BlueSky Alternatives Access Fund

Annual Report

For the year ended 30 June 2018

Contents

Blue Sky Alternatives Access Fund Limited
Suite 2202, Level 22 Australia Square
264–278 George Street
Sydney NSW 2000

Directors' Report

The Directors present their report for Blue Sky Alternatives Access Fund Limited (the 'Company' or the 'Alternatives Fund') for the 2018 Financial Year (FY18).

DIRECTORS

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

Andrew Champion	Executive Chairman
Paul Masi	Independent Director
Michael Cottier	Independent Director
Lazarus Siapantas	Executive Director
Lachlan McMurdo	Executive Director (resigned 29 April 2018)

ABOUT THE COMPANY

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

- Private equity;
- Private real estate; and
- Real assets.

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

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

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

OBJECTIVES OF THE COMPANY

The primary objectives of the Alternatives Fund are to:

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

OPERATING AND FINANCIAL REVIEW

Capital raised from H1 FY18 Entitlement Offer

On 10 November 2017 the Alternatives Fund announced the completion of a 1 for 4 non-renounceable entitlement offer and shortfall facility to raise approximately $48.9 million at a slight premium to NTA. Approximately 54% of rights entitlements were taken up by existing shareholders and the shortfall facility was heavily oversubscribed and placed in one day. This offer served as an important opportunity to introduce to the share register a wide range of financial planners, nationally.

Directors' Report - continued

Deployment of capital and portfolio weighting

Approximately $57.5 million was deployed in FY18 in new and follow-on investments, increasing the total number of underlying investments in the portfolio to 49. Accordingly, the Alternatives Fund continues to maintain a well-diversified portfolio, with allocations at 30 June 2018 as follows:

Asset Class	Weighting at 30 June 2018	Investments held at fair value
Private equity	25.8%	$48.4m in 16 single asset growth capital funds, 1 of which has partially exited
		$12.8m in 5 single asset venture capital funds and 1 multi-asset fund
Private real estate	29.2%	$32.5m in 7 purpose-built student accommodation assets
		$16.4m in 5 retirement living projects
		$4.2m in 6 residential developments, 2 of which have partially exited
		$11.2m in 2 New York commercial real estate projects in joint venture with Cove Property Group
		$4.6m in 2 income-generating commercial properties
Real assets	31.7%	$44.2m in the Blue Sky Water Fund
		$15.5m in 3 operating agribusiness assets and 1 renewables asset
		$15.4m in the Blue Sky Strategic Australian Agriculture Fund
Cash	13.3%	$31.6m*

* Includes capital to fund $2.9 million of uncalled capital commitments.

Results and investment performance

Profit from ordinary activities after income tax amounted to $5.04 million in FY18 (2017: $13.03 million). Earnings per share (EPS) for the period was 2.55 cents per share (2017: 8.44 cents per share).

The Company's portfolio delivered a pre-tax fund performance of 5.05% (2017: 10.3%, since inception 8.53% p.a.) (including growth in NTA, dividends and franking credits) for FY18. Pre-tax NTA declined from $1.1452 per share at 30 June 2017 to $1.1299 per share at 30 June 2018, after paying fully franked dividends of 4.0 cents per share in September 2017 and 1.0 cent per share in March 2018.

The Company's investment performance for the year was disappointing and below expectations. A strong contribution from the Blue Sky Water Fund was offset by a lack of expected growth in the holding value of a range of closed ended investment funds.

The track record of exits however remains strong, with total realised investments and redemptions to date having delivered the Alternatives Fund a weighted average internal rate of return (IRR) of 19.5% per annum since inception[1]. The announced exit of Gundaline (Blue Sky Agriculture Fund) in Real Assets will further contribute to this track record with an expected IRR of approximately 16%[2], as will the sale of the retirement living portfolio once complete with an expected IRR of 15%[2]. As previously announced, Foundation Early Learning, a Growth Capital investment, is also contracted for sale. This exit, which is subject to an earn-out mechanism, is expected to generate a more modest IRR of 4–7%.

Outlook

We note that at 30 June 2018, 38% of closed ended NTA was carried in accordance with the Alternatives Fund's valuation policy, at $1 or less for each $1 invested, with a further 25% carried at $1.20 or less. Whilst there are challenges within these investments, the majority maintain an opportunity to contribute to NTA growth in future periods. Further details of the portfolio and a summary of carrying values can be found in the 30 June NTA Quarterly Report. The carrying values in the Annual Financial Report have been updated to reflect any matters identified subsequent to the end of the financial year.

[1] The returns are equity-weighted composite IRRs from fully realised investments and redemptions, inclusive of franking credits, and before management and performance fees on the Company's portfolio as a whole. Past performance is not a reliable indicator of future performance.

[2] These are current estimates as the asset sale is subject to FIRB approval and the balance of company assets will be determined by a winding up process and fund level tax adjustments. Returns are before management and performance fees on the Company's portfolio as a whole.

DIVIDENDS

On 30 August 2018, the Directors resolved to pay a final dividend of 4.0 cents per share in relation to the 2018 Financial Year. Franked to 65% at a 27.5% corporate income tax rate, the record date for this dividend is 10 September 2018 and the payment date is 24 September 2018. A provision for this dividend has not been recognised in the 30 June 2018 Financial Statements.

EARNINGS PER SHARE

	30 June 2018 Cents	30 June 2017 Cents
Basic and diluted earnings per share	2.55	8.44

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

During the 2018 Financial Year, BLA experienced significant market and operating disruption. BLA announced a number of material balance sheet write downs, removal of earnings guidance, a review of their business and changes to its Board of Directors and senior management. These events had an impact on the market for BAF shares. On 29 August 2018, BAF shares traded at approximately a 20% discount to pre-tax NTA.

The Board of BAF have closely monitored developments in this respect and have met regularly to continue to act in the best interests of BAF shareholders.

In March 2018 BAF ceased deploying capital into new funds (other than already existing contractual commitments such as its remaining $2.25 million commitment to the Strategic Agriculture Fund) as developments in relation to BLA continue to be assessed.

The Board also determined that the standing 12 month forward schedule of independent valuation reviews of holding values across the portfolio would be accelerated, so that an independent review of the carrying value of all BAF investments was completed in the last quarter of FY18 and included in the 30 June NTA (other than investments contracted for sale and Blue Sky Water Fund which is marked to market externally each month).

In April 2018 the Company announced and commenced an on-market share buyback program. As at 29 August 2018, 5.1 million shares had been acquired at a weighted average price of $0.8132 per share.

The Board also announced that it will appoint an additional Independent Director to create a majority independent Board of Directors. As previously announced, an external advisor has been appointed and the search for this Independent Director is well progressed and will be completed prior to this year's AGM. At that time Andrew Champion will also transition his role of Executive Chairman of the Board to an Independent Director.

Directors' Report - continued

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Adjustments to the 30 June NTA have been adopted in the financial statements in relation to the carrying value of four closed ended investment funds. In total this has resulted in a 0.7% reduction in pre-tax NTA for 30 June 2018, from $1.1377 per share in the June NTA report to $1.1299 per share in the FY18 Financial Statements.

The carrying value of venture capital investments Shoes of Prey and THR1VE (to which BAF has an investment via VC2014) have both been written down following receipt of additional information in relation to their liquidity profile. In addition, Student Accommodation Fund 4 and 441 Ninth Avenue within the private real estate portfolio have been reduced and increased, respectively, following the receipt of finalised independent valuations.

As announced on 24 August 2018, the Alternatives Fund's investment in five retirement living projects have been contracted for sale. Once settled, this sale is expected to result in an aggregate 15% IRR and 1.25x return on invested capital to BAF across these funds, representing a 1% discount to aggregate carrying value. This secures the Alternatives Fund's exit from all of its investments in retirement living.

The Company's Directors and Officers (D&O) Insurance program was updated on 24 August 2018. The updated program carries insurance premiums that are a significant increase on the prior period. The Company will work with its broker to review opportunities to rationalise this cost during the 2019 Financial Year (FY19).

On 30 August 2018, the Directors resolved to pay a final dividend of 4.0 cents per share in relation to the 2018 financial year. Franked to 65% at a 27.5% corporate income tax rate, the record date for this dividend will be 10 September 2018 and the payment date will be 24 September 2018. The Company's Dividend Reinvestment Plan (DRP) will be deferred in relation to this dividend given BAF's share price is trading at a significant discount to NTA.

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

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

The Board remains committed to delivering optimal outcomes for shareholders and continues to actively review a range of strategic options and initiatives.

ENVIRONMENTAL REGULATION

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

INFORMATION ON DIRECTORS

Andrew Champion
Executive Chairman
(appointed 4 April 2014)

Andrew has over 20 years' experience in corporate advice and finance and has been responsible for private equity and alternative assets coverage for two leading investment banks out of London and Sydney. He also has extensive experience in leading mergers and acquisitions (M&A) and debt and equity funding for small and medium-sized enterprises in Australia.

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

Andrew holds a Bachelor of Commerce and Bachelor of Laws and has been a member of Chartered Accountants Australia & New Zealand (CA ANZ) since 1994. Andrew is a member of the Company's Audit and Risk Committee and the Nomination and Remuneration Committee.

Other current Directorships of listed entities:	None
Former Directorships of listed entities (in the last 3 years):	None
Interests in shares:	437,500 shares

Paul Masi
Independent Director
(appointed 16 April 2014)

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

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

Previously Paul was Managing Director and Chief Executive Officer (CEO) of Austock Group Limited, and CEO of Bank of America Merrill Lynch Limited in Australia.

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

Other current Directorships of listed entities:	None
Former Directorships of listed entities (in the last 3 years):	None
Interests in shares:	600,001 shares

Directors' Report - continued

Michael Cottier
Independent Director
(appointed 17 February 2017)

Michael has over 25 years' experience in the financial services industry. Michael is currently an Independent Non-Executive Director of the Superannuation Boards of BT Financial Group (BTFG) (2015–) and chairs the Board Audit Risk and Compliance Committee, and is a member of the Board Investment Committee. Michael is also an Independent Non-Executive Director of Queensland Teachers Union Health Fund Limited (TUH) (2015–) and chairs its Board Risk Committee, and is a member of its Board Audit Committee. Michael is also a Non-Executive Director and Treasurer of Metro Arts (2013–).

Between 2009 and 2014 Michael served as Chief Financial Officer (CFO) of QSuper Group, where he was responsible for group-wide finance and governance functions.

Prior to joining QSuper, Michael spent seven years as CFO for QIC Limited. In that role Michael was responsible for group-wide finance and governance functions together with corporate advisory and human resources services.

Michael holds a Bachelor of Business from the Queensland University of Technology and a Masters of Taxation from the University of Queensland. He is a Fellow of the Australian Institute of Company Directors, CA ANZ and Certified Practicing Accountant (CPA) Australia.

Other current Directorships of listed entities:	None
Former Directorships of listed entities (in the last 3 years):	None
Interests in shares:	None

Lazarus Siapantas
Executive Director
(appointed 21 March 2016)

With more than 13 years' experience in the financial services industry, Lazarus' focus has been on distribution and capital raising for domestic and international asset managers across alternative investments, equities, currencies and bonds. Lazarus has extensive experience in dealing with boutique and private wealth businesses, multi-managers, private banks, foreign investment banks, high net worth and family office investors. Prior to working in funds management, Lazarus held compliance, investment committee and investment advisory roles for a privately owned Australian wealth management firm.

Lazarus joined Blue Sky in December 2013 establishing its Melbourne office and since that time has been responsible for building Blue Sky's presence across the Victorian and South Australian markets. Since its IPO in May 2014, Lazarus has played a pivotal role in the growth of the Alternatives Fund. He is a Graduate Member of the Australian Institute of Company Directors.

Lazarus holds a Diploma in Financial Services (Financial Planning) and Advanced Diploma in Financial Services (Financial Planning).

Other current Directorships of listed entities:	None
Former Directorships of listed entities (in the last 3 years):	None
Interests in shares:	50,000 shares

JOINT COMPANY SECRETARIES

Jane Prior

Jane holds a Bachelor of Arts and a Bachelor of Laws from the University of Queensland and is admitted as a solicitor of the Supreme Courts of QLD and NSW. Jane has worked in law firms in Brisbane and London, where she advised on fund establishments and investments as well as a range of joint venture, private equity and M&A transactions. Jane is also Company Secretary and in-house legal counsel of Blue Sky Alternative Investments Limited, a related party of the Company. Jane went on maternity leave on 10 March 2018.

Leyya Taylor

(appointed 22 February 2018)

Leyya holds a Bachelor of Laws (Hons) from the Queensland University of Technology and is admitted as a solicitor of the Supreme Court of QLD and the High Court of Australia. Leyya has worked as in-house legal counsel for companies in the mining and energy sectors and for law firm DLA Piper in the Litigation and Regulatory team. Leyya is also Company Secretary and in-house legal counsel of Blue Sky Alternative Investments Limited, a related party of the Company.

MEETINGS OF DIRECTORS

The number of meetings of the Company's board of Directors and of each board committee held for the year ended 30 June 2018 and the number of meetings attended by each Director were:

			Meetings of committees			
	Full meetings of Directors		Audit and Risk		Remuneration and Nomination	
	A	B	A	B	A	B
Andrew Champion	21	21	4	4	2	2
Paul Masi	20	21	4	4	2	2
Michael Cottier	21	21	4	4	2	2
Lazarus Siapantas	20	21	-	-	-	-
Lachlan McMurdo[3]	14	16	-	-	-	-

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

[3] On 29 April 2018, Mr Lachlan McMurdo resigned as an Executive Director of the Company

Directors' Report - continued

INSURANCE AND INDEMNIFICATION OF OFFICERS

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

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

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, Ernst & Young, are outlined in Note 18.

The Directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001* (Cth) (the 'Act').

The Directors are of the opinion that the services as disclosed in Note 18 to the Financial Report do not compromise the external auditor's independence for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

INDEMNIFICATION OF AUDITORS

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount) and which have not arisen from the auditor's negligence or wrongful acts or omissions. No payment has been made to indemnify Ernst & Young during or since the end of FY18.

OFFICERS OF THE COMPANY WHO ARE FORMER AUDIT PARTNERS OF ERNST & YOUNG

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

ROUNDING

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

AUDITOR INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Act* is set out on page 15.

Remuneration Report

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

REMUNERATION POLICY AND FRAMEWORK

The Directors have agreed that each Independent Director is to receive $50,000 per annum and Michael Cottier is to receive an additional $5,000 per annum for his services as chair of the Audit and Risk Committee. These amounts are exclusive of compulsory superannuation where applicable. The Executive Directors do not receive any remuneration from the Company. At 30 June 2018, Andrew Champion and Lazarus Siapantus were Executive Directors of the Company.

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

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

Remuneration Report (Audited)

DETAILS OF REMUNERATION

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

Director	Position	Salary $	Superannuation $	Total $
Andrew Champion[4]				
2018	Executive Chairman	-	-	-
2017		-	-	-
Paul Masi				
2018	Independent Director	50,000	4,750	54,750
2017		54,749	-	54,749
Michael Cottier[5]				
2018	Independent Director	55,000	5,225	60,225
2017		20,298	1,928	22,226
Lazarus Siapantas				
2018	Executive Director	-	-	-
2017		-	-	-
Lachlan McMurdo[6]				
2018	Executive Director/Resigned	-	-	-
2017		-	-	-
John Kain[4]				
2018	Chairman/Resigned	-	-	-
2017		35,131	-	35,131
Philip Hennessy[7]				
2018	Director/Resigned	-	-	-
2017		50,416	4,790	55,206
Total				
2018		105,000	9,975	114,975
2017		160,594	6,718	167,312

The Company has a Board, but no employees. All operational and administrative duties are performed by the Manager. The Company only remunerates Independent Directors. During the 2018 Financial Year, the Executive Directors were employees of Blue Sky. Refer to Note 6 of the Financial Report for further information regarding fees charged by the Manager to the Company.

[4] On 18 November 2016, Mr John Kain resigned as Independent Director and Chairman of the Company and Mr Andrew Champion was appointed as Executive Chairman.

[5] On 17 February 2017, Mr Michael Cottier was appointed as an Independent Director of the Company.

[6] On 20 September 2016, Mr Lachlan McMurdo was appointed as an Executive Director of the Company. On 29 April 2018, Mr Lachlan McMurdo resigned as an Executive Director of the Company.

[7] On 31 May 2017, Mr Philip Hennessy resigned as an Independent Director of the Company.

SHAREHOLDINGS OF DIRECTORS

As at 30 June 2018, shares issued by the Company and held by the Directors and their related entities are set out below:

Director	Opening balance (Number of shares)	Net number of shares acquired	Net number of shares disposed	Closing balance (number of shares)
Paul Masi[8]	500,001	100,000	-	600,001
Michael Cottier	-	-	-	-
Andrew Champion[9]	350,000	87,500	-	437,500
Lazarus Siapantas[8]	40,000	10,000	-	50,000
Lachlan McMurdo	-	-	-	-

[8] Shares are held indirectly
[9] Shares are held directly

Directors' Report - continued

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

On behalf of the Directors:

Andrew Champion
Executive Chairman

30 August 2018
Sydney

Independent Auditor's Declaration

Ernst & Young
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Auditor's Independence Declaration to the Directors of Blue Sky Alternatives Access Fund Limited

As lead auditor for the audit of Blue Sky Alternatives Access Fund Limited for the financial year ended 30 June 2018, I declare to the best of my knowledge and belief, there have been:

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

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

Ernst & Young

Ernst & Young

Mike Reid
Partner
30 August 2018

Corporate Governance Statement

The Company's Corporate Governance Statement is available on its website at:
http://blueskyfunds.com.au/alternatives-fund-shareholder/

Financial Report

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FOR THE YEAR ENDED 30 JUNE 2018

GENERAL INFORMATION

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

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

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

Suite 22.02, Level 22, Australia Square
264–278 George Street
Sydney NSW 2000

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

Statement of Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2018

	Notes	Year ended 30 June 2018 $'000	30 June 2017 $'000
Net gain on financial assets held at fair value through profit or loss	4	3,383	11,872
Dividend and trust distribution income	4	3,513	3,597
Rebates	5	3,771	5,932
Interest income		974	431
Management fees	6	(2,778)	(2,126)
Performance fees	6	-	(1,162)
Directors fees	14	(115)	(167)
Other expenses		(790)	(649)
Profit before income tax		**7,958**	**17,728**
Income tax expense	9	(2,923)	(4,701)
Profit after income tax		**5,035**	**13,027**
Other comprehensive income		-	-
Total comprehensive income		**5,035**	**13,027**
		Cents	**Cents**
Earnings per share			
Basic and diluted earnings per share (profit per share)	7	2.55	8.44

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Statement of Financial Position

FOR THE YEAR ENDED 30 JUNE 2018

	Notes	As at 30 June 2018 $'000	30 June 2017 $'000
Assets			
Cash and cash equivalents	17	31,589	22,492
Trade and other receivables		1,525	2,919
Current tax receivables	9	887	260
Financial assets held at fair value through profit or loss	11	205,126	187,787
Other assets	15	4,885	4,289
Total assets		**244,012**	**217,747**
Liabilities			
Trade and other payables	16	3,469	19,855
Deferred rebates	5	1,194	1,642
Deferred tax liabilities	9	5,426	4,393
Total liabilities		**10,089**	**25,890**
Net assets		**233,923**	**191,857**
Equity			
Issued capital	13	218,560	172,539
Retained earnings		15,363	19,318
Total shareholders' equity		**233,923**	**191,857**

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2018

	Notes	Share capital $'000	Retained profits $'000	Total shareholders' equity $'000
Balance as at 1 July 2016		125,558	14,397	139,955
Total comprehensive income for the year		-	13,027	13,027
Subtotal		**125,558**	**27,424**	**152,982**
Transactions with equity holders in their capacity as equity holders:				
Shares issued during the year	13	47,573	-	47,573
Fundraising costs (net of tax)		(592)	-	(592)
Dividends paid	12	-	(8,106)	(8,106)
Subtotal		46,981	(8,106)	38,875
Balance as at 30 June 2017		**172,539**	**19,318**	**191,857**

	Notes	Share capital $'000	Retained profits $'000	Total shareholders' equity $'000
Balance as at 1 July 2017		**172,539**	**19,318**	**191,857**
Total comprehensive income for the year		-	5,035	5,035
Subtotal		**172,539**	**24,353**	**196,892**
Transactions with equity holders in their capacity as equity holders:				
Shares issued during the year	13	49,506	-	49,506
Share buyback		(2,800)	-	(2,800)
Fundraising costs (net of tax)		(685)	-	(685)
Dividends paid	12	-	(8,990)	(8,990)
Subtotal		46,021	(8,990)	37,031
Balance as at 30 June 2018		**218,560**	**15,363**	**233,923**

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Statement of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2018

	Notes	Year ended 30 June 2018 $'000	30 June 2017 $'000
Operating activities			
Rebates of transaction costs and fees (inclusive of GST)		4,021	4,894
Dividend and trust distributions received		3,542	3,501
Payments to suppliers (inclusive of GST)		(4,432)	(4,176)
Interest received		859	397
Income tax paid		(2,225)	(3,838)
Net cash flows from operating activities	17	**1,765**	**778**
Investing activities			
Payments for financial assets held at fair value through profit and loss		(57,542)	(56,252)
Proceeds from disposal of financial assets held at fair value through profit and loss		28,135	32,627
Net cash flows used in investing activities		**(29,407)**	**(23,625)**
Financing activities			
Share buyback		(2,800)	-
Fundraising costs (inclusive of GST)		(977)	(1,383)
Dividends paid		(8,377)	(7,568)
Proceeds from issue of new shares		48,893	47,573
Net cash flows from financing activities		**36,739**	**38,622**
Net increase in cash and cash equivalents		**9,097**	**15,775**
Cash and cash equivalents at the beginning of the financial year		22,492	6,717
Cash and cash equivalents at the end of the financial year	17	**31,589**	**22,492**

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

Notes to Financial Statements

FOR THE YEAR ENDED 30 JUNE 2018

Section 1: About this Report

NOTE 1. BASIS OF PREPARATION

The Company invests in a diverse range of alternative assets, deriving revenue such as dividend and trust distribution income, and investment income from realised and unrealised gains and losses on investments held at fair value.

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

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

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

The financial statements were authorised for issue by the Directors on 30 August 2018.

Compliance with International Financial Reporting Standards

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

Historical cost convention

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

Comparatives

Where necessary, comparative information has been restated to align to changes in presentation in the current year.

Rounding

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

Notes to Financial Statements - continued

FOR THE YEAR ENDED 30 JUNE 2018

NOTE 2. NEW AND AMENDED ACCOUNTING STANDARDS IMPACT

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

Reference	Title	Summary	Application date of standard	Application date for the Company
AASB 15	Revenue from Contracts with Customers	AASB 15 establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. AASB 15 Revenue from Contracts with Customers replaces current revenue recognition guidance in AASB 118 Revenue, AASB 111 Construction Contracts and *related interpretations*. AASB 15 is a significant change from the current revenue requirements and will involve more judgement and estimates. The Company has reviewed the impact of the new standard and does not anticipate a material change to its NTA following the adoption of AASB 15 on 1 July 2018.	1 January 2018	1 July 2018
AASB 9	Financial Instruments	AASB 9 contains new requirements for the classification, measurement and de-recognition of financial assets and liabilities, replacing the recognition and measurement requirements in AASB 139 Financial Instruments: Recognition and Measurement. Under the new requirements the four current categories of financial assets will be replaced with two measurement categories: fair value and amortised cost, and financial assets will only be measured at amortised cost where very specific conditions are met. The Company holds its investments at fair value and this would not change with the adoption of AASB 9. The Company has reviewed the impact of the new standard across its remaining financial assets and liabilities and does not anticipate a material change to its NTA following the adoption of AASB 9 on 1 July 2018. Further analysis is required to form a complete view of the impact, including any potential impact to the Statement of Comprehensive Income and Statement of Financial Position classification and resulting disclosures.	1 January 2018	1 July 2018

NOTE 3. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company'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 the determination of the fair value of investments, which are disclosed in Note 11 of the Financial Statements.

Section 2: Results for the Year

NOTE 4. INVESTMENT INCOME

	Year ended	
	30 June 2018 $'000	**30 June 2017 $'000**
Net gain on financial assets held at fair value through profit or loss	3,383	11,872
Dividend and trust distribution income	3,513	3,597
Total investment income	**6,896**	**15,469**

ACCOUNTING POLICY

Net gains on financial assets held at fair value through profit and loss

Profits and losses realised from the sale of investments and unrealised gains and losses on investments held at fair value are included in the Statement of Comprehensive Income in the year in which they arise in accordance with the policies described in Note 11.

Dividend and trust distribution income

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

Notes to Financial Statements - continued

FOR THE YEAR ENDED 30 JUNE 2018

NOTE 5. REBATES

(a) Rebate income

	Year ended	
	30 June 2018 $'000	30 June 2017 $'000
Rebate income		
Rebates of transaction costs and management and performance fees	3,771	5,932
Total rebates	**3,771**	**5,932**

The Company derives rebate income in accordance with the management services agreement with the Manager. The management services agreement states the following in relation to fees charged by Blue Sky Entities[10]:

(i) The Manager must ensure the trustee, responsible entity or controlling entity (as applicable) of each Blue Sky Fund in which an Authorised Investment is made does not charge the Company any fees (whether management fees, performance fees or otherwise) in respect of the Authorised Investment. If any such fees are charged and paid by the Company, the Manager must rebate such fees to the Company as soon as is practicable; and

(ii) The Company will be required to fund its pro-rata share of any transaction costs and establishment fees charged by a Blue Sky Entity to investors (excluding any capital raising and marketing fees) in a Blue Sky Fund Entity in which an Authorised Investment is made by the Manager on behalf of the Company.

To the extent any fees are paid by the Company (either directly or indirectly) over and above the non-rebateable transaction costs and establishment fees, they will be rebated to the Company. For the 2018 Financial Year $3,770,718 (2017: $5,932,163) (excluding GST) of fees have been rebated to the Company. Performance fee rebates make up 25.27% (2017: 44.57%) of total rebates for the year.

The Company incurred non-rebateable transaction costs and establishment fees of $1,019,782 (2017: $2,864,553) for the year ended 30 June 2018. The impact of non-rebateable transaction costs and establishment fees to the Company during the year is reflected through the Company's net gains on financial assets held at fair value through profit or loss.

(b) Deferred rebates

	As at	
	30 June 2018 $'000	30 June 2017 $'000
Deferred rebates[11]	1,194	1,642
Total deferred rebates	**1,194**	**1,642**

ACCOUNTING POLICY

Rebate income

Rebate income is recognised when it is received or when the right to receive payment is established in accordance with the management services agreement.

Deferred rebates

Rebates are deferred and recorded as a liability where the rebate is invoiced in advance of the provision of the related investment services upon which the rebate is paid.

[10] Capitalised terms refer to definitions provided in the Company's prospectus which is available on the Company's website and the ASX.

[11] Deferred rebates to be realised within 12 months are $1,184,073 (2017: $1,475,055) and greater than 12 months are $10,290 (2017: $166,779).

NOTE 6. MANAGEMENT AND PERFORMANCE FEES

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

(a) Management fees

The Manager is entitled to be paid a management fee equal to 1.20% (excluding GST) of the Portfolio Net Asset Value per annum. The management fee is accrued monthly and paid within 14 days of the monthly Portfolio Net Asset Value of the Company being disclosed on the ASX.

During the 2018 Financial Year, the Company incurred $2,778,098 (2017: $2,125,548) of management fees, inclusive of the net impact of GST.

(b) Performance fees

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

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

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

Where:

P is the Performance Fee for the relevant month;
A is the Investment Return of the Portfolio for the relevant month;
B is the Hurdle Return for the relevant month; and
C is the Portfolio Net Asset Value at the end of the last day of the relevant month.

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

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

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

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

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

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

(vi) "Portfolio Market Value" means the fair value of investment assets of the Portfolio (including cash).

(vii) "Financial Year" means the period beginning 1 July and ending 30 June for the relevant year.

For the 2018 Financial Year, the Company did not incur a performance fee (2017: $1,162,072).

Notes to Financial Statements - continued

FOR THE YEAR ENDED 30 JUNE 2018

NOTE 7. EARNINGS PER SHARE

	Year ended	
	30 June 2018 $'000	30 June 2017 $'000
Profit after income tax	5,035	13,027
	Number	Number
Weighted average number of ordinary shares used in calculating basic and diluted earnings per share	197,670,241	154,438,648
	Cents	Cents
Basic and diluted earnings per share	2.55	8.44

ACCOUNTING POLICY

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

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

As the Company did not have any outstanding options during the year, basic and diluted earning per share are the same.

NOTE 8. OPERATING SEGMENTS

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

ACCOUNTING POLICY

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the CODM. The CODM is responsible for the allocation of resources to the segment and assessing its performance.

NOTE 9. TAXATION

(a) Reconciliation of income tax expense

	Year ended	
	30 June 2018 $'000	**30 June 2017 $'000**
Profit from ordinary activities before income tax	7,958	17,728
Tax at the Australian tax rate of 27.5% (2017: 30%)	2,189	5,319
Effect of change in tax rate	86	-
Tax effect amounts which are not taxable in calculating taxable income:		
Other non-deductible expenses	4	-
Income subject to foreign income tax offsets	(83)	-
Tax exempt income and losses	210	(75)
Franked distributions received and expected	517	(543)
Income tax expense	**2,923**	**4,701**
Represented by:		
Current tax	1,596	1,370
Deferred tax	1,327	3,331
Aggregate income tax expense	**2,923**	**4,701**

The applicable tax rate for the year was 27.5% (2017: 30%). The reduction in the applicable tax rate is due to changes in the corporate tax rate for the company. The 27.5% rate applies to the Company for the year ended 30 June 2018, on the basis its aggregated turnover is less than $25 million for the year.

(b) Breakdown of deferred tax balances

	Deferred tax asset 30 June 2018 $'000	**Deferred tax liability 30 June 2018 $'000**	**Deferred tax asset 30 June 2017 $'000**	**Deferred tax liability 30 June 2017 $'000**
Net unrealised losses/(gains) on investments	2,430	(6,846)	1,300	(5,220)
Equity raising costs	399	-	369	-
Other temporary differences	9	-	361	-
Accrued rebates	-	(1,418)	-	(1,203)
Total	**2,838**	**(8,264)**	**2,030**	**(6,423)**
Set-off against deferred tax liabilities pursuant to set-off provisions	(2,838)	2,838	(2,030)	2,030
Net deferred tax balances	**-**	**(5,426)**	**-**	**(4,393)**

Notes to Financial Statements - continued

FOR THE YEAR ENDED 30 JUNE 2018

(c) Movements in deferred tax balances

	Opening balance $'000	Credited/ (Charged) to profit or loss $'000	Credited/ (Charged) to equity $'000	Tax losses $'000	Closing balance $'000
2018					
Deferred tax assets	2,030	515	293	-	2,838
Deferred tax liabilities	(6,423)	(1,842)	-	-	(8,265)
2017					
Deferred tax assets	1,472	305	253	-	2,030
Deferred tax liabilities	(2,787)	(3,636)	-	-	(6,423)

(d) Current tax receivable

	As at	
	30 June 2018 $'000	30 June 2017 $'000
Current tax receivable	887	260
Total current tax receivable	**887**	**260**

ACCOUNTING POLICY

Income tax

The income tax expense or benefit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

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

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

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

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

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

Goods and Services Tax (GST)

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

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

Cash flows are presented on a gross basis.

Notes to Financial Statements - continued

FOR THE YEAR ENDED 30 JUNE 2018

Section 3: Capital and Financial Risk Management

NOTE 10. FINANCIAL RISK MANAGEMENT

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

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

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

(a) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

(i) Currency risk

To date, the Company is invested in eleven (2017: nine) assets which are either foreign currency denominated, or one or more assets of the investment trust are domiciled in an overseas jurisdiction. The Company has a foreign currency exposure totalling $30,404,677 (2017: $24,132,372). A 10% increase/(decrease) in the foreign currency exchange rate would result in an increase/(decrease) in the financial assets of $3,040,468 (2017: $2,413,237).

These investments represent 14.8% (2017: 12.9%) of the Company's investment portfolio and 12.9% (2017: 12.6%) of net assets, based on Australian dollar carrying values translated using the prevailing spot rate on 30 June 2018. As these assets are non-monetary assets, the foreign exchange risk is a component of price risk.

(ii) Price risk

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

The Company seeks to manage and constrain price risk by diversification of the investment portfolio across multiple investments and industry sectors. The portfolio is maintained by the Manager (refer to Note 14 – Related party transactions) within a range of parameters governing the levels of acceptable exposure to investments and asset classes.

The Company's asset class allocation as at 30 June 2018, and for the prior period, is below:

	2018 %	2017 %
Unlisted private equity funds	25.8	24.2
Unlisted private real estate funds	29.2	36.9
Unlisted real assets funds	31.7	28.2
Cash and cash equivalents	13.3	10.7
	100.0	**100.0**

Investments representing over 5% of the trading portfolio at 30 June 2018, and for the prior period, is below:

	2018 %	2017 %
Blue Sky Water Fund	18.7	14.8
Blue Sky Strategic Australian Agriculture Fund	6.5	7.1
	25.2	**21.9**

(iii) Cash flow and fair value interest risk

The Company is exposed to cash flow interest rate risk on financial instruments with variable interest rates. Financial instruments with fixed rates expose the Company to fair value interest rate risk. As at 30 June 2018 the cash at bank balance was $31,589,352 (2017: $22,491,956).

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

The Company does not have direct exposure to interest rate changes on the valuation and cash flows of its interest bearing assets and liabilities. However, it may be indirectly affected by the impact of interest rate changes on the earnings of certain funds in which the Company invests and by the impact on the valuation of certain assets that use interest rates as an input in their valuations.

(b) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The maximum exposure to credit risk at balance date, excluding the value of any collateral or other security, is the carrying amount of assets and trade receivables net of any provisions for impairment. The Company's maximum exposure to credit risk from trade receivables is $1,143,665 (2017: $2,623,762).

Customers with balances past due but without provision for impairment of trade receivables amount to $452,392 as at 30 June 2018 (2017: $600,532). The Company has determined that no impairment of other receivables is required.

The Company's cash and cash equivalents are all held with a tier 1 regulated Australian Authorised Deposit-Taking Institution with a credit rating at the time of publication of AA- / Aa3.

There are no amounts of collateral held as security at 30 June 2018 (2017: nil).

(c) Liquidity risk

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

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

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

The Board and the Manager have implemented a minimum cash requirement that is monitored on a monthly basis.

Refer to Note 16 for a summary of contractual maturities of the Company's financial liabilities.

d) Capital management

The Board and the Manager regularly ensure that the Company deploys its capital in an efficient manner into value creating investment strategies. The Company's primary objectives are to:

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

To achieve these objectives, the Board and Manager monitor the monthly NTA results, investment performance, the Company's expenses and daily share price movements.

On 26 May 2016, the Directors provided shareholders with guidance stating that the Company is committed to paying annual dividends targeting at least 4% of closing post-tax NTA for each financial year, franked to the highest extent possible, provided there is sufficient profit and cash flow to do so.

For the purpose of the Company's capital management, capital includes issued capital and all other equity reserves attributable to the equity holders of the Company as disclosed in the Statement of Changes in Equity.

NOTE 11. FAIR VALUE MEASUREMENT

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

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

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. They include quoted prices for similar assets or liabilities in active markets.

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

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

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
As at 30 June 2018				
Financial assets				
Unlisted private equity funds	-	-	61,155	61,155
Unlisted private real estate funds	-	-	68,841	68,841
Unlisted real assets funds	-	-	75,130	75,130
Total financial assets	-	-	**205,126**	**205,126**

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
As at 30 June 2017				
Financial assets				
Unlisted private equity funds	-	-	50,951	50,951
Unlisted private real estate funds	-	-	77,612	77,612
Unlisted real assets funds	-	-	59,224	59,224
Total financial assets	-	-	**187,787**	**187,787**

(i) Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include:

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

Notes to Financial Statements - continued

FOR THE YEAR ENDED 30 JUNE 2018

(ii) Valuation process

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

The value of assets in the Company's investment portfolio which are investments in closed-ended funds (typically private equity, private real estate and real assets funds not including the Blue Sky Water Fund) are reviewed by the Manager (or a related party thereof) at the end of each month. These values are reviewed by a qualified independent expert at least annually. In the event that the Manager believes there may have been a material change in the value of an asset in between the annual independent valuation reviews, an interim valuation is performed by the Manager. These valuations are used by the Manager to determine the relevant fund's net tangible assets and a unit price for each fund. For the period from investment until an asset is initially revalued, it is held at fair value of consideration paid less transactions costs.

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

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

(iii) Description of significant unobservable inputs to valuation

The significant unobservable inputs used in the fair value measurements categorised within Level 3 of the fair value hierarchy, together with a quantitative sensitivity analysis as at 30 June 2018 and 30 June 2017 are as shown on the following pages.

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

Sector	Valuation technique	Significant unobservable inputs	Range (weighted average)[12]	Sensitivity of the input to fair value
Healthcare, education and hospitality	Capitalisation of earnings or revenue	Operating earnings or revenue	2018: \$6.0–\$8.0 million 2017: \$7.0–\$9.0 million	10% (2017: 10%) increase / (decrease) in forecast revenue or operating earnings would result in an increase / (decrease) in fair value by \$3,657,000 (2017: \$3,558,000)
		Capitalisation multiple	2018: 6.0–8.0x 2017: 6.0–8.0x	1.0x (2017: 1.0x) increase / (decrease) in capitalisation multiple applied would result in an increase / (decrease) in fair value by \$5,100,000 (2017: \$5,140,000)
E-commerce and digital disruption	Capitalisation of earnings or revenue	Operating earnings or revenue	2018[13]: \$34.0–\$38.0 million 2017[13]: \$25.0–\$28.0 million	10% (2017: 10%) increase / (decrease) in forecast revenue or operating earnings would result in an increase / (decrease) in fair value by \$1,945,000 (2017: \$878,000)
		Capitalisation multiple	2018[14]: 2.0–4.0x 2017[14]: 3.0–5.0x	1.0x (2017: 1.0x) increase / (decrease) in capitalisation multiple applied would result in an increase / (decrease) in fair value by \$7,911,000 (2017: \$3,258,000)
Food and agriculture	Market approach*	Asset value	2018: \$30.0–\$34.0 million 2017: \$22.0–\$26.0 million	10% (2017: 10%) increase / (decrease) in the value of the assets would result in an increase / (decrease) of \$6,903,000 (2017: \$4,445,000)
Apartment and retirement living	Market approach	Net asset value	2018: \$0.5–\$1.0 million 2017: \$2.0–\$3.0 million	10% (2017: 10%) increase / (decrease) in the value of the net asset would result in an increase / (decrease) of \$179,000 (2017: \$1,263,000)
	Discounted cash flow	Discount rate	2018: 15–20% 2017: 10–18%	1% (2017: 1%) increase / (decrease) in the range of discount rates used would result in an increase / (decrease) of \$380,000 (2017: \$255,000)

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

13 Weighted average revenue and EBITDA range.

14 Weighted average revenue and EBITDA multiple range.

* Underlying assets held within the Blue Sky Water Fund are valued by an independent third party valuer based on observable market prices. These valuations are used by the fund administrator of the Blue Sky Water Fund to determine a unit price which is reviewed and approved by the Manager. The Blue Sky Water Fund does not have an observable market price (in contrast to assets held within these Funds) and as a result, these funds are recorded as Level 3 investments.

Segment	Valuation technique	Significant unobservable inputs	Range (weighted average)[12]	Sensitivity of the input to fair value
Student accommodation	Market approach	Net asset value	2018: n.a.[15] 2017: $21.0–$23.0 million	2018: n.a. 2017: 10% increase / (decrease) in the value of the net asset would result in an increase / (decrease) of $472,000
	Discounted cash flow	Discount rate	2018: 9–12% 2017: 11–14%	1% (2017: 1%) increase / (decrease) in the range of discount rates used would result in an increase / (decrease) of $2,732,000 (2017: $1,827,000)
Other	Market approach	Net asset value	2018: $3.0–$5.0 million 2017: $3.0–$5.0 million	10% (2017: 10%) increase / (decrease) in the net asset value would result in an increase / (decrease) of $1,007,000 (2017: $696,000)
	Capitalisation of earnings or revenue	Operating earnings or revenue	2018[13]: $20.0–$25.0 million 2017[13]: $5.0–$7.0 million	10% (2017: 10%) increase / (decrease) in forecast revenue or operating earnings would result in an increase / (decrease) in fair value by $693,000 (2017: $372,000)
		Capitalisation multiple	2018[14]: 2.0–5.0x 2017[14]: 0.5–2.5x	1.0x (2017: 1.0x) increase / (decrease) in capitalisation multiple applied would result in an increase / (decrease) in fair value by $6,842,000 (2017: $5,715,000)
	Discounted cash flow	Discount rate	2018: 12–15% 2017: 7–9%	1% (2017: 1%) increase / (decrease) in the range of discount rates used would result in an increase / (decrease) in fair value by $938,000 (2017: $360,000)

13 Weighted average revenue and EBITDA range.
14 Weighted average revenue and EBITDA multiple range.
15 Net asset value sensitised in 2017 and discount rate used in 2018.

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

	Unlisted private equity funds $'000	Unlisted private real estate funds $'000	Unlisted real assets funds $'000	Unlisted hedge funds $'000	Total $'000
For the year ended 30 June 2018					
Beginning balance	50,951	77,612	59,224	-	187,787
Purchase	18,838	14,018	9,235	-	42,091
Disposal	(7,903)	(19,902)	(330)	-	(28,135)
Net unrealised gain/(loss)	(802)	(3,369)	7,001	-	2,830
Net realised gain/(loss)	71	482	-	-	553
Ending balance	**61,155**	**68,841**	**75,130**	**-**	**205,126**

	Unlisted private equity funds $'000	Unlisted private real estate funds $'000	Unlisted real asset funds $'000	Unlisted hedge funds $'000	Total $'000
For the year ended 30 June 2017					
Beginning balance	31,898	52,970	43,720	5,402	133,990
Purchase	22,824	24,610	27,000	-	74,434
Disposal	(7,167)	(8,593)	(11,721)	(5,146)	(32,627)
Net unrealised gain/(loss)	479	7,231	(1,852)	-	5,858
Net realised gain/(loss)	2,917	1,394	2,077	(256)	6,132
Ending balance	**50,951**	**77,612**	**59,224**	**-**	**187,787**

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

Notes to Financial Statements - continued

FOR THE YEAR ENDED 30 JUNE 2018

Financial assets held at fair value through profit and loss

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

	As at	
	30 June 2018 $'000	30 June 2017 $'000
Within 12 months of the reporting period		
Unlisted private equity funds	9,094	5,470
Unlisted private real estate funds	19,131	5,145
Unlisted real assets funds	6,554	6,542
	34,779	17,157
More than 12 months of the reporting period		
Unlisted private equity funds	52,061	45,481
Unlisted private real estate funds	49,710	72,467
Unlisted real assets funds	68,576	52,682
	170,347	170,630
Total financial assets held at fair value through profit and loss	**205,126**	**187,787**

ACCOUNTING POLICY

AASB 10 Consolidated Financial Statements requires that the Company consolidate any investees that it is considered to control during the financial year from the date that control was obtained. However, as the Company meets the definition of an investment entity under AASB 10 and displays the typical characteristics of an investment entity specified in the Standard, the investments in any controlled investees have been accounted for in accordance with AASB 139 Financial Instruments at fair value through profit or loss.

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

Classification

Financial instruments at fair value through profit or loss upon initial recognition
These include financial assets that are held for trading purposes and which may be sold. These are investments in unlisted unit trusts.

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

Recognition and de-recognition
The Company recognises financial assets on the date it becomes party to the contractual agreement (trade date). Changes in the fair value of the financial assets or financial liabilities are recognised from this date.

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

Measurement – Financial assets held at fair value through profit or loss
At initial recognition, the Company measures a financial asset at its fair value.

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

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

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

Notes to Financial Statements - continued

FOR THE YEAR ENDED 30 JUNE 2018

NOTE 12. DIVIDENDS

	As at	
	30 June 2018 $'000	30 June 2017 $'000
Cash dividends to the equity holders		
Dividends on ordinary shares declared and paid:		
FY17 Final Dividend: 4.0 cents per share fully franked (2016: 5.0 cents)	6,846	6,396
FY18 Interim Dividend: 1.0 cent per share fully franked (2017: 1.0 cent)	2,144	1,710
Total dividends on ordinary shares declared and paid	**8,990**	**8,106**
Proposed dividends on ordinary shares:		
FY18 Final Dividend: 4.0 cents per share (2017: 4.0 cents)	**8,378**	**6,846**

Proposed dividends declared subsequent to year end are not recognised as a liability at 30 June 2018.

Franking account

	As at	
	30 June 2018 $'000	30 June 2017 $'000
Balance as at the end of the financial year	14	1,460
Franking credits that will arise from the payment/(refund) of income tax based on a tax rate of 27.5% (2017: 30%)	(887)	(260)
Franking credits available for subsequent financial years	(873)	1,200
Franking credits that will be used from the payment of dividends declared subsequent to the reporting date at 27.5% (2017: 30%)	(2,066)	(2,934)
Balance as at the end of the financial year	**(2,939)**	**(1,734)**

In relation to the above franking credit deficit, it is anticipated that through forecasted FY19 exits this will be brought back to at least nil on or before 30 June 2019 as tax instalments are paid throughout FY19.

NOTE 13. SHARE CAPITAL

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

	Number of shares	$'000
Opening balance as at 1 July 2017	171,146,681	172,539
Shares Issued: Dividend Reinvestment Plan	529,010	613
Shares cancelled: Share buyback	(3,526,071)	(2,800)
Shares Issued: Entitlement Offer	42,888,799	48,893
Total	**211,038,419**	**219,245**

Less costs directly attributable to shares issued:

	Gross (net of GST) $'000	Deferred tax asset $'000	Net $'000
Transaction costs:			
Joint lead manager, broker fees and other expenses	(976)	291	(685)
	(976)	**291**	**(685)**
Closing balance at 30 June 2018			**218,560**

Movements in share capital during the prior period are set out below:

	Number of shares	$'000
Opening balance as at 1 July 2016 (net of fundraising costs)	127,924,870	125,558
Shares Issued: Dividend Reinvestment Plan	462,530	538
Shares Issued: Entitlement Offer	42,759,281	47,035
Total	**171,146,681**	**173,131**

Less costs directly attributable to shares issued:

	Gross (net of GST) $'000	Deferred tax asset $'000	Net $'000
Transaction costs:			
Joint lead manager, broker fees and other expenses	(845)	253	(592)
	(845)	**253**	**(592)**
Closing balance at 30 June 2017			**172,539**

ACCOUNTING POLICY

Ordinary shares are classified as equity.

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

Section 4: Other

NOTE 14. RELATED PARTY TRANSACTIONS

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

(a) The compensation arrangements with the Directors (refer to Directors' remuneration on this page);

(b) The interests in the Company held directly or indirectly by the Directors (refer to Shareholdings of Directors on the following page);

(c) The Management Services Agreement between the Company and the Manager (refer to Note 6); and

(d) Investments in unlisted funds (refer to Note 11) managed by wholly owned subsidiaries of Blue Sky.

Directors' remuneration

The Directors' remuneration, inclusive of GST and compulsory superannuation where applicable, incurred during the current and prior period, is as set out on this page:

Director	Position	Salary $'000	Superannuation $'000	Total $'000
Andrew Champion[16]				
2018	Executive Chairman	-	-	-
2017		-	-	-
Paul Masi				
2018	Independent Director	50	5	55
2017		55	-	55
Michael Cottier[17]				
2018	Independent Director	55	5	60
2017		20	2	22
Lazarus Siapantas				
2018	Executive Director	-	-	-
2017		-	-	-
Lachlan McMurdo[18]				
2018	Executive Director/Resigned	-	-	-
2017		-	-	-
John Kain[16]				
2018	Chairman/Resigned	-	-	-
2017		35	-	35
Philip Hennessy[19]				
2018	Director/Resigned	-	-	-
2017		50	5	55
Total				
2018		105	10	115
2017		160	7	167

During the 2018 Financial Year, the Executive Directors were employees of Blue Sky and did not receive any remuneration from the Company. Andrew Champion and Lazarus Siapantus are Executive Directors of the Company.

[16] On 18 November 2016, Mr John Kain resigned as Director and Chairman of the Company and Mr Andrew Champion was appointed as Executive Chairman.
[17] On 17 February 2017, Mr Michael Cottier was appointed as a Director of the Company.
[18] On 20 September 2016, Mr Lachlan McMurdo was appointed as a Director of the Company. On 29 April 2018, Mr Lachlan McMurdo resigned as a Director of the Company.
[19] On 31 May 2017, Mr Philip Hennessy resigned as a Director of the Company.

Shareholdings of Directors

As at 30 June 2018, shares issued by the Company and held by the Directors and their related entities are set out below:

Director	Opening balance (Number of shares)	Net number of shares acquired	Net number of shares disposed	Closing balance (number of shares)
Paul Masi[20]	500,001	100,000	-	600,001
Michael Cottier	-	-	-	-
Andrew Champion[21]	350,000	87,500	-	437,500
Lazarus Siapantas[20]	40,000	10,000	-	50,000
Lachlan McMurdo	-	-	-	-

NOTE 15. OTHER ASSETS

	As at	
	30 June 2018 $'000	30 June 2017 $'000
Prepayments	92	277
Accrued Performance Fee Rebates[22]	4,793	4,012
Total other assets	**4,885**	**4,289**

ACCOUNTING POLICY

Prepayments

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

Performance fee rebates

Performance fees are recognised within the Company's financial assets held at FVTPL when the financial performance outcomes in relation to funds managed by the Manager are highly probable and can be reliably measured. The Company records its a performance fee rebate when these conditions are met in accordance with the Management Services Agreement.

20 Shares are held indirectly

21 Shares are held directly

22 Accrued performance fee rebates are anticipated to be received as follows: balances due within 12 months $2,071,492 (2017: $667,884) and greater than 12 months $2,722,003 (2017: $3,343,634)

Notes to Financial Statements - continued

FOR THE YEAR ENDED 30 JUNE 2018

NOTE 16. TRADE AND OTHER PAYABLES

	As at 30 June 2018 $'000	As at 30 June 2017 $'000
Trade payables	279	8
Uncalled capital commitments[23]	2,850	18,301
Other payables	7	150
Accrued expenses	333	1,396
Total trade and other payables	**3,469**	**19,855**

Maturities of financial liabilities

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

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

Contractual maturities of financial liabilities	At call $'000	1 year or less $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Total contractual undiscounted cash flows $'000
At 30 June 2018						
Uncalled capital commitments	2,850	-	-	-	-	2,850
Trade and other payables	-	286	-	-	-	286
Total	**2,850**	**286**	**-**	**-**	**-**	**3,136**

Contractual maturities of financial liabilities	At call $'000	1 year or less $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Total contractual undiscounted cash flows $'000
At 30 June 2017	$'000	$'000	$'000	$'000	$'000	$'000
Uncalled capital commitments	18,301	-	-	-	-	18,301
Trade and other payables	-	158	-	-	-	158
Total	**18,301**	**158**	**-**	**-**	**-**	**18,459**

ACCOUNTING POLICY

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

Uncalled capital commitments represent contractual obligations on units issued for investments managed on a defined call structure.

[23] The Company has made a $15.0 million commitment into the Blue Sky Strategic Australian Agriculture Fund to be called progressively over a three year investment period, of which $2.25 million remains uncalled at 30 June 2018. The remaining $0.6 million in uncalled capital commitments relate to other investments on a defined call structure and managed by wholly owned subsidiaries of Blue Sky.

NOTE 17. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of cash flows from operating activities

	Year ended	
	30 June 2018 $'000	**30 June 2017 $'000**
Profit after income tax expense for the year	5,035	13,027
Non-cash adjustments to reconcile profit after tax to net cash flows from operations:		
Net gains on financial assets held at fair value through profit and loss	(3,383)	(11,872)
Changes in assets and liabilities during the financial year:		
(Increase)/decrease in trade and other receivables	1,394	(1,143)
(Increase)/decrease in other operating assets	(596)	(740)
Increase/(decrease) in trade and other payables[24]	(643)	(72)
Increase/(decrease) in income tax provision	(627)	(2,469)
Increase/(decrease) in deferred taxes	1,033	3,332
Increase/(decrease) in deferred rebates	(448)	715
Net cash flows from operating activities	**1,765**	**778**

(b) Cash and cash equivalents

	As at	
	30 June 2018 $'000	**30 June 2017 $'000**
Cash at bank	31,589	22,492
Total Cash and cash equivalents	**31,589**	**22,492**

ACCOUNTING POLICY

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.

[24] Excludes movements in uncalled capital commitments as these do not relate to cash flows from operating activities.

Notes to Financial Statements - continued

FOR THE YEAR ENDED 30 JUNE 2018

NOTE 18. REMUNERATION OF AUDITORS

During the year, the following fees were paid or payable for services provided by the auditor, Ernst & Young, of the Company and its related practice.

	Year ended	
	30 June 2018 $'000	30 June 2017 $'000
Audit and other assurance services		
Audit and review of financial report	145,200	121,000
Other assurance services	14,300	18,700
Total remuneration for audit and other assurance services	**159,500**	**139,700**
Other non-audit services		
Other advisory services	33,000	11,550
Total remuneration for other non-audit services	**33,000**	**11,550**
Total remuneration of Ernst & Young	**192,500**	**151,250**

The statutory audit requirements for the Company vary from year to year and can have an impact on the level of audit fees. The Company may decide to engage the auditor on other non-audit assignments in addition to their statutory audit duties where the auditor's expertise and experience with the Company is important.

The majority of non-audit fees in FY18 relate to consulting services provided for the 1 for 4 non-renounceable entitlement offer. The auditor has provided an independence declaration and the Audit and Risk Committee is satisfied that the work performed on other non-audit services was conducted by a team separate from the audit team and does not impact the independence of the auditor.

NOTE 19. EVENTS SUBSEQUENT TO REPORTING DATE

Adjustments to June NTA have been adopted in the financial statements in relation to the carrying value of four closed ended investment funds. In total this has resulted in a 0.7% reduction in pre-tax NTA for 30 June 2018, from $1.1377 per share in the June NTA report to $1.1299 per share in the FY18 financial statements.

The carrying value of venture capital investments Shoes of Prey and THR1VE (to which BAF has an investment via VC2014) have both been written down following receipt of additional information in relation to their liquidity profile. In addition Student Accommodation Fund 4 and 441 Ninth Avenue within the private real estate portfolio have been reduced and increased respectively following the receipt of finalised independent valuations.

As announced on 24 August 2018, the Alternatives Fund's investment in five retirement living projects have been contracted for sale. Once settled this sale is expected to result in an aggregate 15% IRR and a 1.25x return on invested capital to BAF across these funds, representing a 1% discount to aggregate carrying value. This secures the Alternatives Fund's exit of all its investments in retirement living.

On 30 August 2018, the Directors resolved to pay a final dividend of 4.0 cents per share in relation to the 2018 financial year. Franked to 65% at a 27.5% corporate income tax rate, the record date for this dividend will be 10 September 2018 and the payment date will be 24 September 2018. The Company's Dividend Reinvestment Plan (DRP) will be deferred in relation to this dividend given BAF's share price is trading at a significant discount to NTA.

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

Directors' Declaration

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

1. the financial statements and notes, as set out on pages 17 to 49, are in accordance with the *Corporation Act 2001(Cth)* 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; and

    (b) give a true and fair view of the entity's financial position as at 30 June 2018 and of the performance for the year ended on that date of the Company;

2. in the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
3. the Directors have been given the declarations required by section 295A of the *Corporations Act 2001* from the Chief Financial Officer and Interim Managing Director of the Manager.

On behalf of the Directors

Andrew Champion
Executive Chairman

30 August 2018
Sydney

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Independent Auditor's Report to the Members of Blue Sky Alternatives Access Fund Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Blue Sky Alternatives Access Fund Limited (the Company), which comprises the statement of financial position as at 30 June 2018, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Company is in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the Company's financial position as at 30 June 2018 and of its financial performance for the year ended on that date; and

b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

Building a better working world

Valuation of investments

Why significant	How our audit addressed the key audit matter
As described in Note 11 of the financial report the Company is an investment entity which impacts the basis of accounting for its investments. The Company invests in a diverse range of alternative assets through its investments in unlisted funds. All of its investments are recorded at fair value using a number of valuation techniques including market approaches, capitalisation of earnings or revenue, and discounted cash flows. The valuation process involves significant judgment as there are no observable market inputs for use in valuing the type of investments held by the Company. The Company uses internal and external valuation experts to assist in determining the appropriateness of fair values. Due to the significant judgments involved, the valuation experts generally provide a range of estimated values, which the Directors consider in determining fair value. Accordingly, this was considered a key audit matter.	We assessed whether the Company met the criteria to be considered an investment entity, set out in Australian Accounting Standards, to determine whether the accounting policies in respect of investments as described in Note 11 of the financial report, were appropriate. We selected a sample of the Company's investments and performed the following procedures in respect of the determination of fair value: ▸ Considered the financial performance and position of the investee by examining the underlying financial reports of the investees where available. ▸ Examined the internal valuations and the work of the external valuation experts engaged by the Company. ▸ Assessed the qualifications, competence and objectivity of the Company's internal and external valuation experts. ▸ Where we considered it necessary, we involved our valuation specialists to assess the valuation methodology and key assumptions used in the valuation of the investment including forecast earnings and cash flows, discount rates, capitalisation rates, and valuation multiples. ▸ Agreed historical and forecast earnings and cash flows used (as applicable) in the valuations to actual results and Board approved forecasts and tested the mathematical accuracy of the fair value calculations. ▸ Assessed the reasonableness of forecasted earnings and cash flows, and evaluated the accuracy of forecasts prepared by the investee entities, by comparing previous forecasts to actual results. We assessed the whether the disclosures in Note 11 of the financial report were adequate based on the requirements of Australian Accounting Standards.

Information Other than the Financial Report and Auditor’s Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Company’s 2018 Annual Report other than the financial report and our auditor’s report thereon. We obtained the Directors’ Report and the Corporate Governance Statement that are to be included in the Annual Report, prior to the date of this auditor’s report, and we expect to obtain the remaining sections of the Annual Report after the date of this auditor’s report.

Our opinion on the financial report does not cover the other information and we do not and will not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor’s report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors 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 control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company’s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

Report on the Audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Blue Sky Alternatives Access Fund Limited for the year ended 30 June 2018, complies with section 300A of the Corporations Act 2001.

Responsibilities

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.

Ernst & Young

Ernst & Young

Mike Reid
Partner
Brisbane
30 August 2018

Supplementary Information

The following information is current as at 30 September 2018:

a. Distribution of Shareholders

Holding	Ordinary Shares
1 - 1,000	79,303
1,001 - 5,000	1,838,162
5,001 - 10,000	5,847,678
10,001 - 50,000	61,373,420
50,001 to 100,000	32,616,663
100,001 and over	106,943,671
	208,698,897

b. There are 137 holders of less than a marketable parcel of ordinary shares.

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

Name	Number of Ordinary Fully Paid Shares	% of Issued Ordinary Capital Held
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	24,308,269	11.7%
BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD DRP	13,400,324	6.4%

d. Voting Rights

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

Ordinary shares

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

Supplementary Information - continued

a. 20 Largest Shareholders – Ordinary Shares

Name	Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	24,308,269	11.65
BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD DRP	13,400,324	6.42
CS THIRD NOMINEES PTY LIMITED	6,403,730	3.07
NAVIGATOR AUSTRALIA LTD	2,214,251	1.06
NATIONAL NOMINEES LIMITED	2,062,654	0.99
CITICORP NOMINEES PTY LIMITED	1,914,425	0.92
NETWEALTH INVESTMENTS LIMITED	1,903,333	0.91
NETWEALTH INVESTMENTS LIMITED	1,676,711	0.80
KING NOMINEES (VIC) PTY LTD	1,388,889	0.67
BAHRAIN INVESTMENTS PTY LTD	1,333,334	0.64
SLUMP INVESTMENTS PTY LTD	1,005,117	0.48
CHARANDA NOMINEE COMPANY PTY LTD	937,963	0.45
IOOF INVESTMENT MANAGEMENT LIMITED	922,698	0.44
BLUE SKY ALTERNATIVES ACCESS FUND LIMITED	886,406	0.42
MALCOLM HOLDINGS PTY LIMITED	875,000	0.42
CHARMSEAT PTY LTD	875,000	0.42
AUSTRALIAN EXECUTOR TRUSTEES LIMITED	692,589	0.33
MR MICHAEL GREGORY PETERSON & MS SAMANTHA ANNE WAKE	650,000	0.31
PABASA PTY LTD	620,000	0.30
ERAMU PTY LTD	600,000	0.29
ROSYABBEY PTY LIMITED	581,438	0.28

b. Use of Cash

For the period 1 July 2017 to 30 June 2018, the Company and its controlled entities used its cash in a manner consistent with its business objectives.

Corporate Directory

The following information is current as at 30 September 2018:

DIRECTORS

Andrew Champion
Paul Masi
Michael Cottier
Lazarus Siapantas

JOINT COMPANY SECRETARIES

Jane Prior
Leyya Taylor

REGISTERED OFFICE

Suite 2202, Level 22 Australia Square
264–278 George Street
Sydney NSW 2000

SHARE REGISTRY

Link Market Services Limited
Level 21, 10 Eagle Street
Brisbane QLD 4000

AUDITOR

Ernst & Young
111 Eagle Street
Brisbane QLD 4000

STOCK EXCHANGE LISTINGS

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

WEBSITE

www.blueskyfunds.com.au/alternativesfund

BlueSky
Alternatives
Access Fund

Blue Sky Alternatives Access Fund Limited

www.blueskyfunds.com.au/alternativesfund