Blue Sky SRA Alliance Fund
(formerly SRA Alliance Fund)

ARSN 140 253 685

Annual financial statements for the reporting period ended 30 June 2014

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Contents

These financial statements cover Blue Sky SRA Alliance Fund as a Consolidated Entity consisting of Blue Sky Alliance SRA Fund and its subsidiaries.

The Responsible Entity of Blue Sky SRA Alliance Fund ("Fund") is One Managed Investment Funds Limited (47 117 400 987). The Responsible Entity's registered office is Level 13, 20 Hunter Street, Sydney, NSW 2000.

Directors' report

The directors of One Managed Investment Funds Limited, the responsible entity of Blue Sky SRA Alliance Fund (formerly SRA Alliance Fund), present their report together with the consolidated financial statements of the Blue Sky SRA Alliance Fund (the "Fund" or "Parent") and its Controlled Entities (collectively, the "Consolidated Entity") for the reporting period ended 30 June 2014 (the "reporting period").

Responsible Entity

The responsible entity of the Fund is One Managed Investment Funds Limited (ABN 47 117 400 987) ("OMIFL" or the "Responsible Entity"). The Responsible Entity's registered office is Level 13, 20 Hunter Street, Sydney, NSW 2000.

Principal activities

The Fund is a registered managed investment fund domiciled in Australia.

The principal activity of the Consolidated Entity is to invest funds in accordance with its investment objectives and guidelines as set out in the Fund's product disclosure statement ("PDS") and in accordance with the provisions of the Constitution. The Consolidated Entity did not have any employees during the year.

Directors

The following persons held office as directors of OMIFL during the reporting period and up to the date of this report:

Frank Tearle
Justin Epstein
Elizabeth Reddy

Review and results of operations

There have been no significant changes to the operations of the Consolidated Entity during the reporting period. The Consolidated Entity continued to invest funds in accordance with target asset allocations as set out in the governing documents of the Consolidated Entity and in accordance with the provisions of the Fund's Constitution.

The performance of the Consolidated Entity, as represented by the results of its operations, was as follows:

	Consolidated		Parent	
	For the reporting period ended		For the reporting period ended	
	30 June 2014 $'000	30 June 2013 $'000	**30 June 2014 $'000**	30 June 2013 $'000
Profit/(loss) before finance costs attributable to unitholders	**134**	(818)	**134**	(818)
Distributions - Class - IS 4				
Distributions paid and payable	**798**	337	**798**	337
Distributions (cents per unit - CPU)	**2.4446**	0.7020	**2.4446**	0.7020
Distributions - Class - IS 9				
Distributions paid and payable	**9,308**	1,030	**9,308**	1,030
Distributions (cents per unit - CPU)	**69.4127**	2.6821	**69.4127**	2.6821
Distributions - Class - IS 16E				
Distributions paid and payable	**-**	118	**-**	118
Distributions (cents per unit - CPU)	**-**	0.4833	**-**	0.4833
Distributions - Class - IS 16Q				
Distributions paid and payable	**-**	-	**-**	-
Distributions (cents per unit - CPU)	**-**	-	**-**	-

Directors' report (continued)

Indirect Cost Ratio ("ICR")

	2014	2013
Class – IS 4	**1.26%**	1.13%
Class – IS 9	**1.19%**	1.07%
Class – IS 16E	**2.12%**	2.05%
Class – IS 16Q	**1.75%**	-

The ICR calculation includes fees charged to the Consolidated Entity during the financial year, including those charged by the Responsible Entity directly for management of the assets. The fees charged to the IS 16E and IS 16Q units include performance fees, no performance fees are charged to the IS 4 and IS 9 units.

Expenses excluded from the ICR calculation are those that would have ordinarily been incurred by a direct investor in the underlying assets of the Fund, such as brokerage, transaction costs and government taxes.

The average unitholders' funds used to calculate the ICR is the average net assets of the Fund.

Significant changes in state of affairs

On 30 April 2014, the investment manager of the Fund, Investment Science Asset Management Pty Ltd ("Investment Science") and its related entities, were acquired by Blue Sky Alternative Investments Limited ("Blue Sky"). The new name of the investment manager is Blue Sky Investment Science Asset Management Pty Ltd ("BSISAM" or "Investment Manager").

As a result of this acquisition, the Fund has changed its name from SRA Alliance Fund to Blue Sky SRA Alliance Fund. All necessary documents have been lodged with ASIC. In addition to the change of Fund name, the names of the unit classes have also been changed from SRA 4 Units to Investment Science 4 Units ("IS 4 Units"), SRA 9 Units to Investment Science 9 Units ("IS 9 Units") and SRA 16 Units to Investment Science 16E Units ("IS 16E Units"). In addition, a new class of units, Investment Science 16Q Units ("IS 16Q Units"), has been added. The names of the sub trusts have also changed from Alliance 4 Trust to Investment Science 4 Trust ("IS 4 Trust"), Alliance 9 Trust to Investment Science 9 Trust ("IS 9 Trust") and Alliance 16 Trust to Investment Science 16E Trust ("IS 16E Trust"). The name of the new sub trust is Investment Science 16Q Trust ("IS 16Q Trust").

In the opinion of the directors, there were no other significant changes in the state of affairs of the Fund that occurred during the financial year under review.

Events occurring after the reporting period

No matter or circumstance has arisen since 30 June 2014, that has significantly affected, or may significantly affect:

(i) the operations of the Consolidated Entity in future reporting periods, or
(ii) the results of those operations in future reporting periods, or
(iii) the state of affairs of the Consolidated Entity in future reporting periods.

Likely developments and expected results of operations

The Consolidated Entity will continue to be managed in accordance with the investment objectives and guidelines as set out in the governing documents of the Consolidated Entity and in accordance with the provisions of the Fund's Constitution.

Further information on likely developments in the operations of the Consolidated Entity and the expected results of those operations have not been included in this report because the Responsible Entity believes it would be likely to result in unreasonable prejudice to the Consolidated Entity.

Indemnification and insurance of officers and auditors

No insurance premiums are paid for out of the assets of the Consolidated Entity in regards to insurance cover provided to either the officers of OMIFL or the auditors of the Consolidated Entity. So long as the officers of OMIFL act in accordance with the Fund's Constitution and the *Corporations Act 2001*, the officers remain indemnified out of the assets of the Consolidated Entity against losses incurred while acting on behalf of the Consolidated Entity. The auditors of the Consolidated Entity are in no way indemnified out of the assets of the Consolidated Entity.

Fees paid to and interests held in the Consolidated Entity by the Responsible Entity or its associates

Fees paid to the Responsible Entity and its associates out of Consolidated Entity property during the reporting period are

Directors' report (continued)

disclosed in note 13 of the financial statements.

No fees were paid out of Consolidated Entity property to the directors of the Responsible Entity during the reporting period.

The number of interests in the Consolidated Entity held by the Responsible Entity or its associates as at the end of the reporting period are disclosed in note 13 of the financial statements.

Interests in the Consolidated Entity

The movements in units on issue in the Consolidated Entity during the reporting period is disclosed in note 5 of the financial statements.

The value of the Consolidated Entity's assets and liabilities is disclosed in the statement of financial position and derived using the basis set out in note 2 of the financial statements.

Environmental regulation

The operations of the Consolidated Entity are not subject to any particular or significant environmental regulations under a Commonwealth, State or Territory law.

Rounding of amounts to the nearest thousand dollars

The Consolidated Entity is an entity of the kind referred to in Class Order 98/0100 (as amended) issued by the Australian Securities and Investments Commission relating to the "rounding off" of amounts in the directors' report and financial report. Amounts in the directors' report and financial report have been rounded to the nearest thousand dollars in accordance with that Class Order, unless otherwise indicated.

Auditor's independence declaration

A copy of the Auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 5.

This report is made in accordance with a resolution of the directors.

Frank Tearle
Director

Sydney
26 September 2014

HLB Mann Judd

Accountants | Business and Financial Advisers

AUDITOR'S INDEPENDENCE DECLARATION

To the Directors of One Managed Investment Funds Limited:

As lead auditor for the audit of the financial report of Blue Sky SRA Alliance Fund for the year ended 30 June 2014, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

(a) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(b) any applicable code of professional conduct in relation to the audit.

This declaration applies to Blue Sky SRA Alliance Fund and the entities it controlled during the year.

M. Muller

Sydney, NSW
25 September 2014

M D Muller
Partner

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Statements of comprehensive income

		Consolidated		Parent	
		For the reporting period ended		For the reporting period ended	
		30 June 2014	30 June 2013	**30 June 2014**	30 June 2013
	Notes	**$'000**	$'000	**$'000**	$'000
Investment income					
Interest income		**523**	939	**2**	24
Trust distributions	3	**2,148**	1,703	**3,267**	1,671
Net gains/(losses) on financial instruments held at fair value through profit or loss		**(1,129)**	(366)	**(2,093)**	(812)
Other income		**303**	137	**1**	2
Total investment income		**1,845**	2,413	**1,177**	885
Expenses					
Management and performance fees		**1,038**	1,703	**1,038**	1,703
Other expenses		**673**	1,528	**5**	-
Total expenses		**1,711**	3,231	**1,043**	1,703
Profit/(loss) before finance cost attributable to unitholders		**134**	(818)	**134**	(818)
Finance costs attributable to unitholders					
Distributions to unitholders of the Parent Entity	6	**10,106**	1,485	**10,106**	1,485
Increase/(decrease) in net assets attributable to unitholders of the Parent Entity	5	**(9,972)**	(2,303)	**(9,972)**	(2,303)
Profit/(loss) for the reporting period		**-**	-	**-**	-
Other comprehensive income for the reporting period		**-**	-	**-**	-
Total comprehensive income for the reporting period		**-**	-	**-**	-

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

Statements of financial position

		Consolidated As at		Parent As at	
	Notes	**30 June 2014 $'000**	30 June 2013 $'000	**30 June 2014 $'000**	30 June 2013 $'000
Assets					
Cash and cash equivalents	7	**27,041**	44,326	**197**	64
Receivables		**1,161**	1,602	**3,286**	1,714
Financial assets held at fair value through profit or loss	8	**36,205**	73,593	**57,597**	110,093
Total assets		**64,407**	119,521	**61,080**	111,871
Liabilities					
Distributions payable		**1,420**	1,485	**1,420**	1,485
Payables		**68**	152	**68**	153
Financial liabilities held at fair value through profit or loss	9	**3,327**	7,651	**-**	-
Total liabilities (excluding net assets attributable to unitholders)		**4,815**	9,288	**1,488**	1,638
Net assets attributable to unitholders - liability	5	**59,592**	110,233	**59,592**	110,233

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

Statements of changes in equity

	Consolidated		Parent	
	For the reporting period ended		For the reporting period ended	
	30 June 2014 $'000	30 June 2013 $'000	**30 June 2014 $'000**	30 June 2013 $'000
Total equity at the beginning of the reporting period	-	-	-	-
Profit/(loss) for the reporting period attributable to unitholders of the Parent Entity	-	-	-	-
Other comprehensive income for the reporting period attributable to unitholders of the Parent Entity	-	-	-	-
Total comprehensive income for the reporting period attributable to unitholders of the Parent Entity	-	-	-	-
Profit/(loss) for the reporting period attributable to non-controlling interests	-	-	-	-
Other comprehensive income for the reporting period attributable to non-controlling interests	-	-	-	-
Total comprehensive income for the reporting period attributable to non-controlling interests	-	-	-	-
Transactions with owners in their capacity as owners	-	-	-	-
Total equity at the end of the reporting period	-	-	-	-

In accordance with AASB 132 *Financial Instruments: Presentation*, net assets attributable to unitholders are classified as a liability rather than equity. As a result, there was no equity at the beginning and the end of the reporting period.

Changes in net assets attributable to unitholders are disclosed in note 5.

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

Statements of cash flows

		Consolidated		Parent	
		For the reporting period ended		For the reporting period ended	
		30 June 2014	30 June 2013	**30 June 2014**	30 June 2013
	Notes	**$'000**	$'000	**$'000**	$'000
Cash flows from operating activities					
Proceeds from sale of financial instruments held at fair value through profit or loss		**80,759**	69,644	**75,365**	16,917
Purchase of financial instruments held at fair value through profit or loss		**(46,541)**	(87,926)	**(23,718)**	(34,054)
Trust distributions received		**-**	1,835	**534**	1,634
Interest received		**523**	952	**2**	25
Other income received		**935**	219	**98**	109
Management fees paid		**(1,303)**	(1,678)	**(1,303)**	(1,678)
Payments of other expenses		**(673)**	(1,528)	**(5)**	(118)
Net cash inflow/(outflow) from operating activities	15(a)	**33,700**	(18,482)	**50,973**	(17,165)
Cash flows from financing activities					
Proceeds from applications by unitholders		**24,600**	35,695	**24,600**	35,695
Payments for redemptions by unitholders		**(66,196)**	(23,133)	**(66,196)**	(23,133)
Distributions paid		**(9,244)**	(1,450)	**(9,244)**	(1,450)
Net cash inflow/(outflow) from financing activities		**(50,840)**	11,112	**(50,840)**	11,112
Net increase/(decrease) in cash and cash equivalents		**(17,140)**	(7,370)	**134**	(6,053)
Effects of foreign currency exchange rates on cash and cash equivalents		**(145)**	154	**-**	-
Cash and cash equivalents at the beginning of the reporting period		**44,326**	51,542	**64**	6,117
Cash and cash equivalents at the end of the reporting period	7,15(b)	**27,041**	44,326	**197**	64
Non-cash financing activities	15(c)	**928**	3,825	**928**	3,825

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

Contents

1 General information

These financial statements include separate statements for Blue Sky SRA Alliance Fund (the "Fund" or "Parent") as an individual entity and the Consolidated Entity consisting of Blue Sky SRA Alliance Fund and its controlled entities. The Fund was constituted on 26 June 2009.

The responsible entity of the Fund is One Managed Investment Funds Limited (ABN 47 117 400 987) ("OMIFL" or "the Responsible Entity"). The Responsible Entity's registered office is Level 13, 20 Hunter Street, Sydney, NSW 2000.

The Responsible Entity is incorporated and domiciled in Australia.

The financial statements are presented in the Australian currency.

The financial statements are for the period from 1 July 2013 to 30 June 2014 ("the reporting period").

The financial statements were authorised for issue by the directors on the date the directors' declaration was signed. The directors of the Responsible Entity have the power to amend and reissue the financial statements.

2 Summary of significant accounting policies

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

Certain comparative balances have been changed in order to achieve consistency and comparability with current period accounts.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001* in Australia.

The Consolidated Entity is a for-profit entity for the purposes of preparing the financial statements.

The financial statements are prepared on the basis of fair value measurement of assets and liabilities except where otherwise stated.

The statement of financial position is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and are not distinguished between current and non-current. All balances are generally expected to be recovered or settled within twelve months, except for investments in financial assets and net assets attributable to unitholders where the amount expected to be recovered or settled within twelve months after the end of the reporting period cannot be reliably determined.

Compliance with Australian Accounting Standards and International Financial Reporting Standards

The financial statements of the Consolidated Entity comply with Australian Accounting Standards as issued by the Australian Accounting Standards Board and also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

New and amended standards adopted by the Consolidated Entity

The Consolidated Entity has applied the following major accounting standards and amendments (to the extent that is relevant to the Consolidated Entity) for the first time for the reporting period:

AASB 13 *Fair Value Measurement* and AASB 2011-8 *Amendments to Australian Accounting Standards arising from AASB 13*

AASB 13 establishes a single source of guidance under Australian Accounting Standards for all fair value measurements and defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. AASB 13 does not change when an entity is required to use fair value but rather provides guidance on how to measure fair value when it is required or permitted. The application of AASB 13 has not materially impacted the Fund's financial statements for the reporting period.

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

AASB 2012-2 *Amendments to Australian Accounting Standards –Disclosures – Offsetting Financial Assets and Financial Liabilities*

AASB 2012-2 amends AASB 7 *Financial Instruments: Disclosures* requiring expanded disclosures about recognised financial instruments that are currently offset in the statement of financial position and/or are subject to enforceable master netting agreements (or similar) irrespective of whether they are currently offset. Where applicable, the additional disclosures are provided in the notes to the financial statements for the reporting period.

AASB 10 *Consolidated Financial Statements*, AASB 12 *Disclosure of Interests in Other Entities* and AASB 127 *Separate Financial Statements*

AASB 10 introduces a new control model that is applicable to all investees. Among other things, it requires the consolidation of an investee it the Fund controls the investee on the basis of de facto circumstances. The adoption of AASB 10 has not materially impacted the financial statements of the Consolidated Entity.

AASB 12 requires new disclosures applicable to all investees. The adoption of AASB 12 has not changed the level of disclosure of the Consolidated Entity in the financial statements or impacted the financial position and the results of operations of the Consolidated Entity.

AASB 127 prescribes accounting and disclosure requirements for separate financial statements. The adoption of AASB 127 has not materially impacted the financial statements of the Consolidated Entity.

(b) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Blue Sky SRA Alliance Fund (the "Parent") as at 30 June 2014 and the results of all subsidiaries for the reporting period then ended. Blue Sky SRA Alliance Fund and its subsidiaries together are referred to in these financial statements as the Consolidated Entity.

Subsidiaries are all those entities over which the Consolidated Entity has been assessed as their parent. An investor shall be deemed a parent if it is assessed as having control over the investee. An investor controls an investee if and only if the investor has all of the following: (a) power over the investee; (b) exposure, or rights, to variable returns from its involvement (eg investment) with the investee; and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Power is the ability to direct relevant activities that in turn significantly impacts the investee's returns. It arises from the investor's existing rights whether exercised or not (eg voting rights, right arising from contractual arrangements etc). Variable returns are investor's returns from its involvement/investment in the investee that has the potential to vary as a result of the investee's performance. Link between power and returns exist where investor controls investee if it has power over the investee, exposure or rights to variable returns and the ability to affect the investors' returns from its involvement with the investee. Thus, an investor with decision-making rights (eg voting rights) shall determine whether it is a principal or an agent.

Subsidiaries are fully consolidated from the date on which control is transferred to the Consolidated Entity. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Consolidated Entity.

All transactions (including gains/(losses)) and balances between entities in the consolidated group are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Consolidated Entity.

Non-controlling interests in the results and net assets of subsidiaries are shown separately in the statement of comprehensive income and the statement of financial position respectively.

Investments in subsidiaries are accounted for at fair value through profit or loss.

The Consolidated Entity acquires units in subsidiaries at their redemption price which reflects the fair value of the units in the subsidiary.

2 Summary of significant accounting policies (continued)

(c) Financial instruments

(i) Classification

- *Financial assets and liabilities held at fair value through profit or loss*

  The Consolidated Entity's investments are categorised as held at fair value through profit or loss. They comprise:

  - *Financial instruments held for trading*

    These may include derivative financial instruments including futures, forward contracts, options and interest rate swaps. The Consolidated Entity does not designate any derivatives as hedges in a hedging relationship.

    The Consolidated Entity makes short sales in which a borrowed security is sold in anticipation of a decline in the market value of that security, or it may use short sales for various arbitrage transactions. Short sales are classified as financial liabilities at fair value through profit or loss.

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

    These include financial assets and financial liabilities that are not held for trading purposes and which may be sold. These may include investments in exchange traded debt and equity instruments, unlisted trusts, unlisted equity instruments and commercial paper.

    Financial assets and financial liabilities 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 Consolidated Entity's documented investment strategy. The Consolidated Entity's policy is for the Responsible Entity to evaluate the information about these financial instruments on a fair value basis together with other related financial information.

    The information on the fair value basis is provided internally to the Consolidated Entity's key management personnel. In addition, the designation of financial assets and financial liabilities at fair value through profit or loss will reduce any measurement or recognition inconsistencies and any accounting mismatch that would otherwise arise.

  - *Loans and receivables/payables*

    Loans and receivables/payables are non-derivative financial assets/liabilities with fixed or determinable payments that are not quoted in an active market. This category includes short-term receivables/payables.

(ii) Recognition/derecognition

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

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Consolidated Entity retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' agreement; or
- the Consolidated Entity has transferred its rights to receive cash flows from the asset and either:
  (a) has transferred substantially all the risks and rewards of the asset; or
  (b) has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

Any gains or losses arising on derecognition of the asset (calculated as the difference between the disposal proceeds and the carrying amount of the asset) are included in the statement of comprehensive income in the reporting period the asset is derecognised as realised gains or losses on financial instruments.

(iii) Measurement

- *Financial assets and liabilities held at fair value through profit or loss*

  Financial assets and liabilities held at fair value through profit or loss are measured initially at fair value excluding any transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs on financial assets and financial liabilities at fair value through profit or loss are expensed immediately. Subsequent to initial recognition, all instruments held at fair value through profit or loss are measured at fair value with changes in their fair value recognised in the statement of comprehensive income.

2 Summary of significant accounting policies (continued)

(c) Financial instruments (continued)

- *Fair value in an active market*

The fair value of financial assets and liabilities traded in active markets is based on their quoted market prices at the end of the reporting period without any deduction for estimated future selling costs. Financial assets are priced at current bid prices, while financial liabilities are priced at current asking prices.

A financial instrument is regarded as quoted in active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

The Consolidated Entity's financial instruments that are valued based on active markets generally include listed instruments, ranging from listed equity and/or debt securities to listed derivatives, where applicable.

- *Fair value in an inactive or unquoted market*

The fair value of financial assets and liabilities not traded in an active market is determined using valuation techniques. These include the use of recent arm's length market transactions, discounted cash flow techniques, option pricing models or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate used is the market rate at the end of the reporting period applicable for an instrument with similar terms and conditions.

For other pricing models, inputs are based on market data at the end of the reporting period.

There may be a difference between the fair value at initial recognition and amounts determined using a valuation technique. If such a difference exists, the Consolidated Entity recognises the difference in the statement of comprehensive income to reflect a change in factors, including time, that market participants would consider in setting a price.

The fair value of derivatives that are not exchange-traded is estimated at the amount that the Consolidated Entity would receive or pay to terminate the contract at the end of the reporting period taking into account current market conditions (volatility and appropriate yield curve) and the current creditworthiness of the counterparties. The fair value of a forward contract is determined as a net present value of estimated future cash flows, discounted at appropriate market rates as at the valuation date. The fair value of an option contract is determined by applying the most appropriate option valuation model.

Investments in other unlisted unit trusts are recorded at the redemption value per unit as reported by the managers of such trusts.

The Consolidated Entity's financial instruments that are valued based on inactive or unquoted markets generally include unlisted instruments ranging from investments in unlisted unit trusts, unlisted equity and/or debt securities to over the counter derivatives, where applicable.

- *Loans and receivables/payables*

Loans and receivables/payables are measured initially at fair value plus transaction costs.

Subsequently, loans are carried at amortised cost using the effective interest method, less impairment losses, if any. Short-term receivables/payables are carried at their initial fair values.

(iv) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

(d) Net assets attributable to unitholders

Units are redeemable at the unitholders option and are classified as financial liabilities due to mandatory distributions. The units can be put back to the Consolidated Entity at any time for cash based on the redemption price. The fair value of redeemable units is measured at the redemption amount that is payable (based on the redemption unit price) at the end of the reporting period if unitholders exercised their right to put the units back to the Consolidated Entity. Because the Consolidated Entity's redemption unit price is based on different valuation principles to that applied in financial reporting, a valuation difference exists, which has been treated as a separate component of net assets attributable to unitholders. Changes in the value of this financial liability are recognised in the statement of comprehensive income as they arise.

2 Summary of significant accounting policies (continued)

(e) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, 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 from the date of acquisition that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts, if any, are shown within borrowings in the statement of financial position.

Payments and receipts relating to the purchase and sale of investment securities are classified as cash flows from operating activities.

(f) Investment income

Interest income and interest expenses are recognised in the statement of comprehensive income for all financial instruments on an accrual basis. Other changes in fair value for such instruments are recorded in accordance with the policies described in note 2(c).

Trust distributions are recognised on an entitlements basis.

Net gains/(losses) on financial assets and financial liabilities held at fair value through profit or loss arising on a change in fair value are calculated as the difference between the fair value at the end of the reporting period and the fair value at the previous valuation point. Net gains/(losses) do not include interest or dividend/distribution income. Realised and unrealised gains/(losses) are shown in the notes to the financial statements.

(g) Expenses

All expenses, including Responsible Entity's fees and custodian fees, are recognised in the statement of comprehensive income on an accruals basis.

(h) Income tax

Under current legislation, the Consolidated Entity is not subject to income tax as unitholders are presently entitled to the income of the Consolidated Entity.

Financial instruments held at fair value may include unrealised capital gains. Should such a gain be realised, that portion of the gain that is subject to capital gains tax will be distributed so that the Consolidated Entity is not subject to capital gains tax.

The benefit of imputation credits and foreign tax paid are passed on to unitholders.

(i) Distributions

In accordance with the Fund's Constitution, the Consolidated Entity distributes income adjusted for amounts determined by the Responsible Entity, to unitholders by cash or reinvestment. The distributions are recognised in the statement of comprehensive income as finance costs attributable to unitholders.

(j) Increase/(decrease) in net assets attributable to unitholders

Income not distributed is included in net assets attributable to unitholders. Movements in net assets attributable to unitholders are recognised in the statement of comprehensive income as finance costs.

(k) Foreign currency translation

(i) Functional and presentation currency

Items included in the Consolidated Entity's financial statements are measured using the currency of the primary economic environment in which it operates ("the functional currency"). This is the Australian dollar, which reflects the currency of the economy in which the Consolidated Entity competes for funds and is regulated. The Australian dollar is also the Consolidated Entity's presentation currency.

2 Summary of significant accounting policies (continued)

(k) Foreign currency translation (continued)

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translations at reporting period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

The Consolidated Entity isolates that portion of unrealised gains or losses on securities and derivative financial instruments that are measured at fair value through profit or loss and which are due to changes in foreign exchange rates from that which are due to changes in the market price of securities. Such fluctuations are included with the net gains or losses on financial instruments at fair value through profit or loss.

(l) Receivables

Receivables may include amounts for dividends, trust distributions, interest and securities sold where settlement has not yet occurred. Dividends and trust distributions are accrued when the right to receive payment is established. Interest is accrued at the end of each reporting period from the time of last payment in accordance with the policy set out in note 2(f) above. Amounts are generally received within 30 days of being recorded as receivables.

Receivables include such items as Reduced Input Tax Credits ("RITC") and application monies receivable from unitholders.

(m) Payables

Payables include liabilities and accrued expenses owing by the Consolidated Entity which are unpaid as at the end of the reporting period.

Trades are recorded on trade date, and normally settled within three business days. Purchases of financial instruments that are unsettled at the end of each reporting period are included in payables.

The distribution amount payable to unitholders as at the end of each reporting period is recognised separately in the statement of financial position when unitholders are presently entitled to the distributable income under the Fund's Constitution.

(n) Applications and redemptions

Applications received for units in the Consolidated Entity are recorded net of any entry fees payable prior to the issue of units in the Consolidated Entity. Redemptions from the Consolidated Entity are recorded gross of any exit fees payable after the cancellation of units redeemed.

Unit redemption prices are determined by reference to the net assets of the Consolidated Entity divided by the number of units on issue.

(o) Goods and Services Tax ("GST")

Expenses of various services provided to the Consolidated Entity by third parties such as custodial services and investment management fees etc 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 expense in the statement of comprehensive income.

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

Cash flows relating to GST are included in the statement of cash flows on a gross basis.

(p) Use of estimates

The Consolidated Entity does not make estimates and assumptions that affect the reported amounts of assets and liabilities at financial year end apart from the following:

After reference to all available information the Consolidated Entity estimated a provision for impairment of balances held with MF Global Australia Ltd. Details of this are included in note 7.

For the Consolidated Entity's managed fund investments, quoted redemption prices are readily available and for options and futures quoted market prices are readily available.

For certain other financial instruments, including amounts due from/to brokers and accounts payable and accounts receivable, the carrying amounts equate with fair value due to the immediate or short-term nature of these financial instruments.

2 Summary of significant accounting policies (continued)

(q) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2014 reporting period and have not yet been applied in the financial statements. The directors' assessment of the impact of these new standards (to the extent relevant to the Consolidated Entity) and interpretations is set out below:

(i) AASB 9 *Financial Instruments* (2009 or 2010 version), AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9*, AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9*, AASB 2012-6 *Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures*, AASB 2013-9 *Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments* (effective from 1 January 2017).

AASB 9 *Financial Instruments* addresses the classification, measurement, recognition and derecognition of financial assets and financial liabilities. It has now introduced revised rules around hedge accounting. The Standard is not applicable until 1 January 2017 but is available for early adoption. The Fund does not expect this to have a significant impact on the recognition and measurement of the Fund's financial instruments as they are carried at fair value through profit or loss. The derecognition rules have not been changed from the previous requirements, and the Fund does not apply hedge accounting. The Fund does not intend to early adopt AASB 9.

(ii) AASB 2012-3 *Amendments to Australian Accounting Standard - Offsetting Financial Assets and Financial Liabilities* (effective 1 January 2014)

In June 2012, the AASB approved amendments to the application guidance in AASB 132 *Financial Instruments: Presentation*, to clarify some of the requirements for offsetting financial assets and financial liabilities in the statement of financial position. These amendments are effective from 1 January 2014. The adoption of the amendments will not have a significant impact on the financial statements of the Fund. The Fund does not intend to early adopt the amendments.

(iii) AASB 2013-5 *Amendments to Australian Accounting Standards – Investment Entities* (effective 1 January 2014)

AASB 2013-5 provides amendments to AASB 10 *Consolidated Financial Statements*, AASB 12 *Disclosure of Interests in Other Entities* and AASB 127 *Separate Financial Statements*. The amendments provide an exception to consolidation to qualifying investment entities and require them to measure unconsolidated subsidiaries at fair value through profit or loss. The amendments also introduce new disclosure requirements for investment entities that have controlled investees. The Fund does not intend to early adopt the amendments. The adoption of these amendments will require that the Fund no longer prepares consolidated results and instead only discloses the results of the parent entity in its financial statements. This will have no effect on the financial position or results of the Fund.

(r) Rounding of amounts

The Consolidated Entity is an entity of the kind referred to in Class Order 98/0100 (as amended), issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with that Class Order to the nearest thousand dollars, unless otherwise indicated.

(s) Margin accounts

Margin accounts comprise of cash held as collateral for derivative transactions and short sales. The cash is held by the broker in client segregated accounts and is only available to meet margin calls.

3 Trust distributions

	Consolidated		Parent	
	For the reporting period ended		For the reporting period ended	
	30 June 2014 $'000	30 June 2013 $'000	**30 June 2014 $'000**	30 June 2013 $'000
Trust distributions				
Unlisted unit trusts	**2,148**	1,703	**3,267**	1,671
	2,148	1,703	**3,267**	1,671

4 Auditor's remuneration

No audit fees were incurred by the Consolidated Entity during the reporting period ended 30 June 2014. The auditor of the Consolidated Entity is HLB Mann Judd. The audit fees of the Consolidated Entity were paid by Blue Sky Investment Science Asset Management Pty Ltd ("BSISAM"). The Responsible Entity has the right to charge audit fees directly to the fund.

5 Net assets attributable to unitholders

Movements in number of units and net assets attributable to unitholders during the reporting period were as follows:

	Consolidated For the reporting period ended			
	30 June 2014 No.'000	30 June 2013 No.'000	**30 June 2014 $'000**	30 June 2013 $'000
Net assets attributable to unitholders				
Opening balance	**110,852**	89,085	**110,233**	90,061
Applications	**24,599**	40,939	**24,600**	41,783
Redemptions	**(74,171)**	(22,934)	**(66,196)**	(23,133)
Units issued upon reinvestment of distributions	**914**	3,762	**927**	3,825
Increase/(decrease) in net assets attributable to unitholders		-	**(9,972)**	(2,303)
Closing balance	**62,194**	110,852	**59,592**	110,233

	Parent For the reporting period ended			
	30 June 2014 No.'000	30 June 2013 No.'000	**30 June 2014 $'000**	30 June 2013 $'000
Net assets attributable to unitholders				
Opening balance	**110,852**	89,085	**110,233**	90,061
Applications	**24,599**	40,939	**24,600**	41,783
Redemptions	**(74,171)**	(22,934)	**(66,196)**	(23,133)
Units issued upon reinvestment of distributions	**914**	3,762	**927**	3,825
Increase/(decrease) in net assets attributable to unitholders	**-**	-	**(9,972)**	(2,303)
Closing balance	**62,194**	110,852	**59,592**	110,233

As stipulated within the Fund's Constitution, each unit represents a right to an individual share in the Fund and does extend to a right to the underlying assets of the Consolidated Entity. There are four separate classes of units in the Fund. Each unit within the same class has the same rights as all other units within that class. Except for different management and performance fee rates, the four different classes have the same preferences and restrictions.

Capital risk management

The Fund considers its net assets attributable to unitholders as capital, notwithstanding net assets attributable to unitholders are classified as a financial liability. The amount of net assets attributable to unitholders can change significantly on a weekly basis as the Fund is subject to weekly applications and redemptions at the discretion of unitholders.

Weekly applications and redemptions are reviewed relative to the liquidity of the Fund's underlying assets by the Responsible Entity. Under the terms of the Fund's Constitution, the Responsible Entity has the discretion to reject an application for units and to defer or adjust a redemption of units if the exercise of such discretion is in the best interests of unitholders.

6 Distributions to unitholders of the parent entity

The distributions were paid/payable as follows:

	Consolidated and Parent For the reporting period ended			
	30 June 2014 $'000	**30 June 2014 CPU**	30 June 2013 $'000	30 June 2013 CPU
Distributions Class - IS 4				
Distribution paid and payable	**798**	**2.4446**	337	0.7020
Distributions Class - IS 9				
Distribution paid and payable	**9,308**	**69.4127**	1,030	2.6821
Distributions Class - IS 16E				
Distribution paid and payable	**-**	**-**	118	0.4833
Distributions Class - IS 16Q				
Distribution paid and payable	**-**	**-**	-	-
	10,106		1,485	

7 Cash and cash equivalents

	Consolidated As at		Parent As at	
	30 June 2014 $'000	30 June 2013 $'000	**30 June 2014 $'000**	30 June 2013 $'000
Cash at bank	**13,098**	27,177	**197**	64
Margin Accounts	**13,943**	17,149	**-**	-
	27,041	44,326	**197**	64

Recovery of the funds held in MF Global Australia Ltd margin accounts is ongoing.

At 30 June 2013, recovery of funds by the administrators meant that 91% of agreed account balances was paid in distributions with further distributions expected in the future. The directors of the Responsible Entity noted at the time of signing the financial report for the year ended 30 June 2013 that the carrying value used in relation to the MF Global Australia Ltd position in the preparation of the accounts was the best known estimate available. On 29 February 2012, the carrying value was written down from 100% to 92.42% after considering the report presented at the second Creditors' meeting. The carrying value used in the financial report for the year ended 30 June 2013 was therefore 1.42% of the agreed account balances.

During the 2013-2014 financial year, further recovery of funds by the administrators has meant that 95.5% of agreed account balances has been paid in distributions. Investors should note that the timing and amount of future distributions is dependent on further recoveries which are not possible to predict.

The directors of the Responsible Entity note that at the time of signing the financial report, it is not possible to determine if further distributions will be paid in respect of the MF Global Australia Ltd position but that the administrator is continuing to work to achieve further recoveries. For this reason no amounts due from MF Global Australia Ltd are included in the cash balances at 30 June 2014.

8 Financial assets held at fair value through profit or loss

	Consolidated		Parent	
	As at		As at	
	30 June 2014 $'000	30 June 2013 $'000	**30 June 2014 $'000**	30 June 2013 $'000
Held for trading				
Derivatives	**2,922**	4,817	**-**	-
Total held for trading	**2,922**	4,817	**-**	-
Designated at fair value through profit or loss				
Unlisted unit trusts	**33,283**	68,776	**57,597**	110,093
Total designated at fair value through profit or loss	**33,283**	68,776	**57,597**	110,093
Total financial assets held at fair value through profit or loss	**36,205**	73,593	**57,597**	110,093

An overview of the risk exposures relating to financial assets at fair value through profit or loss is included in note 11.

9 Financial liabilities held at fair value through profit or loss

	Consolidated		Parent	
	As at		As at	
	30 June 2014 $'000	30 June 2013 $'000	**30 June 2014 $'000**	30 June 2013 $'000
Held for trading				
Derivatives	**3,327**	7,651	**-**	-
Total held for trading	**3,327**	7,651	**-**	-
Total financial liabilities held at fair value through profit or loss	**3,327**	7,651	**-**	-

An overview of the risk exposures relating to financial liabilities at fair value through profit or loss is included in note 11.

10 Derivative financial instruments

In the normal course of business the Consolidated Entity may enter into transactions in various derivative financial instruments with certain risks. A derivative is a financial instrument or other contract which is settled at a future date and whose value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable. Derivative financial instruments require no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.

Derivative transactions include many different instruments, such as forwards, futures and options. Derivatives are considered to be part of the investment process and the use of derivatives is an essential part of the Consolidated Entity's portfolio management. Derivatives are not managed in isolation. Consequently, the use of derivatives is multifaceted and includes:

- hedging to protect an asset or liability of the Consolidated Entity against a fluctuation in market values or to reduce volatility
- a substitution for trading of physical securities, and
- adjusting asset exposures within the parameters set in the investment strategy, and adjusting the duration of fixed interest portfolios or the weighted average maturity of cash portfolios.

While derivatives are used for trading purposes, the Investment Science 4 and 9 Portfolios do not employ leverage directly. However, the underlying funds and managed accounts in which they invest may employ leverage.

The Investment Science 16E and 16Q Portfolios are leveraged through the use of derivatives and short selling to implement the investment strategy, subject to the overall volatility target of 16% per annum. The volatility target implicitly constrains the level of leverage within these Portfolios.

The Consolidated Entity holds the following derivative instruments:

(a) Futures and commodities

These are contractual obligations to buy or sell futures and commodities on a future date at a specified price established in an organised market. The future and commodity contracts may be collateralised by cash or marketable securities. Changes in future and commodity contracts' values are usually settled net daily with the exchange. Interest rate futures are contractual obligations to receive or pay a net amount based on changes in interest rates at a future date at a specified price, established in an organised financial market.

(b) Options on futures

An option is a contractual arrangement under which the seller (writer) grants the purchaser (holder) the right, but not the obligation, either to buy (a call option) or sell (a put option) at or by a set date or during a set period, a specific amount of securities or a financial instrument at a predetermined price. The seller receives a premium from the purchaser in consideration for the assumption of future securities price risk. Options held by the Consolidated Entity are exchange-traded. The Consolidated Entity is exposed to credit risk on purchased options to the extent of their carrying amount, which is their fair value. Options are settled on a gross basis.

The Consolidated Entity's derivative financial instruments at reporting period-end are detailed below:

	Fair Values	
Consolidated	**Assets**	**Liabilities**
30 June 2014	**$'000**	**$'000**
Futures	**1,898**	**2,451**
Commodities	**1,024**	**876**
Closing balance	**2,922**	**3,327**

	Fair Values	
Consolidated	Assets	Liabilities
30 June 2013	$'000	$'000
Futures	4,201	(7,361)
Commodities	616	(290)
Closing balance	4,817	(7,651)

10 Derivative financial instruments (continued)

(b) Options on futures (continued)

	Fair Values	
Parent	**Assets**	**Liabilities**
30 June 2014	**$'000**	**$'000**
Futures	-	-
Commodities	-	-
Closing balance	-	-

	Fair Values	
Parent	Assets	Liabilities
30 June 2013	$'000	$'000
Options on futures	-	-
Futures	-	-
Closing balance	-	-

11 Financial risk management

(a) Objectives, strategies, policies and processes

The Consolidated Entity's activities may expose it to a variety of financial risks: market risk (including price risk, foreign exchange risk and interest rate risk), credit risk and liquidity risk.

The Consolidated Entity's overall risk management program focuses on ensuring compliance with the Consolidated Entity's product disclosure statement ("PDS") and seeks to maximise the returns derived for the level of risk to which the Consolidated Entity's is exposed. Financial risk management is carried out by an investment manager ("the Investment Manager") under policies approved by the board of directors of the Responsible Entity ("the Board").

The Consolidated Entity uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, and ratings analysis for credit risk.

As part of its risk management strategy, the Consolidated Entity may use derivatives and other investments, including share price and bond futures, interest rate swaps and forward currency contracts, to manage exposures resulting from changes in interest rates, foreign currencies, equity price risks, and exposures arising from forecast transactions.

(b) 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. Market risk comprises three types of risk: price risk, foreign currency risk and interest rate risk. Market risk is managed and monitored using sensitivity analysis, and minimised through ensuring that all investment activities are undertaken in accordance with established mandates and investment strategies.

The market risk disclosures are prepared on the basis of the Consolidated Entity's direct investments and not on a look-through basis for investments held in the Consolidated Entity.

The sensitivity of the Consolidated Entity's net assets attributable to unitholders (and profit/(loss) before finance costs attributable to unitholders) to price risk, foreign exchange risk and interest rate risk is measured by the reasonably possible movements approach. This approach is determined based on management's best estimate, having regard to a number of factors, including historical levels of changes in interest rates and foreign exchange rates, historical correlation of the Fund's investments with the relevant benchmarks and market volatility. However, actual movements in the risk variables may be greater or less than anticipated due to a number of factors, including unusually large market shocks resulting from changes in the performance of the economies, markets and securities in which the Fund invests. As a result, historic variations in the risk variables are not a definitive indicator of future variations in the risk variables.

11 Financial risk management (continued)

(b) Market risk (continued)

At 30 June 2014, the overall market exposures were as follows:

	Consolidated As at		Parent As at	
	30 June 2014 $'000	30 June 2013 $'000	**30 June 2014 $'000**	30 June 2013 $'000
Derivative assets held for trading	**2,922**	4,817	-	-
Derivative liabilities held for trading	**(3,327)**	(7,651)	-	-
Financial assets designated at fair value through profit or loss	**33,283**	68,776	**57,597**	110,093

(i) Price risk

Price risk is the risk that the fair value or future cash flows of equities will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or by factors affecting all similar financial instruments traded in the market.

Price risk exposure arises from the Consolidated Entity's investment portfolio. The investments are classified on the statement of financial position as at fair value through profit or loss. All securities investments present a risk of loss of capital. Except for equities sold short, the maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. Possible losses from equities sold short can be unlimited.

The Investment Manager mitigates this price risk through diversification and a careful selection of securities and other financial instruments within specified limits set by the Board.

The Consolidated Entity's overall market positions are monitored on a regular basis by the Consolidated Entity's Investment Manager. This information and the compliance with the Consolidated Entity's PDS are reported to the relevant parties on a regular basis as deemed appropriate such as compliance manager, other key management personnel, compliance committees and ultimately the Board.

At 30 June 2014, if the equity prices had increased/(decreased) by the percentage indicated below, with all other variables held constant, the net assets attributable to unitholders (and profit/(loss) before finance costs attributable to unitholders) would have changed by the following amounts, approximately and respectively:

	As at 30 June 2014		As at 30 June 2013	
Consolidated	**Increased by 10% $'000**	**Decreased by 10% $'000**	Increased by 10% $'000	Decreased by 10% $'000
Increase/(decrease) in net assets attributable to unitholders (and profit/(loss) before finance costs attributable to unitholders)	**3,288**	**(3,288)**	6,594	(6,594)

	As at 30 June 2014		As at 30 June 2013	
Parent	**Increased by 10% $'000**	**Decreased by 10% $'000**	Increased by 10% $'000	Decreased by 10% $'000
Increase/(decrease) in net assets attributable to unitholders (and profit/(loss) before finance costs attributable to unitholders)	**5,760**	**(5,760)**	11,009	(11,009)

The analysis is performed on the same basis for 2014 and 2013.

(ii) Foreign exchange risk

The foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Consolidated Entity holds assets denominated in currencies other than the Australian dollar, the functional currency. It is therefore exposed to foreign exchange risk, as the value of the future cash flows of the securities denominated in other currencies

11 Financial risk management (continued)

(b) Market risk (continued)

will fluctuate due to changes in exchange rates. The risk is measured using sensitivity analysis.

As stated in section (a) above, as part of its risk management strategy, the Consolidated Entity uses forward currency contracts to manage exposures resulting from changes in foreign currencies. On this basis, the Consolidated Entity's overall exposure to foreign exchange risk is considered minimal after taking into account the forward currency contracts.

In accordance with the Consolidated Entity's policy, the Investment Manager monitors the Consolidated Entity's currency position on a regular basis. This information and the compliance with the Consolidated Entity's policy are reported to the relevant parties on a regular basis as deemed appropriate such as compliance manager, other key management personnel, compliance committees and ultimately the Board.

The foreign exchange risk disclosures have been prepared on the basis of the Consolidated Entity's direct investment and not on a look-through basis for investments held indirectly through unit trusts. Consequently the disclosure of currency risk in the note may not represent the true currency risk profile of the Consolidated Entity where the Consolidated Entity has significant investments in indirect trusts which also have exposure to the currency markets.

When the Investment Manager formulates a view on the future direction of foreign exchange rates and the potential impact on the Consolidated Entity, the Investment Manager factors that into its portfolio allocation decisions. While the Consolidated Entity has direct exposure to foreign exchange rate changes on the price of non-Australian dollar-denominated securities, it may also be indirectly affected for example, by the impact of foreign exchange rate changes on the earnings of certain entities in which the Consolidated Entity invests, even if those entities' securities are denominated in Australian dollars. For that reason, the sensitivity analysis may not necessarily indicate the total effect on the Consolidated Entity's net assets attributable to unitholders of future movements in foreign exchange rates.

11 Financial risk management (continued)

(b) Market risk (continued)

The table below summarises the Consolidated Entity's assets and liabilities which are denominated in Australian and non-Australian currencies:

Consolidated

30 June 2014	Australian Dollars A$'000	US Dollars A$'000	Euro A$'000	Japanese Yen A$'000	Other currencies A$'000	Total A$'000
Assets						
Cash and cash equivalents	21,921	4,865	(132)	(149)	536	27,041
Receivables	1,161	-	-	-	-	1,161
Financial assets held at fair value through profit or loss						
Designed at fair value through profit or loss						
Unlisted unit trusts	33,283	-	-	-	-	33,283
Held for trading						
Futures	219	1,113	78	-	488	1,898
Commodities	-	1,024	-	-	-	1,024
Total assets	56,584	7,002	(54)	(149)	1,024	64,407
Liabilities						
Distributions payable	1,420	-	-	-	-	1,420
Payables	68	-	-	-	-	68
Held for trading						
Futures	96	1,422	72	11	850	2,451
Commodities	-	876	-	-	-	876
Total liabilities (excluding net assets attributable to unitholders)	1,584	2,298	72	11	850	4,815
Net assets attributable to unitholders	55,000	4,704	(126)	(160)	174	59,592

Consolidated

30 June 2013	Australian Dollars A$'000	US Dollars A$'000	Euro A$'000	Japanese Yen A$'000	Other currencies A$'000	Total A$'000
Assets						
Cash and cash equivalents	35,112	6,928	458	(130)	1,958	44,326
Receivables	1,602	-	-	-	-	1,602
Financial assets held at fair value through profit or loss						
Designed at fair value through profit or loss						
Unlisted unit trusts	68,776	-	-	-	-	68,776
Held for trading						
Futures	7	1,538	779	-	1,877	4,201
Commodities	-	616	-	-	-	616
Total assets	105,497	9,082	1,237	(130)	3,835	119,521
Liabilities						
Distributions payable	1,485	-	-	-	-	1,485
Payables	152	-	-	-	-	152
Held for trading						
Futures	1,699	3,136	893	10	1,623	7,361
Commodities	-	290	-	-	-	290
Total liabilities (excluding net assets attributable to unitholders)	3,336	3,426	893	10	1,623	9,288
Net assets attributable to unitholders	102,161	5,656	344	(140)	2,212	110,233

11 Financial risk management (continued)

(b) Market risk (continued)

Parent

30 June 2014	**Australian Dollars A$'000**	**US Dollars A$'000**	**Euro A$'000**	**Japanese Yen A$'000**	**Other currencies A$'000**	**Total A$'000**
Assets						
Cash and cash equivalents	**197**	-	-	-	-	**197**
Receivables	**3,286**	-	-	-	-	**3,286**
Financial assets held at fair value through profit or loss						
Unlisted unit trusts	**57,597**	-	-	-	-	**57,597**
Total assets	**61,080**	-	-	-	-	**61,080**
Liabilities						
Distributions payable	**1,420**	-	-	-	-	**1,420**
Payables	**68**	-	-	-	-	**68**
Total liabilities (excluding net assets attributable to unitholders)	**1,488**	-	-	-	-	**1,488**
Net assets attributable to unitholders	**59,592**	-	-	-	-	**59,592**

Parent

30 June 2013	Australian Dollars A$'000	US Dollars A$'000	Euro A$'000	Japanese Yen A$'000	Other currencies A$'000	Total A$'000
Assets						
Cash and cash equivalents	64	-	-	-	-	64
Receivables	1,714	-	-	-	-	1,714
Financial assets held at fair value through profit or loss						
Unlisted unit trusts	110,093	-	-	-	-	110,093
Total assets	111,871	-	-	-	-	111,871
Liabilities						
Distributions payable	1,485	-	-	-	-	1,485
Payables	153	-	-	-	-	153
Total liabilities (excluding net assets attributable to unitholders)	1,638	-	-	-	-	1,638
Net assets attributable to unitholders	110,233	-	-	-	-	110,233

11 Financial risk management (continued)

(b) Market risk (continued)

At 30 June 2014, had the Australian dollar weakened/strengthened as illustrated below against the various currencies to which the Consolidated Entity is exposed, with all other variables held constant, the net assets attributable to unitholders (and profit/(loss) before finance costs attributable to unitholders) would have changed by the following amounts, approximately and respectively:

	AUD Weakened		AUD Strengthened	
	Increase/(decrease) in net assets attributable to unitholders (and profit/(loss) before finance costs attributable to unitholders)			
	30 June 2014	30 June 2013	**30 June 2014**	30 June 2013
Consolidated	**$'000**	$'000	**$'000**	$'000
10% AUD to foreign currency	**510**	888	**(417)**	(734)

	AUD Weakened		AUD Strengthened	
	Increase/(decrease) in net assets attributable to unitholders (and profit/(loss) before finance costs attributable to unitholders			
	30 June 2014	30 June 2013	**30 June 2014**	30 June 2013
Parent	**$'000**	$'000	**$'000**	$'000
10% AUD to foreign currency	**-**	-	**-**	-

The possible impact against other currencies is considered immaterial individually and therefore has not been included in the above table. The analysis is performed on the same basis for 2014 and 2013.

(iii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Consolidated Entity's interest-bearing financial assets and financial liabilities 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 Consolidated Entity has established limits on investments in interest-bearing assets, which are monitored on a daily basis. The Consolidated Entity may use derivatives to hedge against unexpected increases in interest rates and/or multiple rollover dates for debt instruments to manage repricing risk. The interest rate risk is measured using sensitivity analysis.

In accordance with the Consolidated Entity's policy, the Investment Manager monitors the Consolidated Entity's overall interest sensitivity on a regular basis. This information and the compliance with the Consolidated Entity's policy are reported to the relevant parties on a regular basis as deemed appropriate such as compliance manager, other key management personnel, compliance committees and ultimately the Board.

The Consolidated Entity has direct exposure to interest rate changes on the valuation and cash flows of its interest bearing assets and liabilities. However, it may also be indirectly affected by the impact of interest rate changes on the earnings of certain entities in which the Consolidated Entity invests and impact on the valuation of certain assets that use interest rates as an input in their valuation model. Therefore, the sensitivity analysis may not fully indicate the total effect on the Fund's net assets attributable to unitholders of future movements in interest rates.

11 Financial risk management (continued)

(b) Market risk (continued)

The table below summarises the Consolidated Entity's exposure to interest rate risks. It includes the Consolidated Entity's assets and liabilities at fair values, categorised by the maturity dates:

Consolidated

30 June 2014	Floating interest rate	3 months or less	4 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Assets							
Cash and cash equivalents	27,041	-	-	-	-	-	27,041
Receivables	-	-	-	-	-	1,161	1,161
Financial assets held at fair value through profit or loss							
Held for Trading							
Futures	634	-	-	-	-	1,264	1,898
Commodities	-	-	-	-	-	1,024	1,024
Designated as at fair value through profit and loss							
Unlisted unit trusts	-	-	-	-	-	33,283	33,283
Total assets	27,675	-	-	-	-	36,732	64,407
Liabilities							
Distributions payable	-	-	-	-	-	1,420	1,420
Payables	-	-	-	-	-	68	68
Financial liabilities held at fair value through profit or loss							
Held for Trading							
Futures	1,054	-	-	-	-	1,397	2,451
Commodities	-	-	-	-	-	876	876
Total liabilities (excluding net assets attributable to unitholders)	1,054	-	-	-	-	3,761	4,815
Net assets attributable to unitholders	26,621	-	-	-	-	32,971	59,592

11 Financial risk management (continued)

(b) Market risk (continued)

Consolidated

30 June 2013	Floating interest rate $'000	3 months or less $'000	4 to 12 months $'000	1 to 5 years $'000	Over 5 years $'000	Non-interest bearing $'000	Total $'000
Assets							
Cash and cash equivalents	44,326	-	-	-	-	-	44,326
Receivables	-	-	-	-	-	1,602	1,602
Financial assets held at fair value through profit or loss							
Held for Trading							
Futures	2,868	-	-	-	-	1,333	4,201
Commodities	-	-	-	-	-	616	616
Designated as at fair value through profit and loss							
Unlisted unit trusts	-	-	-	-	-	68,776	68,776
Total assets	47,194	-	-	-	-	72,327	119,521
Liabilities							
Distributions Payable	-	-	-	-	-	1,485	1,485
Payables	-	-	-	-	-	152	152
Financial liabilities held at fair value through profit or loss							
Held for Trading							
Futures	4,543	-	-	-	-	2,818	7,361
Commodities	-	-	-	-	-	290	290
Total liabilities (excluding net assets attributable to unitholders)	4,543	-	-	-	-	4,745	9,288
Net assets attributable to unitholders	42,651	-	-	-	-	67,582	110,233

11 Financial risk management (continued)

(b) Market risk (continued)

Parent

30 June 2014	**Floating interest rate $'000**	**3 months or less $'000**	**4 to 12 months $'000**	**1 to 5 years $'000**	**Over 5 years $'000**	**Non-interest bearing $'000**	**Total $'000**
Assets							
Cash and cash equivalents	197	-	-	-	-	-	197
Receivables	-	-	-	-	-	3,286	3,286
Financial assets held at fair value through profit or loss							
Designated as at fair value through profit and loss							
Unlisted unit trusts	-	-	-	-	-	57,597	57,597
Total assets	197	-	-	-	-	60,883	61,080
Liabilities							
Distributions payable	-	-	-	-	-	1,420	1,420
Payables	-	-	-	-	-	68	68
Total liabilities (excluding net assets attributable to unitholders)	-	-	-	-	-	1,488	1,488
Net assets attributable to unitholders	197	-	-	-	-	59,395	59,592

Parent

30 June 2013	Floating interest rate $'000	3 months or less $'000	4 to 12 months $'000	1 to 5 years $'000	Over 5 years $'000	Non-interest bearing $'000	Total $'000
Assets							
Cash and cash equivalents	64	-	-	-	-	-	64
Receivables	-	-	-	-	-	1,714	1,714
Financial assets held at fair value through profit or loss							
Designated as at fair value through profit and loss							
Unlisted unit trusts	-	-	-	-	-	110,093	110,093
Total assets	64	-	-	-	-	111,807	111,871
Liabilities							
Distributions payable	-	-	-	-	-	1,485	1,485
Payables	-	-	-	-	-	153	153
Total liabilities (excluding net assets attributable to unitholders)	-	-	-	-	-	1,638	1,638
Net assets attributable to unitholders	64	-	-	-	-	110,169	110,233

11 Financial risk management (continued)

(b) Market risk (continued)

At 30 June 2014, should interest rates have (decreased)/increased by the basis points indicated below, with all other variables held constant, the net assets attributable to unitholders (and profit/(loss) before finance costs attributable to unitholders) would have changed by the following amounts, approximately and respectively:

Consolidated	As at 30 June 2014 Increased by 100bps $'000	As at 30 June 2014 Decreased by 100bps $'000	As at 30 June 2013 Increased by 100bps $'000	As at 30 June 2013 Decreased by 100bps $'000
Increase/(decrease) in net assets attributable to unitholders (and profit/(loss) before finance costs attributable to unitholders)	**266**	**(267)**	427	(427)

Parent	As at 30 June 2014 Increased by 100bps $'000	As at 30 June 2014 Decreased by 100bps $'000	As at 30 June 2013 Increased by 100bps $'000	As at 30 June 2013 Decreased by 100bps $'000
Increase/(decrease) in net assets attributable to unitholders (and profit/(loss) before finance costs attributable to unitholders)	**2**	**(2)**	1	(1)

These changes are calculated on an undiscounted basis. The analysis is performed on the same basis for 2014 and 2013.

(c) Credit risk

Credit risk primarily arises from deposits held with banks and other financial institutions and from trading derivative products. None of these assets are impaired except for amounts due from MF Global Australia Ltd as disclosed in note 7.

The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets. An analysis of exposures by rating is set out in the table below:

Australian cash deposits	Consolidated Period Ended 30 June 2014 $'000	Parent Period Ended 30 June 2014 $'000	Consolidated Period Ended 30 June 2013 $'000	Parent Period Ended 30 June 2013 $'000
Rating				
AA-	**13,098**	**197**	27,177	64
A	**13,943**	**-**	7,055	-
Unrated*	**-**	**-**	10,094	-
AA	**-**	**-**	-	-
BBB	**-**	**-**	-	-
Total	**27,041**	**197**	44,326	64

* Acquisition completed on 7 May 2014 Newedge is now owned 100% by Societe Generale (A rating).

11 Financial risk management (continued)

(d) Concentrations of risk

Concentrations of risk arise when a number of financial instruments are entered into with the same counterparty, or where a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have similar economic conditions. These similarities would cause the counterparties' liabilities to meet the contractual obligations to be similarly affected by certain changes in the risk variables.

The concentrations of risk are monitored by the Investment Manager to ensure they are within acceptable limits by reducing the exposures or by other means as deemed appropriate.

Concentrations of risk are managed by industry sector for equity instruments and by counterparty for debt instruments and selected derivatives.

There were no significant concentrations of risk to any particular industry at 30 June 2014 and 30 June 2013.

(e) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another asset. This risk is controlled through the Fund's investment in financial instruments, which under normal market conditions are readily convertible to cash. In addition, the Fund maintains sufficient cash and cash equivalents to meet normal operating requirements.

The Consolidated Entity may be exposed to weekly cash redemptions of redeemable units and daily margin calls on derivatives. It therefore primarily holds investments that are traded in active markets and can be readily disposed of.

The Consolidated Entity's investments may include listed securities that are considered readily realisable, as they are listed on recognised stock exchanges.

The Consolidated Entity may invest in investments in unlisted unit trusts that expose the Consolidated Entity to the risk that the Consolidated Entity or Investment Manager of those trusts may be unwilling or unable to fulfil the redemption requests within the timeframe requested by the Consolidated Entity.

The Consolidated Entity may, from time to time, invest in derivative contracts traded over the counter, which are not traded in an organised market and may be illiquid. As a result, the Consolidated Entity may not be able to liquidate quickly its investments in these instruments at an amount close to their fair value to meet its liquidity requirements or to respond to specific events such as a deterioration in the creditworthiness of any particular issuer. No such investments were held at the end of the reporting period.

The Consolidated Entity's policy is to hold a significant proportion of its investments in liquid assets.

Under the terms of its Constitution, the Consolidated Entity has the ability to manage liquidity risk by delaying redemptions to unitholders, if necessary, until the funds are available to pay them.

Units are redeemed on demand at the unitholders option. However, the Board of Directors does not envisage that the contractual maturity disclosed in the table below will be representative of the actual cash outflows, as holders of these instruments typically retain them for the medium to long term.

In accordance with the Consolidated Entity's policy, the Investment Manager monitors the Consolidated Entity's liquidity position on a regular basis. This information and the compliance with the Consolidated Entity's policy are reported to the relevant parties on a regular basis as deemed appropriate such as compliance manager, other key management personnel, compliance committees and ultimately the Board.

11 Financial risk management (continued)

(e) Liquidity risk (continued)

The table below analyses the Consolidated Entity's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

Consolidated	**Less than 1 month**	**1-3 months**	**3-12 months**	**More than 12 months**
	$'000	**$'000**	**$'000**	**$'000**
At 30 June 2014				
Distribution payable	**1,420**	-	-	-
Payables	**68**	-	-	-
Net assets attributable to unitholders	**59,592**	-	-	-
Total financial liabilities	**61,080**	-	-	-

Consolidated	Less than 1 month	1-3 months	3-12 months	More than 12 months
	$'000	$'000	$'000	$'000
At 30 June 2013				
Distribution payable	1,485	-	-	-
Payables	152	-	-	-
Net assets attributable to unitholders	110,233	-	-	-
Total financial liabilities	111,870	-	-	-

Parent	**Less than 1 month**	**1-3 months**	**3-12 months**	**More than 12 months**
	$'000	**$'000**	**$'000**	**$'000**
At 30 June 2014				
Distribution payable	**1,420**	-	-	-
Payables	**68**	-	-	-
Net assets attributable to unitholders	**59,592**	-	-	-
Total financial liabilities	**61,080**	-	-	-

Parent	Less than 1 month	1-3 months	3-12 months	More than 12 months
	$'000	$'000	$'000	$'000
At 30 June 2013				
Distribution payable	1,485	-	-	-
Payables	152	-	-	-
Net assets attributable to unitholders	110,233	-	-	-
Total financial liabilities	111,870	-	-	-

11 Financial risk management (continued)

(e) Liquidity risk (continued)

The table below analyses the Consolidated Entity's derivative financial instruments into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Consolidated	**Less than 1 month**	**1-3 months**	**3-12 months**	**More than 12 months**
	$'000	**$'000**	**$'000**	**$'000**
At 30 June 2014				
Futures				
- (Outflows)	-	(1,144)	(1,307)	
- Inflows	32	925	929	12
Commodities				
- (Outflows)	-	(781)	(83)	(12)
- Inflows	-	54	970	
	32	(946)	509	0

Consolidated	Less than 1 month $'000	1-3 months $'000	3-12 months $'000	More than 12 months $'000
At 30 June 2013				
Futures				
- (Outflows)	-	(3,182)	(3,988)	(191)
- Inflows	-	1,176	2,614	411
Commodities				
- (Outflows)	-	(165)	(125)	-
- Inflows	-	19	597	-
	-	(2,152)	(902)	220

Parent	**Less than 1 month $'000**	**1-3 months $'000**	**3-12 months $'000**	**More than 12 months $'000**
At 30 June 2014				
Futures				
- (Outflows)	-	-	-	-
- Inflows	-	-	-	-
Total financial liabilities	-	-	-	-

Parent	Less than 1 month $'000	1-3 months $'000	3-12 months $'000	More than 12 months $'000
At 30 June 2013				
Futures				
- (Outflows)	-	-	-	-
- Inflows	-	-	-	-
Total financial liabilities	-	-	-	-

11 Financial risk management (continued)

(f) Estimation of fair values of financial assets and liabilities

The carrying amounts of all the Consolidated Entity's financial assets and financial liabilities at the end of the reporting period approximated their fair values.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Consolidated Entity's accounting policy on fair value measurement is set out in note 2(c). The methods and assumptions used in the determination of the fair value of each class of financial instruments is also set out in note 2(c).

Note 2(p) outlines further the nature of management's judgments, estimates and assumptions that might have been used in the determination of the fair values of each class of these financial instruments.

(g) Fair value hierarchy

The Consolidated Entity is required to classify fair value measurements using a fair value hierarchy that reflects the subjectivity of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices); quoted prices for similar securities in active and/or inactive markets; market-corroborated inputs; inputs that are developed based on available market data and reflect assumptions that markets would use when pricing similar securities.
- Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the asset or liability.

The determination of what constitutes "observable" requires significant judgment by the Consolidated Entity. The Consolidated Entity considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The table below sets out the Consolidated Entity's financial assets and liabilities (by class) measured at fair value according to the fair value hierarchy at the reporting date.

All fair value measurements disclosed are recurring fair value measurements.

Consolidated **At 30 June 2014**	**Level 1** **$'000**	**Level 2** **$'000**	**Level 3** **$'000**	**Total** **$'000**
Financial assets				
Financial assets held for trading:				
Futures	1,898	-	-	1,898
Commodities	1,024	-	-	1,024
Financial assets designated at fair value through profit or loss at inception:				
Unlisted unit trusts	-	33,283	-	33,283
Total	2,922	33,283	-	36,205

11 Financial risk management (continued)

(g) Fair value hierarchy (continued)

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial Liabilities				
Financial liabilities held for trading:				
Futures	2,451	-	-	2,451
Commodities	876	-	-	876
Total	3,327	-	-	3,327

Consolidated
At 30 June 2013

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets				
Financial assets held for trading:				
Futures	4,201	-	-	4,201
Commodities	616	-	-	616
Financial assets designated at fair value through profit or loss at inception:				
Unlisted unit trusts	-	68,776	-	68,776
Total	4,817	68,776	-	73,593
Financial Liabilities				
Financial liabilities held for trading:				
Futures	7,361	-	-	7,361
Commodities	290	-	-	290
Total	7,651	-	-	7,651

Parent
At 30 June 2014

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets				
Financial assets designated at fair value through profit or loss at inception:				
Unlisted unit trusts	-	57,597	-	-
Total	-	57,597	-	-

Parent
At 30 June 2013

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets				
Financial assets designated at fair value through profit or loss at inception:				
Unlisted unit trusts	-	110,093	-	110,093
Total	-	110,093	-	110,093

11 Financial risk management (continued)

(g) Fair value hierarchy (continued)

The pricing for the majority of the Consolidated Entity's investments is generally sourced from independent pricing sources, the relevant investment managers or reliable brokers' quotes.

Investments whose values are based on quoted market prices in active markets, eg recognised stock exchanges, and therefore classified within level 1, include active listed equities and exchange traded derivatives.

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices,

dealer quotations or alternative pricing sources supported by observable inputs are classified within level 2. The observable inputs include prices and/or those derived from prices. The level 2 instruments may include bonds, and over-the-counter derivatives.

Level 2 investments could include those that are not traded in active markets and/or are subject to transfer restrictions (e.g. redemption restrictions). Valuations for these investments may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information. Typically, prices of units in unlisted managed investment trusts that are either published on the investment manager's website and/or circulated among market participants as executable quotes are categorised as level 2.

12 Offsetting financial assets and financial liabilities

None of the financial instruments are offset in the statement of financial position. The disclosures set out in the tables below include financial assets and financial liabilities that are subject to enforceable master netting agreements (or similar) irrespective of whether they are offset:

Consolidated

Financial assets – 30 June 2014	Gross amounts	Gross amounts of recognised financial assets set off in the statement of financial position	Net amounts of financial assets presented in statement of financial position	Amounts subject to master netting agreements	Cash collateral	Marketable security collateral	Net amount
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Derivatives	2,922	-	2,922	2,328	-	-	594
Closing balance	**2,922**	**-**	**2,922**	**2,328**	**-**	**-**	**594**

Financial liabilities – 30 June 2014	Gross amounts	Gross amounts of recognised financial liabilities set off in the statement of financial position	Net amounts of financial liabilities presented in statement of financial position	Amounts subject to master netting agreements	Cash collateral	Marketable security collateral	Net amount
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Derivatives	3,327	-	3,327	2,328	-	-	999
Closing balance	**3,327**	**-**	**3,327**	**2,328**	**-**	**-**	**999**

12 Offsetting financial assets and financial liabilities (continued)

Consolidated

Financial assets – 30 June 2013	Gross amounts	Gross amounts of recognised financial liabilities set off in the statement of financial position	Net amounts of financial assets presented in statement of financial position	Amounts subject to master netting agreements	Cash collateral	Marketable security collateral	Net amount
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Derivatives	4,817	-	4,817	4,817	-	-	-
Closing balance	4,817	-	4,817	4,817	-	-	-

Financial liabilities – 30 June 2013	Gross amounts	Gross amounts of recognised financial assets set off in the statement of financial position	Net amounts of financial liabilities presented in statement of financial position	Amounts subject to master netting agreements	Cash collateral	Marketable security collateral	Net amount
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Derivatives	7,651	-	7,651	4,817	-	-	2,834
Closing balance	7,651	-	7,651	4,817	-	-	2,834

The agreements, where relevant, could include derivative clearing agreements, global master repurchase agreements and others. Similar financial instruments could include derivatives, sale and repurchase agreements, reverse sale and repurchase agreements, securities lending agreements, short sales etc.

The International Swaps and Derivatives Association ("ISDA"), master netting agreements or similar agreements do not generally meet the criteria for offsetting. This is because they create a right of set-off of recognised amounts that is enforceable only following an event of default, insolvency or bankruptcy of the entity or the counterparties.

From time to time, the Consolidated Entity may receive or pledge collateral which could be in the form of cash or marketable securities or both in respect of the above instruments. Such collateral, if transacted, is generally subject to the standard industry terms of ISDA's Credit Support Annex. This means that collateral received/pledged can be re-pledged or sold during the term of the transaction but have to be returned on maturity of the transaction. The terms also generally give each counterparty the right to terminate the related transactions on the counterparty's failure to post collateral.

13 Related party transactions

Parent entities

The parent entity within the group is Blue Sky SRA Alliance Fund.

Subsidiaries

Interests in subsidiaries are set out in note 14.

Responsible Entity

The responsible entity of Blue Sky SRA Alliance Fund was Columbus Investment Services Limited (ACN 106 064 644) to 3 June 2013 then OMIFL thereafter.

Key management personnel

(a) Directors

Key management personnel includes persons who were directors of Columbus Investment Services Limited to 3 June 2013 and directors of OMIFL from 3 June 2013.

(b) Other key management personnel

David Toohey and Simon Kitson, both directors of the Investment Manager are considered key management personnel in light of authorities given under the investment management agreements entered into with the Responsible Entity.

Key management personnel unitholdings

David Toohey who is associated with Blue Sky Investment Science Asset Management Pty Ltd, the investment manager of Blue Sky SRA Alliance Fund holds units in the Blue Sky SRA Alliance Fund. Also, Denis and Margaret Toohey, related parties of David Toohey, hold units in the Blue Sky SRA Alliance Fund. As at 30 June 2014, the unit holdings of related parties are as follows:

30 June 2014 **Unitholder**	**No. of units held opening (Units)**	**No. of units held closing (Units)**	**Fair value of investment ($)**	**Interest held (%)**	**No. of units acquired (Units)**	**No. of units disposed (Units)**	**Distributions paid/payable by the Consolidated Entity ($)**
Toohey Superannuation Fund	**151,928**	**152,043**	**137,881**	**0.466**	**115**	**-**	**3,717**
Denis & Margaret Toohey Superannuation Fund	**609,459**	**225,000**	**239,833**	**2.594**	**-**	**384,459**	**16,126**
	761,387	**377,043**	**377,714**	**3.060**	**115**	**384,459**	**19,843**

30 June 2013 Unitholder	No. of units held opening (Units)	No. of units held closing (Units)	Fair value of investment ($)	Interest held (%)	No. of units acquired (Units)	No. of units disposed (Units)	Distributions paid/payable by the Consolidated Entity ($)
Toohey Superannuation Fund	46,278	151,928	141,567	0.137	105,650	-	1,067
Denis & Margaret Toohey Superannuation Fund	609,459	609,459	640,967	0.550	-	-	12,840
	655,737	761,387	782,534	0.687	105,650	-	13,907

Key management personnel compensation

Key management personnel are not paid by the Fund or the Consolidated Entity. Payments made from the Consolidated Entity to Columbus Investment Services Limited and OMIFL do not include any amounts directly attributable to the compensation of key management personnel.

13 Related party transactions (continued)

Key management personnel loan disclosures

The Fund has not made, guaranteed or secured, directly or indirectly, any loans to the key management personnel or their personally related entities at any time during the reporting period.

Other transactions within the Fund

From time to time directors of OMIFL in their personal capacity, or other related entities, may invest in or withdraw from the Fund. These investments or withdrawals are on the same terms and conditions as those entered into by other Fund investors.

Apart from those details disclosed in this note, no key management personnel have entered into a material contract with the Fund during the reporting period and there were no material contracts involving key management personnel's interests existing at reporting period end.

Responsible Entity's/manager's fees and other transactions

Under the terms of the Fund's Constitution and the current PDS for the Fund, investment management fees are payable monthly between 1.25% and 1.70% per annum (excluding GST) in total of the aggregate portfolio value of the consolidated entity. The Responsible Entity is paid fees by the Investment Manager.

All related party transactions are conducted on normal commercial terms and conditions. The transactions during the periods and amounts payable at period end between the Fund and the Responsible Entity were as follows:

	Consolidated		**Parent**	
	30 June 2014 $'000	30 June 2013 $'000	**30 June 2014 $'000**	30 June 2013 $'000
Management fees for the reporting period	**1,038**	1,703	**1,038**	1,703
Aggregate amounts payable at the end of the reporting period	**68**	152	**68**	152

No amounts were paid by the Consolidated Entity directly to the key management personnel of OMIFL to the date of this report. In the event that the Investment Manager fails to meet the costs of running the Fund, the costs can be charged directly by the Responsible Entity to the Fund.

Related party unitholdings

Parties related to the Consolidated Entity (including OMIFL, its related parties and other schemes managed by OMIFL), hold no units in the Consolidated Entity at the end of the reporting period, other than disclosed above.

Investments

The Consolidated Entity did not hold any investments in OMIFL or its related parties during the reporting period.

14 Investments in subsidiaries

The financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in 2(b). Subsidiaries are recorded in the parent entity within financial assets held at fair value through profit or loss.

	Fair value		**Equity holding ****	
	30 June 2014 $'000	30 June 2013 $'000	**30 June 2014 %**	30 June 2013 %
Blue Sky SRA Alliance Fund				
IS 4 Trust	**29,772**	44,365	**100**	100
IS 9 Trust	**5,815**	40,340	**100**	100
IS 16E Trust	**14,510**	25,388	**100**	100
IS 16Q Trust	**7,500**	-	**100**	-

** The proportion of ownership interest is equal to the proportion of voting power held.

15 Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities

	Consolidated		Parent	
	For the reporting period ended		For the reporting period ended	
	30 June 2014 $'000	30 June 2013 $'000	**30 June 2014 $'000**	30 June 2013 $'000
(a) Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities				
Profit/(loss) for the reporting period attributable to unitholders	**-**	-	**-**	-
Increase/(decrease) in net assets attributable to unitholders	**(9,972)**	(2,303)	**(9,972)**	(2,303)
Distributions to unitholders	**10,106**	1,485	**10,106**	1,485
Proceeds from sale of financial instruments held at fair value through profit or loss	**80,759**	69,644	**75,260**	16,917
Purchase of financial instruments held at fair value through profit or loss	**(46,541)**	(87,926)	**(23,718)**	(34,054)
Net gains/(losses) on financial instruments held at fair value through profit or loss	**1,129**	366	**2,093**	812
Net change in receivables and other assets	**490**	795	**(1,524)**	4,736
Net change in payables and other liabilities	**(85)**	21	**(85)**	22
Reinvested income	**(2,186)**	(564)	**(1,187)**	(4,780)
Net cash inflow/(outflow) from operating activities	**33,700**	(18,482)	**50,973**	(17,165)
(b) Components of cash and cash equivalents				
Cash as at the end of the reporting period as shown in the statement of cash flows is reconciled to the statement of financial position as follows:				
Cash and cash equivalents	**27,041**	44,326	**197**	64
(c) Non-cash financing activities				
During the reporting period, the following distribution payments were satisfied by the issue of units under the distribution reinvestment plan	**928**	3,825	**928**	3,825
	928	3,825	**928**	3,825

16 Events occurring after the reporting period

No significant events have occurred since the end of the reporting period which would impact on the financial position of the Consolidated Entity disclosed in the statement of financial position as at 30 June 2014 or on the results and cash flows of the Consolidated Entity for the reporting period ended on that date.

17 Contingent assets and liabilities and commitments

There are no outstanding contingent assets and liabilities or commitments as at 30 June 2014 and 30 June 2013.

Directors' declaration

In the opinion of the directors of the Responsible Entity:

(a) the financial statements and notes set out on pages 6 to 41 are in accordance with the *Corporations Act 2001*, including:

(i) complying with Australian Accounting Standards and the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

(ii) giving a true and fair view of the Fund's and Consolidated Entity's financial position as at 30 June 2014 and of their performance, as represented by the results of their operations and cash flows, for the reporting period ended on that date;

(b) there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable; and

(c) note 2(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

This declaration is made in accordance with a resolution of the directors.

Frank Tearle

Frank Tearle
Director

Sydney
26 September 2014

HLB Mann Judd

Accountants | Business and Financial Advisers

BLUE SKY SRA ALLIANCE FUND

ARSN 140 253 658

INDEPENDENT AUDITOR'S REPORT

To the unit holders of Blue Sky SRA Alliance Fund:

We have audited the accompanying financial report of Blue Sky SRA Alliance Fund, which comprises the statements of financial position as at 30 June 2014, the statements of comprehensive income, the statements of changes in equity and the statements of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration, for the Fund and Consolidated Entity. The Consolidated Entity comprises the Fund and all the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of One Managed Investment Funds Limited, the responsible entity for the Fund, 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 consolidated financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In Note 2, the directors also state, in accordance with Accounting Standard AASB 101: *Presentation of Financial Statements*, that the consolidated financial report of Blue Sky SRA Alliance Fund complies with International Financial Reporting Standards.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Fund's preparation of the financial report that gives a true and fair view 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 Fund's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

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

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HLB Mann Judd

BLUE SKY SRA ALLIANCE FUND

ARSN 140 253 658

INDEPENDENT AUDITOR'S REPORT
(continued)

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, given to the directors of One Managed Investment Funds Limited on 25 September 2014, would be in the same terms if provided to the directors as at the time of this auditor's report.

Opinion

In our opinion:

(a) the financial report of Blue Sky SRA Alliance Fund is in accordance with the *Corporations Act 2001*, including:

  i. giving a true and fair view of the Fund's and Consolidated Entity's financial position as at 30 June 2014 and their performance for the year ended on that date; and

  ii. complying with Australian Accounting Standards and the Corporations Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2.

HLB Mann Judd

M. Muller

HLB Mann Judd
Chartered Accountants

M D Muller
Partner

Sydney, NSW
26 September 2014