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# Annual Report

For the year ended 30 June 2019

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## **Blue Sky Alternatives Access Fund Limited**

Suite A, Level 10, Brisbane Club Tower  
241 Adelaide Street  
Brisbane QLD 4000

# Directors' Report

The Directors present their report for Blue Sky Alternatives Access Fund Limited (the 'Company' or the 'Alternatives Fund') for the 2019 Financial Year ('FY19').

## 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. Changes in Board composition during the year are further explained in this report under the heading "Significant changes in the state of affairs."

Michael Cottier	Independent Non-Executive Chair*
Kym Evans	Independent Non-Executive Director, Appointed: 29 November 2018
John Baillie	Independent Non-Executive Director, Appointed: 29 November 2018
Miles Staude	Non-Executive Director, Appointed: 28 June 2019
Andrew Champion	Executive Director*, Retired: 29 November 2018
Paul Masi	Independent Non-Executive Chair*, Retired: 29 November 2018
Peter Wade	Independent Non-Executive Director, Appointed: 4 October 2018, Retired: 29 November 2018
Lazarus Siapantas	Executive Director, Resigned: 16 November 2018

\* Mr Andrew Champion retired as Board Chair and was replaced by Mr Paul Masi on 26 October 2018. On 29 November 2018, Mr Paul Masi retired as Board Chair and was replaced by Mr Michael Cottier.

## ABOUT THE COMPANY

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

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

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

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

BSAAF Management Pty Limited (the 'Manager' or 'BSAAF') is the manager of the Alternatives Fund.

## 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 private market alternative assets.

# Directors' Report - continued

## OBJECTIVES OF THE COMPANY

### Deployment of capital and portfolio weighting

\$9.0 million (2018: \$57.5 million) of capital was deployed in FY19. This investment was additional capital contributed to the Strategic Australian Agriculture Fund; an existing Real Assets fund. The total number of investments in the portfolio at the end of FY19 was 42 (2018: 49). The Alternatives Fund's portfolio allocations at 30 June 2019 are as follows:

Asset Class	Weighting at 30 June 2019	Investments held at fair value
<b>Private equity</b>	25.6%	\$45.1 million in 15 single asset growth capital funds \$12.8 million in 5 single asset venture capital funds and 1 multi-asset fund
<b>Private real estate</b>	22.0%	\$30.2 million in 7 purpose-built student accommodation assets (8 funds) \$3.0 million in 4 residential developments, 3 of which are partially exited or have settlements pending \$11.6 million in 2 New York commercial real estate projects in joint venture with Cove Property Group \$4.9 million in 2 income-generating commercial properties
<b>Real assets</b>	39.3%	\$51.9 million in the Water Fund \$8.9 million in 2 operating agribusiness assets and 1 renewables asset \$28.0 million in the Strategic Australian Agriculture Fund
<b>Cash</b>	13.1%	\$29.7 million*

\* Includes capital to fund the remaining \$3.25 million of the \$25.0 million commitment to the Strategic Australian Agriculture Fund, which is to be called progressively over three years from July 2017 to June 2020.

### Results and investment performance

Profit from ordinary activities after income tax was \$6.71 million in FY19 (2018: \$5.04 million). Earnings per share ('EPS') for the period was 3.27 cents per share (2018: 2.55 cents per share).

The Company's portfolio delivered a pre-tax fund performance of 4.75% (2018: 5.05%) (including movement in NTA, dividends, franking credits and the impact of the share buy-back program) for FY19. Pre-tax NTA decreased by \$0.0100 from \$1.1299 per share at 30 June 2018 to \$1.1199 per share at 30 June 2019, after paying dividends (franked to 65%) of 4.0 cents per share in September 2018 and 1.0 cent per share in March 2019. The on-market share buy-back program had a positive impact of \$0.0129 on pre-tax NTA per share.

Overall investment performance for the year was disappointing. Whilst the Blue Sky Water Fund performed strongly, the closed-ended funds in all asset classes, did not meet expectations.

Seven closed-end funds were exited, or substantially exited with only residual amounts remaining. The track record of strong exits continues, with total closed-ended investment fund exits to date delivering the Alternatives Fund a weighted average internal rate of return ('IRR') of 18% per annum since inception<sup>1</sup>. The sale of Gundaline Station in December 2018 resulted in an IRR of 11% and represented the substantial exit from the Agriculture Fund. The sale of the retirement living investments in October 2018 realised IRRs of 12%-20%. For FY19, the Company received proceeds of \$24.2 million from the realisation of closed-end fund investments and \$4.4 million in distributions.

There was a significant increase in expenses during the year driven by the events impacting the wider Blue Sky group. External audit fees increased substantially due to the impact of Blue Sky Alternative Investments Limited (Administrators appointed) (Receivers and Managers appointed) (ASX:BLA) ('BLA') going into receivership and having its reporting obligations deferred. In prior periods, BLA had its accounts audited and the Company was able to leverage this work and as a result paid a reduced audit fee. Directors and Officers ('D&O') insurance premiums increased primarily due to the increased risk profile surrounding the Blue Sky group, and also due to hardening domestic and global D&O insurance markets. Legal and other professional fees also increased considerably as the Board required extensive legal advice and other services in relation to the many events impacting BLA, the rights and obligations under the exclusive management services between the Company and BSAAF ('MSA') and the process to select and appoint a replacement manager, including commissioning an independent expert's report and convening an extraordinary general meeting.

<sup>1</sup> 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.

## Outlook

We expect further asset realisations in FY20 as the portfolio continues to mature; we also anticipate growth in NTA from distribution income. A summary of the portfolio can be found on page 53. At 30 June 2019, 19 of the Company's 42 investments were carried under the Alternative Fund's valuation policy at \$1 or less for each \$1 invested, with a further 8 carried between \$1.01 - \$1.20 and 15 investments held at values in excess of \$1.21.

## CAPITAL MANAGEMENT PROGRAM

In FY19, the Company acquired 10,013,194 shares, representing 4.7% of securities on issue at the beginning of the period, through its continuing on-market share buy-back program. The shares were purchased at an average price of \$0.8448 for a total investment of \$8.5 million. The acquisition of these shares at a 14% to 36% discount to NTA had a positive impact of \$0.0129 per share to pre-tax NTA. The buy-back program was renewed for an additional 12 months on 16 May 2019.

From commencement of the on-market share buy-back program in May 2018 through to 30 June 2019, 13,539,265 shares have been purchased for a total investment of \$11.3 million. The Directors intend that the program will remain in place whilst the Company's shares trade at a material discount to NTA.

## DIVIDENDS

On 30 August 2019, the Directors resolved to pay a final dividend of 4.0 cents per share in relation to FY19. Franked to 65% at a 27.5% corporate income tax rate, the record date for this dividend is 11 September 2019 and the payment date is 25 September 2019. A provision for this dividend has not been recognised in the FY19 Financial Statements.

## EARNINGS PER SHARE

	30 June 2019 Cents	30 June 2018 Cents
Basic and diluted earnings per share	3.27	2.55

## SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

At the Company's annual general meeting in November 2018 ('2018 AGM'), a majority of votes were cast against the re-election of Independent Directors Mr Paul Masi and Mr Peter Wade. This combined with the decision by the former Executive Chair Mr Andrew Champion to not stand for re-election, led to a restructure of the Board of Directors ('Board'). Current Independent Directors, Mr Kym Evans and Mr John Baillie were appointed, and Mr Michael Cottier was appointed to the role of Independent Chair. The Directors appointed Mr Miles Staude as a Non-Executive Director on 28 June 2019. The Board and each sub-committee are comprised of a majority of Independent Directors.

Shareholders voted against the Company's FY18 remuneration report and the proposed increase to the total annual non-executive directors' fee pool at the 2018 AGM. Following the 2018 AGM, Directors' remuneration was decreased so that the Company did not breach the current shareholder approved limit of \$140,000 per annum given that additional non-executive directors have been appointed to the Board.

On 20 May 2019, the parent company of the Manager, BLA announced that voluntary administrators and receivers and managers had been appointed to it by Oaktree Capital Partners, L.P. ('Oaktree'). In FY19 all investments held by the Company were directly managed by wholly owned subsidiaries of BLA. No external administrators have been appointed to the Manager or any other subsidiary of BLA. The Board continues to be engaged in extensive discussions and activities, including receiving professional advice to ensure the interests of the Company are adequately protected.

In FY19, the Company has continued to see its share price trade significantly below the NTA of the Company, albeit in a more stable range. In order to address this, the Company has implemented a range of decisions throughout the year including the continuation of the share buy-back program. The Board has also worked with the Manager and service providers to significantly strengthen and improve the investment valuation process, including the appointment of a new lead independent valuer, streamlining processes, and increasing the transparency of the valuation process supporting individual asset values.

# Directors' Report - continued

## *MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR*

Adjustments to June NTA have been adopted in the financial statements in relation to the carrying value of seven closed-end funds. In total this has resulted in a 1.3% reduction in pre-tax NTA for 30 June 2019, from \$1.1343 per share in the June NTA report to \$1.1199 per share in the FY19 Financial Statements.

The carrying value of four closed-end funds were reduced and three closed-end funds were increased following the receipt of finalised independent valuations or independent valuation reviews.

On 30 August 2019, the Directors resolved to pay a final dividend of 4.0 cents per share in relation to FY19. Franked to 65% at a 27.5% corporate income tax rate, the record date for this dividend is 11 September 2019 and the payment date is 25 September 2019. A provision for this dividend has not been recognised in the FY19 Financial Statements.

The Company's Dividend Reinvestment Plan ('DRP') will continue to be deferred, including in relation to the FY19 final dividend given that the Company's share price is trading at a significant discount to NTA.

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

## *LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS*

The Board remains committed to delivering optimal outcomes for shareholders.

Consideration continues to be given to a range of possible options, including termination of the MSA, other possible actions under the MSA and an orderly wind-down of the Company and return of capital to shareholders.

As part of those considerations of possible options, discussions have been ongoing between the Company and BSAAF on a without prejudice basis. BSAAF's interests in these discussions have been represented by KordaMentha in their capacity as receivers and managers of BLA. Oaktree has also been directly involved in these discussions.

Since 20 May 2019, the Chair of the Company, as well as Oaktree and KordaMentha, have received a number of approaches from organisations interested in becoming the Alternatives Fund's investment manager. The Directors continue to believe that it is in the best interests of all shareholders for an orderly replacement manager transition to occur. In pursuit of this objective, the Company, KordaMentha and Oaktree have commenced a new replacement manager process under which KordaMentha has issued a request for proposal seeking proposals from five pre-selected candidates to replace BSAAF as manager of the Alternatives Fund.

The Board had been increasingly concerned by events affecting BLA during the second half of FY19. These concerns were heightened by the BLA announcement on 9 May 2019 confirming that BLA was in breach of a covenant under the convertible note facility with Oaktree and the subsequent announcement on 10 May 2019 that BLA was ceasing negotiations with Wilson Asset Management (International) Pty Limited in relation to the transfer of the management rights for the Company. Given these concerns, the Board made changes to the Company's banking transaction authorisation arrangements which were effective on 13 May 2019.

In addition to any alternate proposals that may be submitted, the proposal from Wilson Asset Management (International) Pty Limited remains current and this proposal has automatically been included in the process.

The selected candidates will be given a short period to submit proposals and following that period the Company will select one preferred replacement manager candidate to enter into a short period of exclusive due diligence. During this time definitive legal documents will be signed and documents prepared to present the selected replacement manager arrangements to an extraordinary general meeting of shareholders expected to occur in Q4 2019, or as soon as possible thereafter. In the event that BSAAF does not support this proposal, then the Company will explore other options as outlined above.

In anticipation of the commencement of the replacement manager process, the Board has, after an interview process involving several candidates, selected qualified independent advisors to assist the Board in evaluating the range of replacement manager proposals expected to be received.

We have expressly reserved all our legal rights and will continue to do so pending successful completion of the replacement manager process.

We believe that once the replacement manager process has successfully completed the investment case for the Company will begin to normalise and the Board and its new lead manager will work to significantly reduce the discount to NTA which the current BAF share price presently experiences.

## *ENVIRONMENTAL REGULATION*

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

## INFORMATION ON DIRECTORS

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### Michael Cottier Independent Non-Executive Chair (appointed 17 February 2017)

Michael is currently an independent non-executive director of three other non-listed entities, two of which are in financial services. 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.

Prior to this, Michael was Head of Finance and Tax at Suncorp Metway Ltd.

In these roles, Michael served as an Executive Director on over 40 boards of QSuper, QIC and Suncorp Group subsidiary companies.

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, Chartered Accountants Australia and New Zealand and CPA Australia.

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

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### Kym Evans Independent Non-Executive Director (appointed 29 November 2018)

Kym has over 30 years' experience in legal risk and general management roles.

Kym was a private practice lawyer for 10 years including 7 years with Allens. He had a further 10 years' experience as in-house counsel with HBOS Australia, Nortel Networks, Arnott's Biscuits and Flexirent Capital. Kym also performed management roles at BankWest (Head of Customer Projects Commercial and Business Division), Nortel Networks Australia (General Manager-Business Operations) and Flexirent Capital (General Manager Corporate Services). More recently he held a role as a senior consultant at Control Risk looking after account management and business development for Control Risks' three practice areas of political risk consulting, integrity risk consulting and security risk consulting.

Kym holds a Bachelor of Law. He has also completed the New York Bar Exam and the Harvard Business School General Management Program.

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

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### John Baillie Independent Non-Executive Director (appointed 29 November 2018)

John has over 25 years' experience in financial services, including wealth management, corporate advisory, investor relations and private equity capital raisings.

John was a Senior Investment Advisor with Shaw and Partners (formerly Shaw Stockbroking) for 22 years, with an emphasis on portfolio management, trading and private equity capital raisings. In 2015 John established JB & Partners Corporate Advisory that specialises in strategic advice and succession planning for private companies; particularly family businesses. John has advised in a diverse range of industries, including financial services (particularly AFSL issues), FMCG companies, eCommerce and the funeral industry.

John is currently Chair of Seneca Financial Solutions and non-executive director of a number of private companies. He is a Graduate Member of the Australian Institute of Company Directors and holds a Graduate Diploma (Securities) from the Securities Institute of Australia.

Other current Directorships of listed entities:	DXN Ltd (ASX:DXN) - Non-Executive Director
Former Directorships of listed entities (in the last 3 years):	None
Interests in shares:	15,000 shares

# Directors' Report - continued

## Miles Staude Non-Executive Director

(appointed 28 June 2019)

Miles has over 18 years' experience working in capital markets across a range of senior roles.

Under the regulatory licences of Mirabella Financial Services LLP, Miles acts as the portfolio manager of Global Value Fund Limited (ASX:GVF) ('GVF') which is a substantial shareholder in the Company.

In his role as portfolio manager of GVF, Miles has overall responsibility for the GVF portfolio management team's trading and investment activities. Miles also serves as a director on the GVF board.

Miles spent ten years as a portfolio manager and investment analyst at Metage Capital, a London based investment management firm. Before joining Metage he spent five years as a sell-side equity analyst at RBC Capital Markets, based in both Sydney and London.

Other current Directorships of listed entities:

Global Value Fund Limited (ASX: GVF) - Non-Executive Director  
None

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

Interests in shares:

10,868,143 shares - shares are held by GVF, of which Mr Miles Staude is a Director and portfolio manager under the regulatory licences of Mirabella Financial Services LP.

## COMPANY SECRETARY

### Jane Prior

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

## MEETINGS OF DIRECTORS

The number of meetings of the Company's Board and of each Board committee held for the year ended 30 June 2019 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
Michael Cottier <sup>2</sup>	26	26	5	5	2	2
Kym Evans <sup>2</sup>	13	13	3	3	2	2
John Baillie <sup>2</sup>	13	13	3	3	2	2
Miles Staude <sup>3</sup>	-	-	-	-	-	-
Andrew Champion <sup>2</sup>	12	13	2	2	-	-
Paul Masi <sup>2</sup>	13	13	2	2	-	-
Peter Wade <sup>4</sup>	7	7	-	-	-	-
Lazarus Siapantas <sup>5</sup>	8	10	-	-	-	-

A = Number of meetings attended

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

<sup>2</sup> On 29 November 2018, Mr Kym Evans and Mr John Baillie were appointed as Independent Non-Executive Directors of the Company; Mr Andrew Champion retired as an Executive Director of the Company; Mr Paul Masi retired as Independent Non-Executive Chair of the Company; Mr Michael Cottier replaced Mr Paul Masi as Non-Executive Chair of the Company.

<sup>3</sup> On 28 June 2019, Mr Miles Staude was appointed as a Non-Executive Director of the Company.

<sup>4</sup> On 4 October 2018, Mr Peter Wade was appointed as an Independent Non-Executive Director of the Company; On 29 November 2018, Mr Peter Wade retired as an Independent Non-Executive Director of the Company.

<sup>5</sup> On 16 November 2018, Mr Lazarus Siapantas resigned as an Executive Director of the Company.



## *INSURANCE AND INDEMNIFICATION OF OFFICERS*

The Company maintains Directors and Officers insurance and has entered into a Deed of Access, Insurance and Indemnity with each Director. During FY19, the Company paid premiums in respect of Directors and Officers 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 Directors and Officers 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 20.

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 20 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 FY19.

## *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 13.

# Remuneration Report

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

## REMUNERATION POLICY AND FRAMEWORK

From December 2018, each Independent Director (other than Mr Miles Staude) receives \$40,000 per annum and Mr Michael Cottier receives an additional \$5,000 per annum for his services as Chair. These amounts are exclusive of compulsory superannuation, when applicable. Mr Miles Staude has offered to perform the services of Director for nil remuneration.

Under the ASX Listing Rules, the maximum fees payable to Directors may not be increased without approval from the Company at a general meeting. Directors will seek approval from time to time as appropriate. Entitled Directors receive a superannuation guarantee contribution 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. There are no employee share or option arrangements for the Directors. As the Company does not pay performance based fees to the Directors, nor provide share or option schemes to Directors, remuneration is not explicitly linked to the Company's performance.

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

## DETAILS OF REMUNERATION

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

Director	Position	Salary \$	Superannuation \$	Total \$
<b>Michael Cottier<sup>6</sup></b>				
2019	Independent Non-Executive Chair	49,111	4,666	53,777
2018		55,000	5,225	60,225
<b>Kym Evans<sup>6</sup></b>				
2019	Independent Non-Executive Director	23,333	2,217	25,550
2018		-	-	-
<b>John Baillie<sup>6</sup></b>				
2019	Independent Non-Executive Director	23,333	2,217	25,550
2018		-	-	-
<b>Miles Staude<sup>7</sup></b>				
2019	Non-Executive Director	-	-	-
2018		-	-	-
<b>Andrew Champion<sup>6</sup></b>				
2019	Executive Director/Retired	-	-	-
2018		-	-	-
<b>Paul Masi<sup>6</sup></b>				
2019	Independent Non-Executive Chair/Retired	20,833	1,979	22,812
2018		50,000	4,750	54,750
<b>Peter Wade<sup>8</sup></b>				
2019	Independent Non-Executive Director/Retired	7,930	753	8,683
2018		-	-	-
<b>Lazarus Siapantas<sup>9</sup></b>				
2019	Executive Director/Resigned	-	-	-
2018		-	-	-
<b>Total</b>				
2019		124,540	11,832	136,372
2018		105,000	9,975	114,975

<sup>6</sup> On 29 November 2018, Mr Kym Evans and Mr John Baillie were appointed as Independent Non-Executive Directors of the Company; Mr Andrew Champion retired as an Executive Director of the Company; Mr Paul Masi retired as Independent Non-Executive Chair of the Company. Mr Michael Cottier replaced Mr Paul Masi as Non-Executive Chair of the Company.

<sup>7</sup> On 28 June 2019, Mr Miles Staude was appointed as a Non-Executive Director of the Company.

<sup>8</sup> On 4 October 2018, Mr Peter Wade was appointed as an Independent Non-Executive Director of Company; On 29 November 2018, Mr Peter Wade retired as an Independent Non-Executive Director of the Company.

<sup>9</sup> On 16 November 2018, Mr Lazarus Siapantas resigned as an Executive Director of the Company.

The Company has a Board, but no employees. All operational and administrative duties are performed by the Manager. Miles Staude has offered to perform the services of Director for nil consideration. During FY19, 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.

## SHAREHOLDINGS OF DIRECTORS

As at 30 June 2019, shares issued by the Company and held by the Directors and their related entities are set out below:

Director	Opening balance <sup>10</sup> (Number of shares)	Net number of shares acquired	Net number of shares disposed	Closing balance (number of shares)
Michael Cottier <sup>11</sup>	-	-	-	-
Kym Evans <sup>11</sup>	-	-	-	-
John Baillie <sup>11</sup>	15,000	-	-	15,000
Miles Staude <sup>12</sup>	10,868,143	-	-	10,868,143
Andrew Champion <sup>11</sup>	437,500	-	-	437,500
Paul Masi <sup>11</sup>	600,001	-	-	600,001
Peter Wade <sup>13</sup>	-	-	-	-
Lazarus Siapantas <sup>14</sup>	50,000	-	-	50,000

<sup>10</sup> Opening balances are as at 1 July 2018 or as at the date of appointment. Closing balances are as at 30 June 2019 or as at the date of resignation or retirement.

<sup>11</sup> On 29 November 2018, Mr Kym Evans and Mr John Baillie were appointed as Independent Non-Executive Directors of the Company; Mr Andrew Champion retired as an Executive Director of the Company; Mr Paul Masi retired as Independent Non-Executive Chair of the Company. Mr Paul Masi held shares indirectly; Mr Michael Cottier replaced Mr Paul Masi as Non-Executive Chair of the Company.

<sup>12</sup> On 28 June 2019, Mr Miles Staude was appointed as a Non-Executive Director of the Company. Shares are held by GVF, of which Mr Miles Staude is a Director and portfolio manager under the regulatory licences of Mirabella Financial Services LP.

<sup>13</sup> On 4 October 2018, Mr Peter Wade was appointed as an Independent Non-Executive Director of the Company; On 29 November 2018, Mr Peter Wade retired as an Independent Non-Executive Director of the Company.

<sup>14</sup> On 16 November 2018, Mr Lazarus Siapantas resigned as an Executive Director of the Company.

# Remuneration Report (Audited)

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:



Michael Cottier  
Independent Non-Executive Chair  
30 August 2019

Brisbane

# Independent Auditor's Declaration



Ernst & Young  
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ey.com/au

## **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 2019, 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.

A handwritten signature in blue ink that reads 'Ernst &amp; Young'.

Ernst & Young

A handwritten signature in blue ink that reads 'Mike Reid'.

Mike Reid  
Partner  
30 August 2019

A member firm of Ernst & Young Global Limited  
Liability limited by a scheme approved under Professional Standards Legislation

# Corporate Governance Statement

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

# Financial Report

FOR THE YEAR ENDED 30 JUNE 2019

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## *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 A, Level 10, Brisbane Club Tower  
241 Adelaide Street  
Brisbane QLD 4000

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



# Statement of Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2019

		Year ended	
	Notes	30 June 2019 \$'000	30 June 2018 \$'000
Net gain on financial assets held at fair value through profit or loss	4	6,403	3,383
Dividend and trust distribution income	4	4,318	3,513
Rebates net of management fees	5	77	993
Interest income		373	974
Directors fees	14	(136)	(115)
Other expenses	15	(2,667)	(790)
<b>Profit before income tax</b>		<b>8,368</b>	<b>7,958</b>
Income tax expense	9	(1,655)	(2,923)
<b>Profit after income tax</b>		<b>6,713</b>	<b>5,035</b>
Other comprehensive income		-	-
<b>Total comprehensive income</b>		<b>6,713</b>	<b>5,035</b>
		<b>Cents</b>	<b>Cents</b>
<b>Earnings per share</b>			
Basic and diluted earnings per share (profit per share)	7	3.27	2.55

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 2019

		As at	
	Notes	30 June 2019 \$'000	30 June 2018 \$'000
<b>Assets</b>			
Cash and cash equivalents	18	29,690	31,589
Trade and other receivables		1,684	1,525
Current tax receivables	9	-	887
Financial assets held at fair value through profit or loss	11	199,956	205,126
Other assets	16	135	4,885
<b>Total assets</b>		<b>231,465</b>	<b>244,012</b>
<b>Liabilities</b>			
Trade and other payables	17	5,357	3,469
Income tax payable	9	906	-
Deferred rebates	5	970	1,194
Deferred tax liabilities	9	3,032	5,426
<b>Total liabilities</b>		<b>10,265</b>	<b>10,089</b>
<b>Net assets</b>		<b>221,200</b>	<b>233,923</b>
<b>Equity</b>			
Issued capital	13	210,087	218,560
Retained earnings		11,113	15,363
<b>Total shareholders' equity</b>		<b>221,200</b>	<b>233,923</b>

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 2019

	Notes	Share capital \$'000	Retained profits \$'000	Total shareholders' equity \$'000
<b>Balance as at 1 July 2017</b>		172,539	19,318	191,857
Total comprehensive income for the year		-	5,035	5,035
<b>Subtotal</b>		<b>172,539</b>	<b>24,353</b>	<b>196,892</b>
Transactions with equity holders in their capacity as equity holders:				
Shares issued during the year	13	49,506	-	49,506
Share buy-back	13	(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
<b>Balance as at 30 June 2018</b>		<b>218,560</b>	<b>15,363</b>	<b>233,923</b>

	Notes	Share capital \$'000	Retained profits \$'000	Total shareholders' equity \$'000
<b>Balance as at 1 July 2018</b>		<b>218,560</b>	<b>15,363</b>	<b>233,923</b>
<b>Changes in accounting policies</b>	<b>2</b>	<b>-</b>	<b>(583)</b>	<b>(583)</b>
<b>As at 1 July 2018</b>		<b>218,560</b>	<b>14,780</b>	<b>233,340</b>
Total comprehensive income for the year		-	6,713	6,713
Subtotal		218,560	21,493	240,053
Transactions with equity holders in their capacity as equity holders:				
Share buy-back	13	(8,473)	-	(8,473)
Dividends paid	12	-	(10,380)	(10,380)
Subtotal		(8,473)	(10,380)	(18,853)
<b>Balance as at 30 June 2019</b>		<b>210,087</b>	<b>11,113</b>	<b>221,200</b>

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 2019

	Notes	Year ended	
		30 June 2019 \$'000	30 June 2018 \$'000
<b>Operating activities</b>			
Rebates of transaction costs and fees (inclusive of GST)		3,713	4,021
Dividend and trust distributions received		4,370	3,542
Payments to suppliers (inclusive of GST)		(4,727)	(4,432)
Interest received		434	859
Income tax paid		(2,008)	(2,225)
<b>Net cash flows from operating activities</b>	18	<b>1,782</b>	<b>1,765</b>
<b>Investing activities</b>			
Payments for financial assets held at fair value through profit and loss		(9,000)	(57,542)
Proceeds from disposal of financial assets held at fair value through profit and loss		24,172	28,135
<b>Net cash flows from/(used in) investing activities</b>		<b>15,172</b>	<b>(29,407)</b>
<b>Financing activities</b>			
Share buy-back		(8,473)	(2,800)
Fundraising costs (inclusive of GST)		-	(977)
Dividends paid		(10,380)	(8,377)
Proceeds from issue of new shares		-	48,893
<b>Net cash flows (used in)/from financing activities</b>		<b>(18,853)</b>	<b>36,739</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(1,899)</b>	<b>9,097</b>
Cash and cash equivalents at the beginning of the financial period		31,589	22,492
<b>Cash and cash equivalents at the end of the financial year</b>	18	<b>29,690</b>	<b>31,589</b>

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

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2019

## 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 2019.

### 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 2019

## NOTE 2. NEW AND AMENDED ACCOUNTING STANDARDS

### a) Adoption of new accounting standards

#### (i) 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 18 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 adopted AASB 15 using the full retrospective approach and applied the changes to contracts that were not completed as at 1 July 2017. The impact of the adoption of this standard is disclosed on page 23.

#### (ii) 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 are replaced with two measurement categories: fair value and amortised cost, and financial assets are only measured at amortised cost where very specific conditions are met.

The Company holds its investments at fair value and this does not change with the adoption of AASB 9.

For trade receivables, the Company applies the simplified recognition of the receivables whereby the loss allowance is measured at an amount equal to the lifetime expected credit losses ('ECL').

ECL is based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

The Company has assessed the impact of lifetime estimated credit losses following the adoption of AASB 9 and determined the impact to the Company's financial assets was not material.

The Company has reviewed the impact of the new standard across its remaining financial assets and liabilities and outlined the impact to the Company. In adopting this standard the Company has elected to apply the modified retrospective approach. The impact of the adoption of this standard is disclosed on page 23.

### b) New and revised accounting policies

#### (i) Rebates

Rebates of transaction costs and management fees are recognised through the profit and loss as rebates. Performance fee rebates are now recognised as financial assets held at fair value through profit and loss. The net impact of this on opening retained earnings as at 1 July 2018 was a reduction of \$583,000 as shown in Note 2 on page 20.

# Notes to Financial Statements - continued

FOR THE YEAR ENDED 30 JUNE 2019

	Balance at 30 June 2018 \$'000	Impact \$'000	Restated balance at 1 July 2018 \$'000
<b>Assets</b>			
Cash and cash equivalents	31,589	-	31,589
Trade and other receivables	1,525	-	1,525
Current tax receivables	887	-	887
Financial assets held at fair value through profit and loss	205,126	3,963	209,089
Other Assets	4,885	(4,793)	92
<b>Total assets</b>	<b>244,012</b>	<b>(830)</b>	<b>243,182</b>
<b>Liabilities</b>			
Trade and other payables	3,469	-	3,469
Income tax payable	-	-	-
Deferred rebates	1,194	-	1,194
Deferred tax liabilities	5,426	(247)	5,179
<b>Total liabilities</b>	<b>10,089</b>	<b>(247)</b>	<b>9,842</b>
<b>Net assets</b>	<b>233,923</b>	<b>(583)</b>	<b>233,340</b>
<b>Equity</b>			
Issued capital	218,560	-	218,560
Retained earnings	15,363	(583)	14,780
<b>Total shareholder's equity</b>	<b>233,923</b>	<b>(583)</b>	<b>233,340</b>

The aggregate impact from the adoption of AASB 9 was \$583,000 and related to the revised recognition and measurement of performance fee rebates.

In light of new and more detailed guidance available within AASB 15 and AASB 9, the Company has reviewed its management fee expense, rebates on transaction costs, management fees rebate agreements and the associated disclosures in the Financial Report. Based on this review, the Company now presents the management fee expenses, rebates on transaction costs and management fee rebates in the Financial Report on a net basis in the Statement of Comprehensive Income. Previously these amounts were presented on a gross basis. Refer to Note 5 in the Financial Report for the disclosure of these amounts. The impact of the change in accounting policy had no impact on net assets as at 1 July 2018 or on previously reported profit and loss results. The comparatives have been amended to reflect the revised accounting policy.

## c) Accounting standards issued but not yet effective

### (i) AASB 16 Leases

AASB 16 requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under AASB 117 Leases. The standard includes two recognition exemptions for lessees - leases of 'low-value' assets (e.g. personal computers) and short-term leases (i.e. leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset). AASB 16 is effective from 1 January 2019 with the first application date to the Company at 1 July 2019.

The Company does not expect the impact of this standard to be material.

# Notes to Financial Statements - continued

FOR THE YEAR ENDED 30 JUNE 2019

## 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 and income tax, which are disclosed in Note 11 and Note 9 of the Financial Statements, respectively.

## Section 2: Results for the Year

### NOTE 4. INVESTMENT INCOME

	Year ended	
	30 June 2019 \$'000	30 June 2018 \$'000
Net gain on financial assets held at fair value through profit or loss	6,403	3,383
Dividend and trust distribution income	4,318	3,513
<b>Total investment income</b>	<b>10,721</b>	<b>6,896</b>

### ACCOUNTING POLICY

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

Profits and losses realised from the sale of investments, unrealised gains and losses on investments held at fair value and performance fee rebates 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.

### NOTE 5. REBATES

#### 5.1 Rebate income

	Year ended	
	30 June 2019 \$'000	30 June 2018 \$'000
<b>Rebate income</b>		
Rebates of transaction costs and management fees	2,906	2,818
Rebates of performance fees	-	953
Management fee expenses	(2,829)	(2,778)
<b>Total rebate income</b>	<b>77</b>	<b>993</b>



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<sup>15</sup>:

- (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 2019 Financial Year \$2,906,144 (2018: \$3,770,718) (excluding GST) of fees have been rebated to the Company.

The Company did not incur non-rebateable transaction costs and establishment fees for the year ended 30 June 2019 (2018: \$1,019,782). 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.

<sup>15</sup> Capitalised terms refer to definitions provided in the Company's prospectus which is available on the Company's website and the ASX.

## 5.2 Deferred rebates

	As at	
	30 June 2019 \$'000	30 June 2018 \$'000
Deferred rebates <sup>16</sup>	970	1,194
<b>Total deferred rebates</b>	<b>970</b>	<b>1,194</b>

<sup>16</sup> Deferred rebates to be realised within 12 months are \$954,870 (2018: \$1,184,073) and greater than 12 months are 15,219 (2018: \$10,290)

### 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.

# Notes to Financial Statements - continued

FOR THE YEAR ENDED 30 JUNE 2019

## 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 Alternative Investments Limited (Administrators appointed) (Receivers and Managers appointed) (ASX:BLA), a related party of the Company. A summary of the fees charged by the Manager is set out below.

### 6.1 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 2019 Financial Year, the Company incurred \$2,829,389 (2018: \$2,778,098) of management fees, inclusive of the net impact of GST.

### 6.2 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 2019 Financial Year, the Company did not incur a performance fee (2018: nil).

## NOTE 7. EARNINGS PER SHARE

	Year ended	
	30 June 2019 \$'000	30 June 2018 \$'000
Profit after income tax	6,713	5,035
	Number	Number
Weighted average number of ordinary shares used in calculating basic and diluted earnings per share	205,088,202	197,670,241
	Cents	Cents
Basic and diluted earnings per share	3.27	2.55

### 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.

# Notes to Financial Statements - continued

FOR THE YEAR ENDED 30 JUNE 2019

## NOTE 9. TAXATION

### 9.1 Reconciliation of income tax expense

	Year ended	
	30 June 2019 \$'000	30 June 2018 \$'000
Profit from ordinary activities before income tax	8,368	7,958
Tax at the Australian tax rate of 27.5% (2018: 27.5%)	2,301	2,189
Effect of change in tax rate	(633)	86
Adjustments in respect to income tax of previous year	(140)	-
Tax effect amounts which are not taxable in calculating taxable income:		
Other non-deductible expenses	-	4
Income subject to foreign income tax offsets	(44)	(83)
Tax exempt income and losses	112	210
Franked distributions received and expected	59	517
<b>Income tax expense</b>	<b>1,655</b>	<b>2,923</b>
<i>Represented by:</i>		
Current tax	3,795	1,596
Deferred tax	(2,140)	1,327
<b>Aggregate income tax expense</b>	<b>1,655</b>	<b>2,923</b>

The applicable tax rate for the year was 27.5% (2018: 27.5%). The 27.5% rate applies to the Company for the year ended 30 June 2019, on the basis its aggregated turnover was less than \$25 million for the year.

### 9.2 Breakdown of deferred tax balances

	Deferred tax asset 30 June 2019 \$'000	Deferred tax liability 30 June 2019 \$'000	Deferred tax asset 30 June 2018 \$'000	Deferred tax liability 30 June 2018 \$'000
Net unrealised losses/(gains) on investments	3,846	(6,383)	2,430	(6,846)
Equity raising costs	253	-	399	-
Other temporary differences	166	-	9	-
Accrued rebates	-	(914)	-	(1,418)
<b>Total</b>	<b>4,265</b>	<b>(7,297)</b>	<b>2,838</b>	<b>(8,264)</b>
Set-off against deferred tax liabilities pursuant to set-off provisions	(4,265)	4,265	(2,838)	2,838
<b>Net deferred tax balances</b>	<b>-</b>	<b>(3,032)</b>	<b>-</b>	<b>(5,426)</b>

### 9.3 Movements in deferred tax balances

	Opening balance \$'000	Adoption of new accounting standards \$'000	Credited/ (Charged) to profit or loss \$'000	Credited/ (Charged) to equity \$'000	Tax losses \$'000	Closing balance \$'000
<b>2019</b>						
Deferred tax assets	2,838	-	1,420	7	-	4,265
Deferred tax liabilities	(8,264)	247	720	-	-	(7,297)
<b>2018</b>						
Deferred tax assets	2,030	-	515	293	-	2,838
Deferred tax liabilities	(6,422)	-	(1,842)	-	-	(8,264)

### 9.4 Current tax receivable

	As at	
	30 June 2019 \$'000	30 June 2018 \$'000
Current tax receivable/(payable)	(906)	887
<b>Total current tax receivable</b>	<b>(906)</b>	<b>887</b>

## 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 2019

## 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 interest rate risk, credit risk, foreign exchange 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.

#### 10.1 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

The Company is invested in eleven (2018: eleven) 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 \$31,237,848 (2018: \$30,404,677). A 10% increase/(decrease) in the foreign currency exchange rate would result in an increase/(decrease) in the financial assets of \$3,123,785 (2018: \$3,040,468).

These investments represent 15.9% (2018: 14.8%) of the Company's investment portfolio and 14.1% (2018: 12.9%) of net assets, based on Australian dollar carrying values translated using the prevailing spot rate on 30 June 2019. 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 within a range of parameters governing the levels of acceptable exposure to investments and asset classes. At 30 June 2019 all investments in the portfolio are managed by associates or wholly owned subsidiaries of Blue Sky Alternative Investments Limited (Administrators appointed) (Receivers and Managers appointed). Blue Sky Alternative Investments Limited (Administrators appointed) (Receivers and Managers appointed) entered into administration on 20 May 2019.

The Company's asset class allocation as at 30 June 2019, and for the prior period, is below:

	2019 %	2018 %
Unlisted private equity funds	25.6	25.8
Unlisted private real estate funds	22.0	29.2
Unlisted real assets funds	39.3	31.7
Cash and cash equivalents	13.1	13.3
	<b>100.0</b>	<b>100.0</b>

Investments representing over 5% of the trading portfolio at 30 June 2019, and for the prior period, is below:

	2019 %	2018 %
Water Fund	22.9	18.7
Strategic Australian Agriculture Fund	12.4	6.5
	<b>35.3</b>	<b>25.2</b>

### *(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 2019, the cash at bank balance was \$29,689,943 (2018: \$31,589,352).

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.

## 10.2 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 \$1,514,327 (2018: \$1,143,665). The Company's trade receivables at 30 June 2019 relate to balances owing from subsidiaries of Blue Sky Alternative Investments Limited (Administrators appointed) (Receivers and Managers appointed).

Customers with balances past due but without provision for expected credit losses on trade receivables amount to \$959,546 as at 30 June 2019 (2018: \$452,392). The Company has determined that no impairment of other receivables is required. Blue Sky Alternative Investments Limited (Administrators appointed) (Receivers and Managers appointed) entered into administration on 20 May 2019. The subsidiaries of Blue Sky Alternative Investments Limited (Administrators appointed) (Receivers and Managers appointed) were not put into administration and remain solvent.

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 2019 (2018: nil).

## 10.3 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 17 for a summary of contractual maturities of the Company's financial liabilities.

# Notes to Financial Statements - continued

FOR THE YEAR ENDED 30 JUNE 2019

## 10.4 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 the 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.

On 16 May 2018, the Company entered into a share buy-back program for 12 months. The share buy-back program was renewed for an additional 12 month period on 16 May 2019.

## 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
<b>As at 30 June 2019</b>				
<b>Financial assets</b>				
Unlisted private equity funds	-	-	57,896	57,896
Unlisted private real estate funds	-	-	49,745	49,745
Unlisted real assets funds	-	-	88,784	88,784
Performance fee rebates	-	-	3,531	3,531
<b>Total financial assets</b>	-	-	<b>199,956</b>	<b>199,956</b>



	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>As at 30 June 2018</b>				
<b>Financial assets</b>				
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
<b>Total financial assets</b>	-	-	<b>205,126</b>	<b>205,126</b>

*(a) 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 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.

*(b) Valuation process*

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

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 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 NTA of the Company, the Board may request an 'off-cycle' external review by a qualified independent expert to be performed and has done so on a range of investments.

The value of assets in the Company's investment portfolio which are investments in open-ended funds, such as the 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).

# Notes to Financial Statements - continued

FOR THE YEAR ENDED 30 JUNE 2019

## (c) 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 2019 and 30 June 2018 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) <sup>17</sup>	Sensitivity of the input to fair value
Healthcare, education and hospitality	Capitalisation of earnings or revenue	Operating earnings or revenue	2019 <sup>18</sup> : \$6.0 million - \$8.0 million 2018 <sup>18</sup> : \$6.0 million - \$8.0 million	10% (2018: 10%) increase / (decrease) in forecast revenue or operating earnings would result in an increase / (decrease) in fair value by \$3,712,000 (2018: \$3,657,000)
		Capitalisation multiple	2019 <sup>19</sup> : 6.5x - 8.5x 2018 <sup>19</sup> : 6.0x - 8.0x	1.0x (2018: 1.0x) increase / (decrease) in capitalisation multiple applied would result in an increase / (decrease) in fair value by \$4,929,000 (2018: \$5,100,000)
E-commerce and digital disruption	Capitalisation of earnings or revenue	Operating earnings or revenue	2019 <sup>18</sup> : \$52.0 million - \$58.0 million 2018 <sup>18</sup> : \$34.0 million - \$38.0 million	10% (2018: 10%) increase / (decrease) in forecast revenue or operating earnings would result in an increase / (decrease) in fair value by \$942,000 (2018: \$1,945,000)
		Capitalisation multiple	2019 <sup>19</sup> : 2.0x - 4.0x 2018 <sup>19</sup> : 2.0x - 4.0x	1.0x (2018: 1.0x) increase / (decrease) in capitalisation multiple applied would result in an increase / (decrease) in fair value by \$6,731,000 (2018: \$7,911,000)
Food and agriculture	Market approach*	Asset value	2019: \$38.0 million - \$42.0 million 2018: \$30.0 million - \$34.0 million	10% (2018: 10%) increase / (decrease) in the value of the assets would result in an increase / (decrease) of \$8,380,000 (2018: \$6,903,000)
Apartment and retirement living	Market approach	Net asset value	2019: \$0.4 million - \$0.9 million 2018: \$0.5 million - \$1.0 million	10% (2018: 10%) increase / (decrease) in the value of the net asset would result in an increase / (decrease) of \$114,000 (2018: \$179,000)
	Discounted cash flow	Discount rate	2019: 13-17% 2018: 15-20%	1% (2018: 1%) increase / (decrease) in the range of discount rates used would result in an increase / (decrease) of \$20,000 (2018: \$380,000)

<sup>17</sup> 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.

<sup>18</sup> Weighted average revenue and EBITDA range.

<sup>19</sup> Weighted average revenue and EBITDA multiple range.

\* Underlying assets held within the 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 Water Fund to determine a unit price which is reviewed and approved by the Manager. The 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) <sup>17</sup>	Sensitivity of the input to fair value
Student accommodation	Discounted cash flow	Discount rate	2019: 8% - 12% 2018: 9 - 12%	1% (2018: 1%) increase / (decrease) in the range of discount rates used would result in an increase / (decrease) of \$3,656,000 (2018: \$2,732,000)
Other	Market approach	Net asset value	2019: \$3.0 million - \$5.0 million 2018: \$3.0 million - \$5.0 million	10% (2018: 10%) increase / (decrease) in the net asset value would result in an increase / (decrease) of \$1,042,000 (2018: \$1,007,000)
	Capitalisation of earnings or revenue	Operating earnings or revenue	2019 <sup>18</sup> : \$3.0 million - \$5.0 million 2018 <sup>18</sup> : \$20.0 million - \$25.0 million	10% (2018: 10%) increase / (decrease) in forecast revenue or operating earnings would result in an increase / (decrease) in fair value by \$462,000 (2018: \$693,000)
		Capitalisation multiple	2019 <sup>19</sup> : 3.0x - 6.0x 2018 <sup>19</sup> : 2.0x - 5.0x	1.0x (2018: 1.0x) increase / (decrease) in capitalisation multiple applied would result in an increase / (decrease) in fair value by \$770,000 (2018: \$6,842,000)
	Discounted cash flow	Discount rate	2019: 11% - 15% 2018: 12% - 15%	1% (2018: 1%) increase / (decrease) in the range of discount rates used would result in an increase / (decrease) in fair value by \$1,243,000 (2018: \$938,000)

<sup>17</sup> 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.

<sup>18</sup> Weighted average revenue and EBITDA range.

<sup>19</sup> Weighted average revenue and EBITDA multiple range.

# Notes to Financial Statements - continued

FOR THE YEAR ENDED 30 JUNE 2019

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	Performance fee rebates \$'000	Total \$'000
<b>For the year ended 30 June 2019</b>					
Beginning balance	61,155	68,841	75,130	-	205,126
Adoption of new accounting standards	-	-	-	3,963	3,963
Purchase	-	-	10,000	-	10,000
Disposal	(938)	(16,977)	(6,257)	(1,364)	(25,536)
Net unrealised gain/(loss)	(2,503)	(4,516)	8,019	1,522	2,522
Net realised gain/(loss)	182	2,397	1,892	(590)	3,881
<b>Ending balance</b>	<b>57,896</b>	<b>49,745</b>	<b>88,784</b>	<b>3,531</b>	<b>199,956</b>
	Unlisted private equity funds \$'000	Unlisted private real estate funds \$'000	Unlisted real assets funds \$'000	Performance fee rebates \$'000	Total \$'000
<b>For the year ended 30 June 2018</b>					
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
<b>Ending balance</b>	<b>61,155</b>	<b>68,841</b>	<b>75,130</b>	<b>-</b>	<b>205,126</b>

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.

## 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.

	<b>As at</b>	
	<b>30 June 2019 \$'000</b>	<b>30 June 2018 \$'000</b>
<b>Within 12 months of the reporting period</b>		
Unlisted private equity funds	16,508	9,094
Unlisted private real estate funds	33,960	19,131
Unlisted real assets funds	119	6,554
Performance fee rebates	2,647	-
	<b>53,234</b>	<b>34,779</b>
<b>More than 12 months of the reporting period</b>		
Unlisted private equity funds	41,388	52,061
Unlisted private real estate funds	15,785	49,710
Unlisted real assets funds	88,665	68,576
Performance fee rebates	884	-
	<b>146,722</b>	<b>170,347</b>
<b>Total financial assets held at fair value through profit and loss</b>	<b>199,956</b>	<b>205,126</b>

# Notes to Financial Statements - continued

FOR THE YEAR ENDED 30 JUNE 2019

## 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 9 Financial Instruments.

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 9 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 to achieve the collection of contractual cash flows and which may be sold or realised. These financial assets mainly comprise of investments in unlisted unit trusts and performance fee rebates.

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.

There were no material changes to the recognition and measurement of financial assets upon the adoption under AASB 9 on 1 July 2018

## NOTE 12. DIVIDENDS

	As at	
	30 June 2019 \$'000	30 June 2018 \$'000
<b>Cash dividends to the equity holders</b>		
<b>Dividends on ordinary shares declared and paid:</b>		
FY18 Final Dividend: 4.0 cents per share franked to 65% (FY17: 4.0 cents)	8,348	6,846
FY19 Interim Dividend: 1.0 cent per share franked to 65% (FY18: 1.0 cent)	2,032	2,144
<b>Total dividends on ordinary shares declared and paid</b>	<b>10,380</b>	<b>8,990</b>

### Proposed dividends on ordinary shares:

FY19 Final Dividend: 4.0 cents per share franked to 65% (2018: 4.0 cents)	<b>8,036</b>	<b>8,378</b>
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Proposed dividends declared subsequent to year end are not recognised as a liability at 30 June 2019.

### Franking account

	As at	
	30 June 2019 \$'000	30 June 2018 \$'000
Balance as at the end of the financial year	371	14
Franking credits that will arise from the payment/(refund) of income tax based on a tax rate of 27.5% (2018: 27.5%)	906	(887)
Franking credits available for subsequent financial years	1,277	(873)
Franking credits that will be used from the payment of dividends declared subsequent to the reporting date at 27.5% (2018: 27.5%)	(1,981)	(2,066)
<b>Balance as at the end of the financial year</b>	<b>(704)</b>	<b>(2,939)</b>

In relation to the above franking credit deficit, it is anticipated that through forecasted FY20 exits this will be brought back to at least nil on or before 30 June 2020 as tax instalments are paid throughout FY20.

# Notes to Financial Statements - continued

FOR THE YEAR ENDED 30 JUNE 2019

## 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 2018	211,038,419	218,560
Shares cancelled: Share buy-back	(10,013,194)	(8,473)
<b>Closing balance as at 30 June 2019</b>	<b>201,025,225</b>	<b>210,087</b>

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

	Number of shares	\$'000
Opening balance as at 1 July 2017 (net of fundraising costs)	171,146,681	172,539
Shares issued: Dividend Reinvestment Plan	529,010	613
Shares cancelled: Share buy-back	(3,526,071)	(2,800)
Shares issued: Entitlement Offer	42,888,799	48,893
<b>Closing balance as at 30 June 2018</b>	<b>211,038,419</b>	<b>219,245</b>

Less costs directly attributable to shares issued:

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

## 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:

- The compensation arrangements with the Directors (refer to Directors' remuneration on the next page);
- The interests in the Company held directly or indirectly by the Directors (refer to Shareholdings of Directors on page 42);
- The Management Services Agreement between the Company and the Manager (refer to Note 5 and 6); and
- 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
<b>Michael Cottier<sup>20</sup></b>	Independent Non-Executive Chair			
2019		49,111	4,666	53,777
2018		55,000	5,225	60,225
<b>Kym Evans<sup>20</sup></b>	Independent Non-Executive Director			
2019		23,333	2,217	25,550
2018		-	-	-
<b>John Baillie<sup>20</sup></b>	Independent Non-Executive Director			
2019		23,333	2,217	25,550
2018		-	-	-
<b>Miles Staude<sup>21</sup></b>	Non-Executive Director			
2019		-	-	-
2018		-	-	-
<b>Andrew Champion<sup>20</sup></b>	Executive Director/Retired			
2019		-	-	-
2018		-	-	-
<b>Paul Masi<sup>20</sup></b>	Independent Non-Executive Chair/Retired			
2019		20,833	1,979	22,812
2018		50,000	4,750	54,750
<b>Peter Wade<sup>22</sup></b>	Independent Non-Executive Director/Retired			
2019		7,930	753	8,683
2018		-	-	-
<b>Lazarus Siapantas<sup>23</sup></b>	Executive Director/Resigned			
2019		-	-	-
2018		-	-	-
<b>Total</b>				
2019		124,540	11,832	136,372
2018		105,000	9,975	114,975

During the 2019 Financial Year, the Executive Directors were employees of Blue Sky and did not receive any remuneration from the Company. Andrew Champion and Lazarus Siapantas were Executive Directors of the Company.

<sup>20</sup> On 29 November 2018, Mr Kym Evans and Mr John Baillie were appointed as Independent Non-Executive Directors of the Company; Mr Andrew Champion retired as an Executive Director of the Company; Mr Paul Masi retired as Independent Non-Executive Chair of the Company; Mr Michael Cottier replaced Mr Paul Masi as Independent Non-Executive Chair of the Company.

<sup>21</sup> On 28 June 2019, Mr Miles Staude was appointed as a Non-Executive Director of the Company.

<sup>22</sup> On 4 October 2018, Mr Peter Wade was appointed as an Independent Non-Executive Director of the Company; On 29 November 2018, Mr Peter Wade retired as an Independent Non-Executive Director of the Company.

<sup>23</sup> On 16 November 2018, Mr Lazarus Siapantas resigned as an Executive Director of the Company.

# Notes to Financial Statements - continued

FOR THE YEAR ENDED 30 JUNE 2019

## Shareholdings of Directors

As at 30 June 2019, shares issued by the Company and held by the Directors and their related entities are set out below:

Director	Opening balance <sup>24</sup> (Number of shares)	Net number of shares acquired	Net number of shares disposed	Closing balance <sup>24</sup> (number of shares)
Michael Cottier <sup>25</sup>	-	-	-	-
Kym Evans <sup>25</sup>	-	-	-	-
John Baillie <sup>25</sup>	15,000	-	-	15,000
Miles Staude <sup>26</sup>	10,868,143	-	-	10,868,143
Andrew Champion <sup>25</sup>	437,500	-	-	437,500
Paul Masi <sup>25</sup>	600,001	-	-	600,001
Peter Wade <sup>27</sup>	-	-	-	-
Lazarus Siapantas <sup>28</sup>	50,000	-	-	50,000

## NOTE 15. OTHER EXPENSES

	As at	
	30 June 2019 \$'000	30 June 2018 \$'000
Accounting and audit fees	849	145
Insurance	779	198
Legal expenses	643	6
Other administration	396	441
<b>Total other expenses</b>	<b>2,667</b>	<b>790</b>

## ACCOUNTING POLICY

### Other expenses

Other expenses are recorded in the Statement of Comprehensive Income on an accruals basis.

## NOTE 16. OTHER ASSETS

	As at	
	30 June 2019 \$'000	30 June 2018 \$'000
Prepayments	135	92
Accrued performance fee rebates	-	4,793
<b>Total other assets</b>	<b>135</b>	<b>4,885</b>

<sup>24</sup> Opening balances are as at 1 July 2018 or as at the date of appointment. Closing balances are as at 30 June 2019 or as at the date of resignation or retirement.

<sup>25</sup> On 29 November 2018, Mr Kym Evans and Mr John Baillie were appointed as Independent Non-Executive Directors of the Company; Mr Andrew Champion retired as an Executive Director of the Company; Mr Paul Masi retired as Independent Non-Executive Chair of the Company. Mr Paul Masi held shares indirectly; Mr Michael Cottier replaced Mr Paul Masi as an Independent Non-Executive Chair of the Company.

<sup>26</sup> On 28 June 2019, Mr Miles Staude was appointed as a Non-Executive Director of the Company. Shares are held by GVF, of which Mr Miles Staude is a Director and portfolio manager under the regulatory licences of Mirabella Financial Services LP.

<sup>27</sup> On 4 October 2018, Mr Peter Wade was appointed as an Independent Non-Executive Director of the Company; On 29 November 2018, Mr Peter Wade retired as an Independent Non-Executive Director of the Company.

<sup>28</sup> On 16 November 2018, Mr Lazarus Siapantas resigned as an Executive Director of the Company

## 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

For the 2018 financial year, performance fees were 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 a performance fee rebate when these conditions are met in accordance with the Management Services Agreement. The performance fee rebate was recognised and subsequently measured at amortised cost.

For the 2019 financial year, performance fee rebates are classified as financial assets in accordance with AASB 9. Refer to Note 2 for the recognition and measurement principles of performance fee rebates for the financial year ended 30 June 2019.

## NOTE 17. TRADE AND OTHER PAYABLES

	As at	
	30 June 2019 \$'000	30 June 2018 \$'000
Trade payables	676	279
Uncalled capital commitments <sup>29</sup>	3,850	2,850
Other payables	6	7
Accrued expenses	825	333
<b>Total trade and other payables</b>	<b>5,357</b>	<b>3,469</b>

Terms and conditions of the above financial liabilities:

For explanations on the Alternatives Fund's liquidity risk management processes, refer to Note 10.

### 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
<b>At 30 June 2019</b>						
Uncalled capital commitments	3,850	-	-	-	-	3,850
Trade and other payables	-	682	-	-	-	682
<b>Total</b>	<b>3,850</b>	<b>682</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,532</b>

<sup>29</sup> The Company made a \$25.0 million capital commitment to the Strategic Australian Agriculture Fund which was to be called progressively over a three year investment period, \$3.25 million remains uncalled at 30 June 2019. The remaining \$0.6 million in uncalled capital commitments relates to another investment on a defined call structure.

# Notes to Financial Statements - continued

FOR THE YEAR ENDED 30 JUNE 2019

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
<b>At 30 June 2018</b>	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Uncalled capital commitments	2,850	-	-	-	-	2,850
Trade and other payables	-	286	-	-	-	286
<b>Total</b>	<b>2,850</b>	<b>286</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,136</b>

## 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.

## NOTE 18. NOTES TO THE STATEMENT OF CASH FLOWS

### 8.1 Reconciliation of cash flows from operating activities

	Year ended	
	30 June 2019 \$'000	30 June 2018 \$'000
Profit after income tax expense for the year	6,713	5,035
<i>Non-cash adjustments to reconcile profit after tax to net cash flows from operations:</i>		
Net gains on financial assets held at fair value through profit and loss	(6,403)	(3,383)
<i>Changes in assets and liabilities during the financial year:</i>		
(Increase)/decrease in trade and other receivables	(159)	1,394
(Increase)/decrease in other operating assets	1,567	(596)
Increase/(decrease) in trade and other payables <sup>30</sup>	889	(643)
Increase/(decrease) in income tax provision	1,793	(627)
Increase/(decrease) in deferred taxes	(2,394)	1,033
Increase/(decrease) in deferred rebates	(224)	(448)
<b>Net cash flows from operating activities</b>	<b>1,782</b>	<b>1,765</b>

### 18.2 Cash and cash equivalents

	As at	
	30 June 2019 \$'000	30 June 2018 \$'000
Cash at bank	29,690	31,589
<b>Total Cash and cash equivalents</b>	<b>29,690</b>	<b>31,589</b>

## 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.

<sup>30</sup> 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 2019

## NOTE 19. COMMITMENTS AND CONTINGENCIES

### Contingent liabilities

The Company is not aware of any contingent liabilities outstanding at 30 June 2019 (2018: nil).

## NOTE 20. 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 2019 \$'000	30 June 2018 \$'000
<b>Audit and other assurance services</b>		
Audit and review of financial report	819,739	145,200
Other assurance services	-	14,300
<b>Total remuneration for audit and other assurance services</b>	<b>819,739</b>	<b>159,500</b>
<b>Other non-audit services</b>		
Other advisory services	-	33,000
<b>Total remuneration for other non-audit services</b>	<b>-</b>	<b>33,000</b>
<b>Total remuneration of Ernst &amp; Young</b>	<b>819,739</b>	<b>192,500</b>

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.

## NOTE 21. EVENTS SUBSEQUENT TO REPORTING DATE

Adjustments to June NTA have been adopted in the financial statements in relation to the carrying value of seven closed-end funds. In total this has resulted in a 1.3% reduction in pre-tax NTA for 30 June 2019, from \$1.1343 per share in the June NTA report to \$1.1199 per share in the FY19 Financial Statements.

The carrying value of four closed-end funds were reduced and three closed-end funds were increased following the receipt of finalised independent valuations or independent valuation reviews.

On 30 August 2019, the Directors resolved to pay a final dividend of 4.0 cents per share in relation to the 2019 financial year. Franked to 65% at a 27.5% corporate income tax rate, the record date for this dividend will be 11 September 2019 and the payment date will be 25 September 2019. 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.

There were 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 46, 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 2019 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. this declaration has been made after receiving the declarations required to be made to the Directors by the Chief Financial Officer of the Manager in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2019.

On behalf of the Directors



Michael Cottier  
Independent Non-Executive Chair  
30 August 2019

Brisbane

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<sup>24</sup> Excludes movements in uncalled capital commitments as these do not relate to cash flows from operating activities.

# Independent Auditor's Report



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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 2019, 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 2019 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.



# Independent Auditor's Report - continued



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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.

## Valuation of Investments

### Why significant

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. Investments are recorded at fair value using 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.

### How our audit addressed the 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.

# Independent Auditor's Report - continued



## Why significant

## How our audit addressed the key audit matter

- ▶ 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 2019 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.

# Independent Auditor's Report - continued



## 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.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

# Independent Auditor's Report - continued



From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## 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 2019.

In our opinion, the Remuneration Report of Blue Sky Alternatives Access Fund Limited for the year ended 30 June 2019, 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.

A handwritten signature in blue ink that reads 'Ernst &amp; Young'.

Ernst & Young

A handwritten signature in blue ink that reads 'Mike Reid'.

Mike Reid  
Partner  
Brisbane  
30 August 2019

# Appendix A: Portfolio Summary

For the year ended 30 June 2019

Fund Name	Amount Invested	Date Invested	% allocated capital	Date of last independent valuation review	Description
<i>Private Equity</i>					
<b>Growth Capital</b>					
Wild Breads Fund	2,000,000	Jun-14	1.1%	Jun-19	Holds equity in Wild Breads Pty Ltd, a business in the artisan and specialty bread category.
Origo Education Fund	1,500,000	Jun-15	0.9%	Jun-19	Holds equity in Origo Education, an Australian business providing digital and print education instructional materials in the United States, Australia, Canada and New Zealand.
Hotels Fund	6,000,000	Jun-15	3.4%	Jun-19	Holds equity in the GM Hotels, a portfolio of freehold and leasehold hotels in South Australia.
Aquila Fund	4,000,000	Dec-15	2.3%	Jun-19	Holds equity in Aquila, an Australian retail business focusing on the men's footwear and smart casual fashion segment.
Digital Outdoor Advertising Fund	2,110,595	Feb-16	1.2%	Jun-19	Holds equity in a US-based business which constructs, owns and operates a network of digital billboards in a US metropolitan market.
QFS Fund	6,000,000	Dec-16	3.4%	Jun-19	Holds equity in Quality Food Services, a Queensland-based food and beverage wholesale and distribution business.
SMG Fund	2,500,000	Dec-16	1.4%	Jun-19	Holds equity in Shopper Media Group Pty Ltd, an out-of-home advertising business.
Wild Breads RCPS Fund	767,888	Apr-17	0.5%	Jun-19	A fund providing follow-on expansion capital into Wild Breads Pty Ltd.
Tourism Fund	3,000,000	May-17	1.7%	Jun-19	Holds equity in Active Adventures, a multi-national adventure tourism business based in Queenstown, New Zealand.
Better Medical Fund	3,000,000	May-17	1.7%	Jun-19	Holds equity in Better Medical, a group of general practice medical clinics.
Sunfresh Fund	3,000,000	Jun-17	1.7%	Jun-18	Holds equity in Sunfresh Salads, a food manufacturing business based in Adelaide. Review scheduled for Sep/Oct 2019.
SMG Fund II	699,386	Oct-17	0.4%	Jun-19	A fund providing follow-on expansion capital into Shopper Media Group.
Energy Storage Fund	5,000,000	Nov-17	2.9%	Jun-19	Holds equity in esVolta, a battery storage developer based in the United States.
IT Consulting Fund	4,000,000	Dec-17	2.3%	Jun-19	Holds equity in Digital Lifecycle Group, an IT services and consulting company that supports enterprise and government clients in Australia.
Birch & Waite Fund	4,000,000	Dec-17	2.3%	May-19	Holds equity in Birch & Waite, a Sydney-based manufacturer of premium condiments, desserts and beverages.
<b>Total Growth Capital</b>	<b>47,577,869</b>		<b>27.2%</b>		

# Appendix A: Portfolio Summary - continued

For the year ended 30 June 2019

Fund Name	Amount Invested	Date Invested	% allocated capital	Date of last independent valuation review	Description
<i>Private Equity</i>					
<b>Venture Capital</b>					
VC2014 Fund	4,000,000	Jun-14	2.3%	Jun-19	A fund invested in a diversified portfolio of 9 venture capital co-investments.
Shoes of Prey	1,000,000	Oct-15	0.6%	Jun-18	Holds equity in Shoes of Prey, a fashion footwear company that has developed a unique platform enabling customised women's footwear to be manufactured and sold 'on demand'. The fund is valued at nil.
Vinomofo Fund	3,000,000	Dec-15	1.7%	Jun-19	Holds equity in Vinomofo, an Australian online wine retailer.
aCommerce Fund	1,305,664	Jul-16	0.7%	Jun-19	Has an interest in aCommerce, a provider of outsourced e-commerce solutions in South East Asia.
aCommerce Fund 2	2,500,000	Nov-16	1.4%	Jun-19	A fund providing follow-on capital into aCommerce.
aCommerce Fund 3	1,144,501	Nov-17	0.7%	Jun-19	A fund providing follow-on capital into aCommerce.
<b>Total Venture Capital</b>	<b>12,950,165</b>		<b>7.4%</b>		
<b>Total Private Equity</b>	<b>60,528,034</b>		<b>34.6%</b>		
<i>Real Assets</i>					
<b>Water Rights</b>					
Water Fund	34,076,692	Jun-14	19.5%	Jun-19	A fund to invest in a regionally diversified portfolio of Australian Water Entitlements. The fund is valued monthly.
<b>Total Water Rights</b>	<b>34,076,692</b>		<b>19.5%</b>		
<b>Other Real Assets</b>					
Agriculture Fund II	4,000,000	Oct-15	2.3%	Jun-19	Holds the freehold property and business assets comprising Hillston Citrus, an irrigated citrus orchard near Hillston in NSW.
Premium Beef Development Fund	2,000,000	Dec-16	1.1%	May-19	A fund to invest in certain elements of Australia's premium beef value chain.
Strategic Australian Agricultural Fund	25,000,000	Jun-17	14.3%	Jun-19	A fund to acquire and manage a diversified portfolio of Australian agricultural assets and Water Entitlements.
Solar Fund	2,234,761	Sep-17	1.3%	Jun-19	A fund that has developed and is operating a solar farm located in western Queensland.
<b>Total Other Real Assets</b>	<b>33,234,761</b>		<b>19.0%</b>		
<b>Total Real Assets</b>	<b>67,311,453</b>		<b>38.5%</b>		

# Appendix A: Portfolio Summary - continued

For the year ended 30 June 2019

Fund Name	Amount Invested	Date Invested	% allocated capital	Date of last independent valuation review	Description
<i>Private Real Estate</i>					
<b>Residential Developments investments</b>					
Flora Street Greenslopes Trust	1,000,000	Jun-15	0.6%	Jun-18	A residential development of 107 apartments (15 one bedroom, 84 two bedroom and 8 three bedroom) in the South Brisbane suburb of Greenslopes. Asset sold with proceeds pending.
19 Railway Terrace Milton Trust	2,000,000	Sep-15	1.1%	Dec-18	A residential development of 82 apartments (10 one bedroom, 64 two bedroom and 8 three bedroom) in the Brisbane suburb of Milton.
Wellington Road East Brisbane Trust	2,000,000	Sep-15	1.1%	Jun-18	A residential development of 71 apartments (17 one bedroom, 46 two bedroom and 8 three bedroom) in the Brisbane suburb of East Brisbane. Asset sold with proceeds pending.
Wellington Road East Brisbane Trust II	1,000,000	Nov-15	0.6%	Jun-18	The second stage of the Wellington Road East Brisbane development, consisting of 75 apartments (17 one bedroom, 50 two bedroom and 8 three bedroom). Asset sold with proceeds pending.
<b>Total Residential Developments</b>	<b>6,000,000</b>		<b>3.4%</b>		
<b>Student Accommodation investments</b>					
Student Accommodation Fund	1,500,000	Dec-14	0.9%	Jun-19	A social accommodation development project consisting of a 12 storey, purpose-built, 309 bed student accommodation building in the Brisbane suburb of Woolloongabba.
Student Accommodation Fund II	5,000,000	Mar-15	2.9%	Jun-19	A social accommodation development project consisting of a purpose-built, 874 bed student accommodation building in South Brisbane.
Student Accommodation Fund III	6,000,000	Jun-15	3.4%	Jun-19	A project to develop and operate a purpose-built, 771-bed student accommodation precinct on La Trobe Street in the Melbourne CBD in close proximity to six university campuses.
Student Accommodation Fund IV	3,500,000	Jun-15	2.0%	Jun-19	A social accommodation project to develop and operate a 448-bed purpose-built student accommodation facility in the West End of Adelaide.
Student Accommodation Fund V	3,000,000	Nov-15	1.7%	Jun-19	A project to develop and operate a purpose-built, 576-bed student accommodation precinct on Peel Street, North Melbourne opposite the University of Melbourne Parkville Campus.

Continued on next page

# Appendix A: Portfolio Summary - continued

For the year ended 30 June 2019

Fund Name	Amount Invested	Date Invested	% allocated capital	Date of last independent valuation review	Description
<b>Student Accommodation investments - continued</b>					
Student Accommodation Fund VI	2,500,000	May-16	1.4%	Jun-19	A project to develop and operate a purpose-built, 532-bed student accommodation precinct on in the Brisbane suburb of Toowong, a short distance from the University of Queensland.
Student Accommodation Fund VII	2,500,000	Dec-16	1.4%	Jun-19	A project to develop and operate a purpose-built, 541-bed student accommodation precinct on A'Beckett Street in Melbourne, bordering RMIT and within walking distance to The University of Melbourne.
La Trobe Street Fund	517,627	Sep-17	0.3%	n/a	Provides further funding for the LaTrobe Street student accommodation project, Student Accommodation Fund III.
<b>Total Student Accommodation</b>	<b>24,517,627</b>		<b>14%</b>		
<b>Other Real Estate Investments</b>					
<b>Industrial</b>					
Darra Industrial Income Fund	2,000,000	Dec-14	1.1%	Jun-19	Holds the freehold title to a single-tenant industrial manufacturing, distribution and office facility in the Brisbane suburb of Darra. The asset is leased to Wild Breads Pty Ltd.
Revesby Industrial Income Fund	2,500,000	Dec-17	1.4%	Jun-19	Holds the freehold title to an industrial facility in Revesby, NSW. The asset is leased to Birch & Waite Foods Pty Ltd.
<b>International</b>					
Cove Property Group 2 Rector Street Trust	6,974,473	Feb-16	4.1%	May-19	A trust to acquire, reposition and lease a 26-storey building at 2 Rector Street in the Financial District, Manhattan, New York.
Cove Property Group 441 Ninth Avenue Trust	5,000,000	Nov-16	2.9%	Jun-19	A trust to acquire and redevelop an existing eight storey building at 441 Ninth Avenue, Manhattan, New York.
<b>Total Other Real Estate</b>	<b>16,474,473</b>		<b>9.5%</b>		
<b>Total Private Real Estate</b>	<b>46,992,100</b>		<b>26.9%</b>		
Total Capital Deployed	174,831,587		100%		



# Supplementary Information

The following information is current as at 30 September 2019:

## a. Distribution of Shareholders

Holding	Ordinary Shares
1 - 1,000	68,753
1,001 - 5,000	1,139,354
5,001 - 10,000	3,710,432
10,001 - 50,000	45,853,892
50,001 to 100,000	31,234,094
100,001 and over	118,839,345
	<b>200,845,870</b>

b. There are 138 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	25,547,469	12.72%
BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD DRP	13,065,479	6.51%
CS THIRD NOMINEES PTY LIMITED	10,924,757	5.44%

## d. Voting Rights

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

Ordinary shares

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

## 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	25,547,469	12.72
BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD DRP	13,065,479	6.51
CS THIRD NOMINEES PTY LIMITED	10,924,757	5.44
WILSON ASSET MANAGEMENT (INTERNATIONAL) PTY LIMITED	6,391,129	3.18
BNP PARIBAS NOMS PTY LTD	2,284,456	1.14
NETWEALTH INVESTMENTS LIMITED	1,673,622	0.83
CITICORP NOMINEES PTY LIMITED	1,554,863	0.77
NETWEALTH INVESTMENTS LIMITED	1,494,203	0.74
KING NOMINEES (VIC) PTY LTD	1,388,889	0.69
NATIONAL NOMINEES LIMITED	1,378,039	0.69
BAHRAIN INVESTMENTS PTY LTD	1,333,334	0.66
CHARANDA NOMINEE COMPANY PTY LTD	1,267,000	0.63
MR MICHAEL GREGORY PETERSON & MS SAMANTHA ANNE WAKE	1,228,000	0.61
EXWERE INVESTMENTS PTY LTD	1,165,280	0.58
DEMETA PTY LTD	986,500	0.49
BNP PARIBAS NOMINEES PTY LTD	944,820	0.47
AUSTRALIAN EXECUTOR TRUSTEES LIMITED	922,698	0.46
CHARMSEAT PTY LTD	875,000	0.44
MALCOLM HOLDINGS PTY LIMITED	875,000	0.44
NAVIGATOR AUSTRALIA LTD	776,530	0.39
AUSTRALIAN EXECUTOR TRUSTEES LIMITED	688,489	0.34

### b. Use of Cash

For the period 1 July 2018 to 30 June 2019, 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 2019:

## **DIRECTORS**

Michael Cottier  
Kym Evans  
John Baillie  
Miles Staude

## **SECRETARY**

Jane Prior

## **REGISTERED OFFICE**

Suite A, Level 10  
241 Adelaide Street  
Brisbane QLD 4000

## **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](http://www.blueskyfunds.com.au/alternativesfund)



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**Blue Sky Alternatives Access Fund Limited**

**[www.blueskyfunds.com.au/alternativesfund](http://www.blueskyfunds.com.au/alternativesfund)**