	(456,322)	130,000	(326,322)
Consultancy	(232,213)	(136,115)	(368,328)
External service providers	-	(458,581)	(458,581)
Distribution	(248,687)	-	(248,687)
Marketing	(68,198)	(33,967)	(102,165)
Occupancy	(172,650)	-	(172,650)
Administrative	(992,706)	542,155	(450,551)
Travel & entertainment	-	(223,493)	(223,493)
Other expenses	(155,056)	-	(155,056)
Finance costs	(19,277)	(30)	(19,307)
Profit / (loss) before income tax	829,352	(3,206,313)	(2,376,961)
Income tax (expense) / benefit	(260,097)	48,200	(211,897)
Profit / (loss) after income tax for the half-year	569,255	(3,158,113)	(2,588,858)
Other comprehensive income	-	-	-
Total comprehensive income/(loss) for the half-year	569,255	(3,158,113)	(2,588,858)
Profit / (loss) for the half-year is attributable to:			
Non-controlling interest	-	(1,644,479)	(1,644,479)
Owners of Blue Sky Alternative Investments Limited	569,255	(1,513,634)	(944,379)
	569,255	(3,158,113)	(2,588,858)

Note 1. Significant accounting policies (cont'd)

Condensed Consolidated Statement of Cash Flows

For the six months ended 31 December 2012

Effect of changes in accounting policies

	As previously reported	Subsidiaries and Associates	As restated
	\$	\$	\$
Net cash from operating activities	(651,744)	(1,268,034)	(1,919,778)
Net cash from investing activities	214,725	(1,211,223)	(996,498)
Net cash from financing activities	(1,943,850)	3,230,588	1,286,738
Cash and cash equivalents at the end of the half-year	3,355,833	936,854	4,292,687

Note 2. Operating segments

Identification of reportable operating segments

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

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

Following the application of AASB 10, the Group has consolidated the Riverside Gardens Trust, the Water Utilities Australia Fund and the Blue Sky RAMS Management Rights Income Fund 2. The management and performance of these entities is currently not being reviewed at an operating segment level but the Group is assessing this position moving forward.

Types of products and services

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

Half-year ended 31 December 2013

	Core segment	Non-core segment	Adjustments and Eliminations	Consolidated
	\$	\$	\$	\$
Revenue	6,517,139	3,167,046	(1,448,380)	8,235,805
Profit / (loss) before income tax	(196,665)	(1,855,578)	(909,010)	(2,961,253)

Half-year ended 31 December 2012

	Core segment	Non-core segment	Adjustments and Eliminations	Consolidated
	\$	\$	\$	\$
Revenue	5,422,498	392	(3,045,692)	2,377,198
Profit / (loss) before income tax	799,868	(604,639)	(2,572,190)	(2,376,961)

Note 2. Operating segments (cont'd)

As at 31 December 2013

	Core segment	Non-core segment	Adjustments and Eliminations	Consolidated
	\$	\$	\$	\$
Net assets	48,333,391	38,945,566	(15,406,271)	71,872,686

As at 31 December 2012

	Core segment	Non-core segment	Adjustments and Eliminations	Consolidated
	\$	\$	\$	\$
Net assets	16,931,207	6,749,340	(6,711,633)	16,968,914

Note 3. Operating revenue

	Consolidated	
	Dec 2013	Dec 2012 Restated
	\$	\$
Management fees	3,683,656	1,954,024
Administration fees	22,500	52,500
Responsible entity revenue	360,285	225,566
Performance fees	635,966	-
Supply of water by Lightsview Rewater Supply Company and Willunga Basin Water Company	1,045,255	-
Management and letting rights revenue	2,061,635	-
Interest	111,581	72,348
Other revenue	229,727	87,228
Total operating revenue	8,150,605	2,391,666

Total revenue from related parties during the period to 31 December 2013 was \$4,935,799 (31 December 2012: \$2,245,430).

Note 4. Other expenses

	Consolidated	
	Dec 2013	Dec 2012 Restated
	\$	\$
Costs associated with supply of water by Lightsview Rewater Supply Company and Willunga Basin Water Company	(339,340)	-
Management and letting rights expenses	(1,857,732)	-
Commissions paid	(671,225)	(35,468)
Other expenses	(259,691)	(119,588)
Total other expenses	(3,127,988)	(155,056)

Note 5. Income tax expense / (benefit)

The Group calculates the income tax expense using the tax rate that would be applicable to expected total annual earnings i.e. the estimated average annual effective income tax rate applied to the pre-tax income of the current period. The major components of income tax expense in the Consolidated Statement of Comprehensive Income for the period detailed in the table on the next page.

Note 5. Income tax expense / (benefit) (cont'd)

	Consolidated	
	Dec 2013	Dec 2012 Restated
	\$	\$
<i>Income tax expense / (benefit)</i>		
Current tax	(58,789)	(8,053)
Deferred tax	(6,728)	219,950
Aggregate income tax expense / (benefit)	(65,517)	211,897

The movement in the deferred tax balances from 30 June 2013 to 31 December 2013 are primarily related to additional Deferred Tax Assets relating to equity raising costs, tax losses in Blue Sky Alternative Investments Limited, Blue Sky Private Real Estate Riverside Gardens Trust and Blue Sky Alternative Investments LLC and net losses on equity accounted investments. These are offset by an increased Deferred Tax Liability on certain accrued revenue and plant and equipment as part of the Willunga Basin Water Company acquisition. The overall effective tax rate is below the current corporate tax rate mainly as a result of the Group not recognising a Deferred Tax Asset in relation to the tax losses associated with the Water Utilities Australia Fund.

Note 6. Trade and other receivables

	Consolidated	
	Dec 2013	June 2013 Restated
	\$	\$
Trade receivables	1,157,822	283,823
Other receivables	1,955,009	675,859
Share capital receivable (refer Note 19)	3,230,871	-
Related party receivable	2,354,528	1,635,494
Total trade and other receivables	8,698,230	2,595,176

Note 7. Inventory

	Consolidated	
	Dec 2013	June 2013 Restated
	\$	\$
Current		
Cost of land acquisition	479,557	479,557
Development and other costs	4,489,726	879,916
Interest capitalised	136,890	70,198
Total current inventory	5,106,173	1,429,671
Non-current		
Cost of land acquisition	1,266,476	1,266,476
Development and other costs	649,279	608,138
Interest capitalised	286,745	185,388
Total non-current inventory	2,202,500	2,060,002

Note 8. Investments accounted for using the equity method

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

Associate	Consolidated percentage interest	
	Dec 2013	June 2013
	%	%
Blue Sky Private Equity 2010 Institutional Trust	5.5%	5.5%
Blue Sky Private Equity Software Services Fund	20.3%	0%
Blue Sky Private Equity Retirement Village Fund	19.0%	2.9%
Blue Sky RAMS Management Rights Income Fund	8.6%	8.6%
Blue Sky RAMS Management Rights Income Fund 3	13.8%	N/A
Blue Sky Residential Asset Income Fund 1	5.3%	20.5%
Regent Street Woolloongabba Trust	6.8%	N/A
Blue Sky Venture Capital Milk Fund	7.7%	7.7%
44 Brookes Street Bowen Hills Trust	10.7%	N/A
Railway Terrace Milton Trust	8.3%	N/A
Blue Sky Water Fund	2.7%	0%
Blue Sky VC2012 Fund LP	7.2%	9.5%

Note 9. Financial assets at fair value through profit and loss

	Consolidated	
	Dec 2013	June 2013
	\$	Restated \$
<i>Investments held in related parties</i>		
Blue Sky RAMS Management Rights Income Fund 2	-	200,000
Water Utilities Australia Fund (Options)	-	155,500
Total financial assets at fair value through profit or loss	-	355,500

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

Subsequent to 30 June 2013, the options to acquire stapled securities were exercised and therefore no value has been recognised at 31 December 2013.

Note 10. Property, plant and equipment

	Consolidated	
	Dec 2013	June 2013 Restated
	\$	\$
Land and buildings . at cost	1,912,563	-
Less: Accumulated depreciation	(26,896)	-
	1,885,667	-
Plant and equipment . at cost	9,177,548	2,121,438
Less: Accumulated depreciation	(238,260)	(26,834)
	8,939,288	2,094,604
Motor vehicles . at cost	68,474	38,495
Less: Accumulated depreciation	(68,474)	(28,511)
	-	9,984
Motor vehicles . under lease	50,168	50,168
Less: Accumulated depreciation	(34,812)	(31,222)
	15,356	18,946
Office equipment . at cost	408,370	103,146
Less: Accumulated depreciation	(79,239)	(53,691)
	329,131	49,455
Office equipment . under lease	119,276	119,276
Less: Accumulated depreciation	(93,217)	(89,392)
	26,059	29,884
Total property, plant and equipment	11,195,501	2,202,873

Note 11. Intangible assets

	Consolidated	
	Dec 2013	June 2013 Restated
	\$	\$
Goodwill - at cost	16,408,784	5,119,649
Less: Impairment	(190,290)	(190,290)
	16,218,494	4,929,359
Management Rights . at cost	5,984,492	500,000
Less: Accumulated amortisation	(109,304)	-
	5,875,188	500,000
Customer Supply Contracts	10,066,177	-
Less: Accumulated amortisation	(67,107)	-
	9,999,070	-
Formation costs . at cost	-	333,008
Less: Accumulated amortisation	-	(166,504)
	-	166,504
Website . at cost	41,479	41,479
Less: Accumulated amortisation	(35,231)	(32,495)
	6,248	8,984
Software . at cost	46,313	34,858
Less: Accumulated amortisation	(20,205)	(17,413)
	26,108	17,445
Software . under lease	31,018	31,018
Less: Accumulated amortisation	(31,018)	(31,018)
	-	-
Total intangible assets	32,125,108	5,622,292

The Management Rights relate to a number of different apartment complexes and all have a useful life of 25 years.

The Customer Supply Contracts relate to the acquisition of Willunga Basin Water Company and have a remaining useful life of 25 years.

Note 12. Borrowings

	Consolidated	
	Dec 2013	June 2013 Restated
	\$	\$
Current		
Bank loans	11,640,240	961,971
Other borrowings	2,109,462	505,960
Lease liability	78,762	54,423
Total current borrowings	13,828,644	1,522,354
Non-current		
Bank loans	2,929,500	-
Other borrowings	1,636,985	1,586,992
Total non-current borrowings	4,566,485	1,586,992

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

On 25 September 2013, the Group entered into a revolving credit facility with one of Australia's leading financial institutions. The facility is to be used for general corporate working capital purposes including bridging finance. At 31 December 2013, the facility was fully drawn for \$7 million.

The facility is secured by fully interlocking guarantees and indemnities by Blue Sky Alternative Investments Limited and its 100% controlled subsidiaries.

Note 13. Deferred revenue

	Consolidated	
	Dec 2013	June 2013 Restated
	\$	\$
Current		
Unearned income	940,869	1,081,713
Payments in advance for sale of water by Lightsview Rewater Supply Company and Willunga Basin Water Company	829,477	-
Total current deferred revenue	1,770,346	1,081,713
Non-current		
Unearned income	625,795	-
Payments in advance for sale of water by Lightsview Rewater Supply Company and Willunga Basin Water Company	485,278	-
Total non-current deferred revenue	1,111,073	-

Note 14. Contributed equity

	Dec 2013 Shares	June 2013 Shares	Dec 2013 \$	June 2013 \$
Ordinary shares . fully paid	56,047,589	32,546,018	52,472,179	18,676,705

Movements in ordinary share capital

Details	Date	No. of shares	Issue price	\$
Opening balance	1 July 2013	32,546,018		18,676,705
Share issue	20 August 2013	4,881,902	\$1.40	6,834,663
Share issue	4 September 2013	1,561,707	\$1.40	2,186,390
Share issue	5 December 2013	5,848,444	\$1.50	8,772,666
Share issue	10 December 2013	6,857,269	\$1.50	10,285,904
Share issue	31 December 2013	4,352,249	\$1.50	6,528,374
Equity raising costs				(812,523)
Closing balance	31 December 2013	56,047,589		52,472,179

Note 15. Earnings per share

	Consolidated	
	Dec 2013	Dec 2012 Restated
	\$	\$
Profit / (loss) after income tax	(2,895,736)	(2,588,858)
Non-controlling interest	1,736,177	1,644,479
Total earnings	(1,159,559)	(944,379)
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	38,685,347	32,546,018
	Cents	Cents
Basic earnings per share	(3.00)	(2.90)
Diluted earnings per share	(3.00)	(2.90)

Note 16. Information relating to subsidiaries

The consolidated interim half-year financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in Note 1.

Name of entity	Principal place of business	Equity holding	
		Dec 2013	June 2013
		%	%
Blue Sky Private Equity Limited	Australia	100%	100%
BSPE Pty Ltd	Australia	100%	100%
Blue Sky Private Real Estate Pty Limited	Australia	100%	100%
Blue Sky Residential Asset Managers Pty Limited	Australia	100%	100%
Blue Sky Apeiron Pty Limited	Australia	100%	100%
Blue Sky Water Partners Pty Limited	Australia	100%	100%
Blue Sky Alternative Investments LLC	USA	100%	100%
BSAI International Pty Limited	Australia	100%	100%
BSVC Pty Ltd	Australia	100%	100%
Blue Sky VC2012 GP Pty Limited	Australia	100%	100%
Blue Sky Private Real Estate Riverside Gardens Trust	Australia	50%	50%
Water Utilities Australia Fund	Australia	52%	43%
Water Utilities Australia Fund 2	Australia	57%	N/A
Blue Sky RAMS Management Rights Income Fund 2	Australia	34%	8%

Subsidiaries controlled by the Group with material non-controlling interest

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

Note 17. Acquisitions of subsidiaries

During the period, the Group has made a number of acquisitions. The following summarises the acquisition date fair values of the identifiable assets acquired and liabilities assumed.

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

Blue Sky RAMS Management Rights Income Fund 2

On 30 September 2013, the Group acquired 26% of the units and voting interests in the Blue Sky RAMS Management Rights Income Fund 2, a fund created by the Group to enable investors to generate returns from the management of residential property. As a result, the Group's equity interest in the fund increased from 8% to 34%.

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

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

Note 17. Acquisitions of subsidiaries (cont'd)

Willunga Basin Water Company

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

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

Water Utilities Australia Fund 2

On 23 December 2013, the Group acquired 57% of the stapled securities and voting interests in Water Utilities Australia Fund 2, a fund created by the Group to enable investors to gain exposure to the water infrastructure sector.

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

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

	\$
Cash (including commitments)	27,989,927
Services (in lieu of cash)	700,000
	<u>28,689,927</u>

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

	\$
Cash	2,841,893
Trade and other receivables	2,091,128
Sundry debtors	251,094
Property, plant and equipment	5,187,480
Management rights	385,460
Other assets	101,763
Joint venture assets	1,500,000
Customer supply contracts	10,066,177
Trade and other payables	<u>(2,864,513)</u>
	<u>19,560,482</u>

Goodwill arising from the acquisitions has been recognised as follows:

	\$
Total consideration transferred	28,689,927
Non-controlling interest share of fair value of identifiable net assets	2,750,997
Acquisition date fair value of identifiable net assets	<u>(19,560,482)</u>
Goodwill	<u>11,880,442</u>

Note 18. Share-based payments

Share option program (equity-settled)

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

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

On 11 February 2014, the Company issued 1,000,000 share options. The terms and conditions of the issue are set out below:

Grant date	14 December 2012
Exercise price	\$1 per share
Number of options granted over number of shares	1,000,000
Exercise period	Up to 5 years from vesting date
Vesting conditions	None
Contractual life of options	4 years from the date of issue
Fair value	\$44,200

The fair value of the services received in return for the share options granted is based on the fair value of the share options granted, measured using a Trinomial Lattice model.

The following inputs were used in the measurement of the fair value at grant date.

<i>Input</i>	
Grant date	14 December 2012
Share price at grant date	\$0.77 per share
Exercise price	\$1 per share
Expected volatility	20%
Risk free rate	2.81%
Dividend yield	4.5%

Note 19. Events occurring after the reporting date

On 2 December 2013, the Company announced that it was undertaking a Placement to sophisticated investors followed by a Non-Renounceable Entitlement Offer to raise up to \$25.6 million. Both components of this capital raise were over-subscribed, however due to its timing only \$22.4 million was received by the Company prior to 31 December 2013, with the remainder received during January 2014.

During January 2014, the Directors resolved to make the following investments:

- \$5 million in the Blue Sky Water Fund; and
- \$1 million in the Blue Sky Apeiron Global Macro B Trust.

Apart from these, there are no other subsequent events.

Directors' Declaration
For the half-year ended 31 December 2013

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 20 to 41:
 - a. comply with the *Corporations Act 2001*, Australian Accounting Standard AASB 134 *Interim Financial Reporting*, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - b. give a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of the performance for the half- year ended on that date;
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.

On behalf of the Directors



John Kain
Chairman

26 February 2014
Brisbane

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To the members of Blue Sky Alternative Investments Limited

Report on the interim financial report

We have reviewed the accompanying half-year financial report of Blue Sky Alternative Investments Limited, which comprises the consolidated statement of financial position as at 31 December 2013, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, 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 half-year end or from time to time during the half-year.

Directors' responsibility for the interim financial report

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Blue Sky Alternative Investments Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, 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 Director's Report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Blue Sky Alternative Investments Limited is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Ernst & Young

Ernst & Young

PM Luskie

Paula McLuskie
Partner
Brisbane
26 February 2014