

INDOOR SKYDIVE AUSTRALIA GROUP LIMITED

ABN: 39 154 103 607

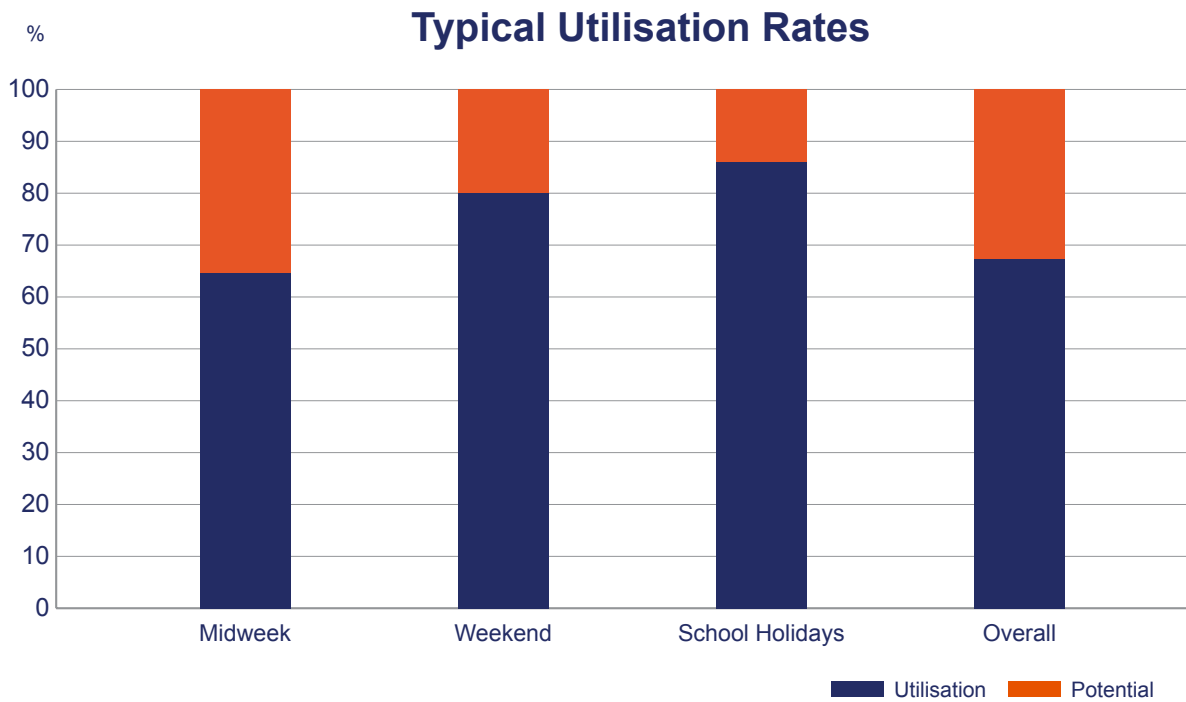


**ANNUAL
REPORT**
for the year ended 30 June
2014

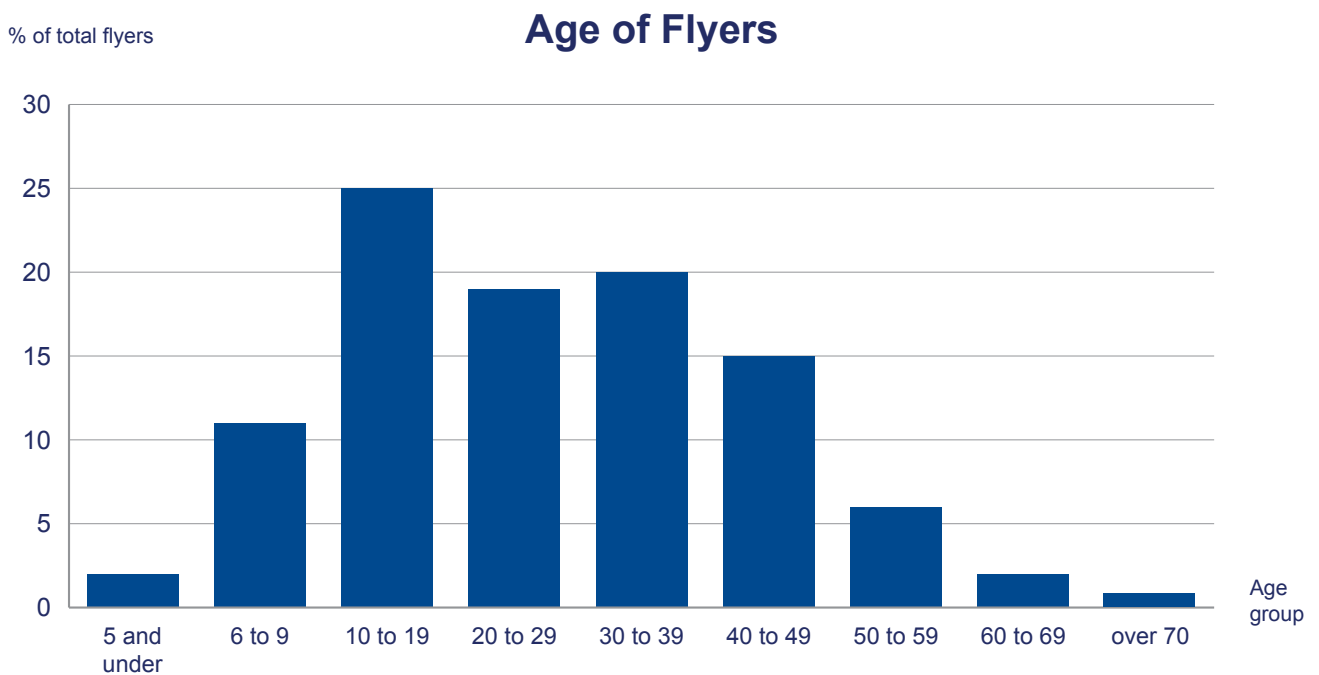
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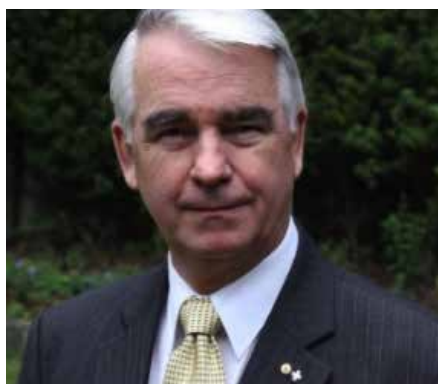
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Indoor Skydive Australia Group Limited (ASX: IDZ) is a visionary leisure company formed to build and operate world class indoor skydiving facilities across the region.



Our indoor skydiving facilities allow everyone to experience human flight by simulating the free fall experience usually felt when skydiving.





Ken Gillespie
Chairman

Lieutenant General (retired),
AC, DSC, CSM

“The 2014 financial year has been a remarkable year for ISA Group with the stand out event being the opening of our first indoor skydiving facility in Penrith NSW”

Dear Shareholder

It is with great pleasure that I present to you the 2014 Indoor Skydive Australia Group Limited Annual Report.

The 2014 financial year has been a remarkable year for Indoor Skydive Australia Group Limited (ISA Group) with the stand out event being the opening of our first indoor skydiving facility in Penrith NSW. The facility is a state of the art complex that showcases human flight and provides world class training facilities.

The year was also extremely successful at a corporate level. The successful completion of the October 2013 Capital Raising and Rights Issue, the establishment of an exclusive territory development agreement with our principle equipment supplier and agreements for the specialised vertical wind tunnel equipment for four additional facilities are particular highlights.

Throughout the year our share price has reflected the continued investor interest in the Company. The introduction of a number of institutional investors onto our register has promoted stability and additional access to capital as required. On behalf of the Directors I would like to thank you for your continued support of ISA Group.

The ISA Group results are detailed in the Financial Report

and I encourage you to read them. The results reflect the excellent customer support achieved in just over two months of full operation. They also include the impact of a number of accounting treatments that resulted from agreements and actions taken to consolidate the Company during its initial stages.

During the year we positioned ourselves for expansion. Our focus has been on a roll out plan to deliver further Australian facilities over the next two to five years utilising the agreements for vertical wind tunnel technology for four additional sites and bolstering our corporate capability.

OUR PENRITH OPERATIONS

The highlight of the 2014 financial year was, without doubt, the opening of our Penrith facility. The Penrith facility commenced limited operations on 24 March 2014 and opened to the general public on 26 April 2014.

The initial utilisation rates and revenue generated has exceeded management expectations. The utilisation of the facility by weekend first time users has been particularly strong, and mid-week utilisation has been solid and improving in line with expectations.

The Penrith operations (excluding corporate costs) generated revenue of \$1.2 million and EBITDA of \$0.4 million for the

2014 financial year.* This was a very pleasing performance as the period was characterised by non-revenue generating activities, early adoption enthusiasm, utilisation of discounted early bird pre-sales and the ramp up of operations. The Penrith facility performance provides a strong foundation for future performance.

Since the end of the 2014 financial year, we have witnessed an increase in public awareness. This has been achieved through an intensive marketing campaign, strong social media support and 'word of mouth' channels. During the recent NSW school holiday period the Penrith facility performed at an average occupancy rate in excess of 85%. The ramp up of daily occupancy since opening continues and while we anticipate some continued early volatility and seasonal influences, we expect revenues and occupancies to stabilise after 12 months of operations.

THE GOLD COAST PROJECT



Artist's impression of Gold Coast Indoor Skydiving Facility

In the last quarter of the financial year ISA Group signed an agreement for lease and lodged

a Development Application of ISA Group's second indoor skydiving facility on the Gold Coast QLD which was approved on 26 August 2014. Construction of the Gold Coast facility will commence in the final quarter of 2014 with a target completion date of mid to late 2015.

The facility will comprise a 12 foot vertical wind tunnel with spectator areas and ancillary services catering to the high local traffic and tourist market.

OUTLOOK

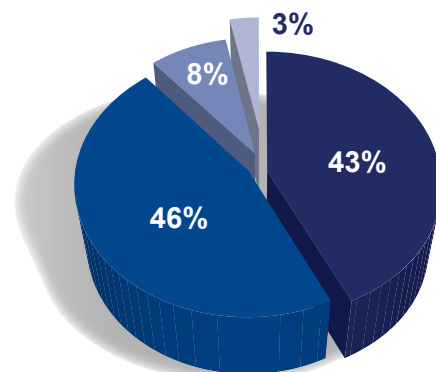
2015 will be another busy year for ISA Group as the focus on growth continues. The Gold Coast construction will be underway during the year and we will continue to work on the site identification and approval plans for facilities in Adelaide, Perth and Melbourne.

We anticipate that the growth of indoor skydiving will continue and that Penrith will be the flagship facility in Australia for years to come.

I look forward to your continued support as we pioneer indoor skydiving in Australia and deliver ongoing shareholder value.

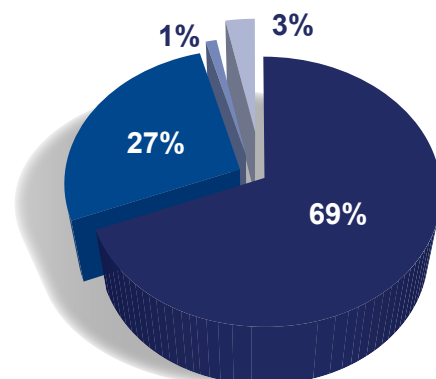
Ken Gillespie
Chairman

Average Weekday Customer Mix



■ First timers ■ Professional
■ Military ■ Group/Events

Average Weekend Customer Mix



■ First timers ■ Professional
■ Military ■ Group/Events

* EBITDA (Earnings before interest, tax, depreciation and amortisation) is not an accepted classification under the accounting standards, however, the Directors consider it an appropriate metric when considering the performance of the Penrith operations.

BOARD OF DIRECTORS



Ken Gillispie, Chairman

One of Australia's most distinguished career soldiers, Lieutenant General (retired) Ken Gillespie, AC, DSC, CSM, is the Chairman of ISA Group and the Remuneration & Nomination Committee and a member of the Audit & Risk Committee. He is also on the Board of Directors of leading local defence manufacturer, Australian Aerospace Limited and Senetas Limited. Ken, who served with the Australian Defence Force for over 43 years, was appointed Chief of Army in July 2008, a position he held until his retirement in June 2011. Previously he had served as Land Commander Australia and Vice Chief of the Defence Force.



Wayne Jones, Chief Executive Officer

Wayne served for 21 years in the Australian Defence Force and was part of the highly recognised Special Air Service Regiment for the last 14 years of his career. Wayne holds various senior instructor qualifications and has been at the forefront of Military Freefall development and training over the past 10 years. He is still involved in the training of special forces troops and continues to participate in the sport of skydiving at the highest levels.



Danny Hogan, Chief Operations Officer

Danny enlisted in the Australian Regular Army in 1991, and in 1997 was selected for further service within Special Air Service Regiment. He has been recognised and awarded for his actions and leadership during his 21 year military career including the Medal for Gallantry. Danny is qualified in Military Freefall Parachuting Operations, and is a highly qualified senior dive instructor within the Special Air Service Regiment. He was selected and completed a two year military exchange in the USA with two of the USA's elite Special Forces Commands where he gained his freefall qualifications with extensive use of vertical wind tunnel simulation training.



Stephen Baxter

Former Regular Army electronics technician turned successful entrepreneur, Steve is the founder of early Internet Provider SE Net and co-founder of telecommunications infrastructure company, Pipe Networks Ltd. In 2008 he moved to the USA and joined Google Inc deploying high speed telecommunication infrastructure, before returning to Australia. He was formerly a Director of Vocus Communications Limited retiring in February 2013. He is also founder of Brisbane based not-for-profit River City Labs - an early stage and start-up coworking space for tech and creative companies. He is a member for the ISA Group Remuneration & Nomination Committee and Chairman of the Audit & Risk Committee.



John Diddams

John has over thirty five years of financial and management experience as Chief Financial Officer, Chief Executive Officer and director of both private and public listed companies. He is the principal of a CPA firm that provides corporate advisory services and non-executive director and company secretarial services to SME and mid-cap companies, including the management of the process to raise capital and list on the ASX. John has a B.Com from UNSW, is a Fellow of the Australian Society of CPAs and a Fellow of the Australian Institute of Company Directors. John is a member of the ISA Group Audit & Risk Committee.



David Murray

Former Chief Executive Officer of Commonwealth Bank of Australia and Chairman of the Australian Government Future Fund, David has over 40 years' experience in banking and financial services. He was appointed an Officer of the Order of Australia in 2007 for services to the finance sector nationally and internationally through strategic leadership and policy development, to education through fostering relations between educational institutions, business and industry, and to the community as a supporter and fundraiser. David is Chairman of the Butterfly Foundation.



Malcolm Thompson | Alternative Director for Steve Baxter

An accountant and governance specialist by training, Malcolm has over 24 years' experience across technology, telecommunications, R&D and aerospace industries in senior roles, including chief financial officer, company secretary and director roles. He has been instrumental in setting up governance, financial and operational aspects for listed companies and has assisted a local subsidiary of Airbus NV (EPA:EAD) relating to \$6B construction and maintenance contracts for advanced military helicopters. Working with Stephen Baxter, he is currently Chief Investment Officer for Transition Level Investments targeting optimisation of angel and start-up investment success.



SUMMARY OF CORPORATE GOVERNANCE PRINCIPLES

Principle	Complied	Note
<i>Principle 1 - Lay solid foundations for management and oversight</i>		
1. Companies should establish the functions reserved to the Board and disclose those functions	✓	See Board Charter
2. Companies should disclose the process for evaluation of the performance of senior executives	✓	See Remuneration Report below
3. Companies should provide the information indicated in the Guide to reporting on Principle 1	✓	See Board Charter and the Remuneration Report below
<i>Principle 2 - Structure the Board to add value</i>		
1. A majority of the Board should be independent directors	✗	Two directors are independent. Given the stage of development of the Company, the Board considered this is appropriate.
2. The Chair should be an independent director	✓	See Directors' Report below
3. The roles of Chair and Chief Executive Officer should not be exercised by the same individual	✓	See Directors' Report below
4. The Board should establish a nomination committee	✓	See Remuneration and Nomination Charter
5. Companies should disclose the process for evaluation of the performance of the Board, its Committees and individual directors	✓	See Remuneration Report below
6. Companies should provide the information indicated in the Guide to reporting on Principle 2	✓	See Directors' Report below
<i>Principle 3 - Promote ethical and responsible decision-making</i>		
1. Companies should establish a code of conduct and disclose the code or a summary as to: <ul style="list-style-type: none"> • The practices necessary to maintain confidence in the Company's integrity; • The practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; and • The responsibility and accountability of individuals for reporting and investigating reports of unethical practices 	✓	See Code of Conduct
2. Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measureable objectives for achieving gender diversity for the Board to assess annually both the objectives and progress in achieving them	✗	ISA Group does not discriminate on any grounds and determines appointments and reviews solely on merit. Given the stage of development of the Company the Board does not consider it appropriate to establish gender based objectives

3. Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the Board in accordance with the diversity policy and progress towards achieving them.	✘ Given the stage of development of the Company the Board does not consider it appropriate to set gender based objectives
4. Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the Board	✔ 54% of ISA Group employees and 25% of ISA Group senior executives are women. There are no women on the ISA Group Board
5. Companies should provide the information indicated in the Guide to reporting on Principle 3	✔ See Code of Conduct and information set out above

Principle 4 - Safeguard integrity in financial reporting

1. The Board should establish an Audit Committee	✔ See Audit & Risk Committee Charter
2. The Audit Committee should be structured so that it: <ul style="list-style-type: none"> • Consists only of non-executive directors; • Consists of a majority of independent directors; • Is chaired by an independent chair, which is not chair of the Board; and • Has at least three members 	✘ ISA Group complies with this Principle other than the Chair of the Audit & Risk Committee is not an independent director. Given the Company's stage of development, the Board considers this appropriate.
3. The Audit Committee should have an audit charter	✔ See Audit & Risk Committee Charter
4. Companies should provide the information indicated in the Guide to reporting on Principle 4	✔ See Directors' Report below

Principle 5 - Make timely and balanced disclosure

1. Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies	✔ See Continuous Disclosure Policy
2. Companies should provide the information indicated in the Guide to reporting on Principle 5	✔ See Continuous Disclosure Policy

Principle 6 - Respect the rights of shareholders

1. Companies should design and disclose a communications policy for promoting effective communications with shareholders and encouraging their effective participation at general meetings and disclose the policy or a summary of the policy	✔ See Shareholder Communications Policy
2. Companies should provide the information indicated in the Guide to reporting on Principle 6	✔ See Shareholder Communications Policy

Principle 7 - Recognise and manage risk

1. Companies should establish disclosure policies for the oversight and management of material business risks and disclose a summary of those policies	✔ See Audit & Risk Committee Charter
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<p>2. The Board should require management to design and implement the risk management and internal control systems to manage the company’s material business risks and report to the Board on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Company’s management of its material business risks</p>	<p>✓ See Annual Report</p>
<p>3. The Board should disclose whether the Board has received assurance from the Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) that the declaration provided under s295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.</p>	<p>✓ See Annual Report</p>
<p>4. Companies should provide the information indicated in the Guide to reporting on Principle 7</p>	<p>✓ See Annual Report and Audit & Risk Committee Charter</p>
<p>Principle 8 - Remunerate fairly and responsibly</p>	
<p>1. The Board should establish a Remuneration Committee</p>	<p>✓ See Remuneration & Nomination Committee Charter</p>
<p>2. The Remuneration Committee should be structured so that it:</p> <ul style="list-style-type: none"> • consists of a majority of independent directors; • is chaired by an independent chair; and • has at least three members 	<p>✗ The Remuneration & Nomination Committee comprises 2 directors of whom the Chairman is independent. Given the stage of development of the Company, the Board considered this is appropriate.</p>
<p>3. Companies should clearly distinguish the structure of non-executive directors’ remuneration from that of executive directors and senior executives</p>	<p>✓ See Remuneration Report below</p>
<p>4. Companies should provide the information indicated in the Guide to reporting on Principle 8</p>	<p>✓ See Remuneration & Nomination Committee Charter and Remuneration Report below</p>

Each of the charters, policies and documents referred to above are available on the ISA Group website: www.indoorskydiveaustralia.com.au.

The ISA Group Audit and Risk Committee comprises Stephen Baxter (Committee Chairman), Ken Gillespie and John Diddams. The ISA Group Remuneration and Nomination Committee comprises Ken Gillespie (Committee Chairman) and Stephen Baxter. Details of the Committee meetings held during the year and attendance at those meetings is set out in the Directors' Report.

Your Directors present their report on the consolidated entity (**ISA Group** or the **Company**) consisting of Indoor Skydive Australia Group Limited and the entities it controlled at the end of, or during the year ended 30 June 2014.

DIRECTORS

The following individuals were Directors of ISA Group at all times during the year and to the date of this Directors' Report, unless otherwise stated:

Kenneth GILLESPIE	Chairman	Appointed 18 October 2012
Wayne JONES	Chief Executive Officer	Appointed 4 November 2011
Danny HOGAN	Chief Operations Officer	Appointed 4 November 2011
Stephen BAXTER	Director	Appointed 13 August 2012
John DIDDAMS	Director	Appointed 27 July 2012
David MURRAY	Director	Appointed 3 February 2014
Malcolm THOMPSON	Alternative Director	Appointed 13 February 2013

Details of the Directors' qualifications and experience and other directorships is set out on pages 4-5 and form part of this Report.

DIRECTORS' MEETINGS

The number of Directors' meetings which Directors were eligible to attend (including meetings of Board Committees) and the number of meetings attended by each Director during the financial year were:

	Board		Audit and Risk Committee		Remuneration and Nomination Committee	
	Eligible to Attend	Attended	Eligible to Attend	Attended	Eligible to Attend	Attended
Kenneth Gillespie	13	13	3	3	2	2
Wayne Jones	13	13	-	-	-	-
Danny Hogan	13	13	-	-	-	-
Stephen Baxter	13	13	3	3	2	2
John Diddams	13	12	3	3	-	-
David Murray	4	3	-	-	-	-
Malcolm Thompson	13	13	-	-	-	-

COMPANY SECRETARY

The company secretarial function is responsible for maintaining proper documentation, records and registers, good corporate governance and compliance with statutory obligations.

Fiona Yiend was appointed Company Secretary on 16 October 2013. Fiona has over 5 years listed company secretarial experience. She holds a Bachelor of Arts, Bachelor of Laws (Hons), Graduate Diploma in Applied Finance and Investments, Graduate Diploma in International Law and a Graduate Diploma in Applied Corporate Governance. She is also a member of the Australian Corporate Lawyers Association (ACLA).

John Diddams was appointed Company Secretary on 21 June 2012 and resigned from the position on 16 October 2013.

DIRECTORS' SHAREHOLDINGS

The following table sets out each Director's relevant interest in shares and options in shares of ISA Group as at the date of this report. No Director has any relevant interest in shares or options in shares of a related body corporate of ISA Group as at the date of this report.

Director	Number of Shares and Nature of Interest
Kenneth Gillespie	Indirect interest in 350,000 shares held by Sector West Pty Ltd ATF Gillespie Family Trust
Wayne Jones	Indirect interest in 16,000,000 shares held by Excalib-air Pty Ltd and indirect interest in 200,000 shares held by Project Flight Pty Ltd ATF Wayne Jones Superannuation Fund and indirect interest in 14,000 shares held by Project Gravity Pty Ltd
Danny Hogan	Indirect interest in 16,000,000 shares held by Excalib-air Pty Ltd and indirect interest in 200,000 shares held by Hogan Superannuation Fund
Stephen Baxter	Indirect interest in 15,000,000 shares and 1 convertible note held by Birkdale (QLD) Holdings Pty Ltd
John Diddams	Indirect interest in 40,000 shares held by Galdarn Pty Ltd and indirect interest in 445,000 shares held by Whitfield Investments Pty Ltd
David Murray	Indirect interest in 2,225,000 shares held by Lyndcote Holdings Pty Ltd
Malcolm Thompson	Indirect interest in 400,000 shares held by Lucapac Consulting Pty Ltd

DIVIDENDS

No dividends were declared during the period.

PRINCIPAL ACTIVITIES

The principal activities of ISA Group during the year were to construct and operate indoor skydiving facilities. The construction activities focused on the Company's first facility located at Penrith NSW and the early development stages (including site identification) of additional sites at Gold Coast, Adelaide, Perth and Melbourne. The Penrith facility commenced operations on 24 March 2014 and opened to the public generally on 26 April 2014.

REVIEW OF OPERATIONS

ISA Group's first indoor skydiving facility commenced operations on 24 March 2014 and transitioned the Company's focus from purely construction to building and operating indoor skydive facilities. Construction continues to be a focus of the Company as additional sites are under development for Gold Coast, Adelaide, Perth and Melbourne.

The Penrith facility was operational for approximately 3 months of the period. The response to the facility has been strong and initial revenue exceeded expectations taking into account the impact of early adopter enthusiasm, use of the facility for non-revenue activities such as media and public relations and the early consumption of discounted early bird sales.

For the year ended 30 June 2014, ISA Group reported a loss before interest, tax, depreciation and amortisation of \$2,067,584 (2013: \$914,571) and a net loss after tax of \$2,714,016 (\$2013: \$914,571). The net loss was anticipated and was impacted by the amortisation of the Exclusive Territory Development Agreement with iFly Australia Pty Ltd and accounting treatment of the performance rights committed to during the year.

ISA Group has used the cash and assets in a form readily convertible to cash held at the time of admission to the ASX in a way consistent with ISA Group's business objectives and as foreshadowed in the prospectus. To fully understand our results, please refer to the full financial statements included in this Annual Report.

CHANGES IN THE STATE OF AFFAIRS

During the financial year operations commenced with the opening of our first indoor skydiving facility in Penrith, NSW. Apart from the commencement of operations, there were no significant changes in the state of affairs of the Company.

SUBSEQUENT EVENTS

On 18 June 2014 ISA Group submitted an application for development approval for our second indoor skydiving facility with the Gold Coast City Council. Development approval was received on 26 August 2014. Construction of the Gold Coast facility will commence in the final quarter of 2014 with target completion of mid to late 2015.

On 28 July 2014, \$1,257,878 was paid to SkyVenture International, our vertical wind tunnel equipment supplier, which triggered the fabrication of the vertical wind tunnel components for the Gold Coast facility. Following this payment, a subsidiary company has a capital commitment of USD 1,177,500 to SkyVenture International, representing the balance owing for the Gold Coast vertical wind tunnel components.

Since the reporting date, performance rights have been issued to, and exercised by directors and senior managers. On 8 July 2014, Wayne Jones and Danny Hogan each received 391,856 performance rights which have vested and been exercised.

On 24 July 2014 ISA Group drew down a further \$1.5m under the Convertible Note Facility bringing the total amount drawn down to \$3m as at the date of this report.

FUTURE DEVELOPMENTS

ISA Group has previously announced its intention to construct further indoor skydiving facilities in Perth, Adelaide and Melbourne. The aggressive growth strategy continues with the Company's focus on the Australian roll-out plan and initial South East Asia planning. In the opinion of the Directors, disclosure of any further information regarding business strategies and future development of ISA Group would be unreasonably prejudicial to the Company.

INTERESTS IN ISA GROUP SECURITIES

Details of the ISA Group securities issued during the year and the number of ISA Group securities on issue as at 30 June 2014 are detailed in Note 14 of the Financial Statements and form part of this Directors' Report.

With the exception of performance rights which are discussed in detail in the Remuneration Report, ISA Group did not have any options on issue as at 30 June 2014 (2013: nil).

ENVIRONMENTAL REGULATION

ISA Group manages its environmental obligations through its risk management policies, processes and procedures. In the opinion of the Directors adequate systems are in place for the management of our environmental responsibilities. ISA Group is not aware of any breach of its environmental responsibilities.

DIRECTORS' AND OFFICERS' INSURANCE

During or since the financial year, ISA Group has paid premiums to insure all Directors and officers against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director or officer of the Company, other than conduct involving a wilful breach of duty in relation to the Company. In accordance with common commercial practice, the insurance policy prohibits disclosure of the nature of the liability insured against and the amount of the premium.

The Company has not otherwise, during or since the financial year, indemnified or agreed to indemnify an officer or auditor of the Company or any related body corporate against a liability incurred by such an officer or auditor.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the court under section 237 of the Corporations Act 2001 for leave to bring, or intervene in, proceedings on behalf of any entity within ISA Group.

AUDITOR

RSM Bird Cameron Partners continues in office as auditor in accordance with section 327 of the Corporations Act 2001.

NON-AUDIT SERVICES

The Directors, in accordance with advice from the Audit and Risk Committee, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the Audit and Risk committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided does not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

The fees paid or payable to RSM Bird Cameron Partners for non-audit services provided during the year ended 30 June 2014 were \$2,400.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is set out at page 21 and forms part of this Directors' Report.

ROUNDING OF AMOUNTS

ISA Group is not an entity to which ASIC class order 98/100 applies. Accordingly, amounts in the financial statements and annual reports have been rounded to the nearest dollar not the nearest thousand dollars.

BUY BACK

ISA Group does not currently have any on-market buy-back of shares.

REMUNERATION REPORT (AUDITED)

Introduction

The Directors of ISA Group present the Remuneration Report for the consolidated entity for the year ended 30 June 2014. This Report has been prepared in accordance with section 300A of the Corporations Act 2001 and audited by RSM Bird Cameron Partners as required by section 308(3C) of the Corporations Act 2001. This Remuneration Report forms part of the Director's Report.

This Report outlines the remuneration policy and remuneration information pertaining to ISA Group's Directors, Executive Directors and senior executives who are the key management personnel (**KMP**) of ISA Group for the purposes of the Corporations Act 2001 and the Accounting Standards.

Remuneration Strategy

ISA Group's remuneration philosophy for the year ended 30 June 2014 focused on attracting and retaining high calibre, experienced employees able to deliver ISA Group's growth plan. To achieve this during our ramp up phase ISA Group has strived to balance cash flow appropriate fixed remuneration with share based incentives that drive retention for executives. As ISA Group matures and achieves its growth plans the Company intends to implement a more traditional mix of fixed and 'at risk' remuneration.

ISA Group's remuneration structure for Non-Executive Directors consists of a base director's fee plus committee fees for participation on nominated board sub-committees. There were no increases in Directors' fees during the year.

ISA Group's remuneration structure for Executive Directors (the Chief Executive Officer and Chief Operations Officer) comprises:

- fixed annual remuneration (**FAR**) including base salary, superannuation and any allowances
- short term incentives (**STI**) in the form of cash payments based on achieving pre-defined targets critical to the company's success which is "at risk"; and
- long term incentives (**LTI**) in the form of performance rights which vest on the achievement of pre-defined targets essential for the Company's ongoing success which is "at risk".

The salary and incentives (long and short) for the Executive Directors were set under their employment contracts entered into prior to the Company's listing on the ASX and were not increased during the year. The only element of the Executive Directors' remuneration which changed from the preceding year was the amount of superannuation paid by the Company in accordance with the statutory superannuation levy.

ISA Group's remuneration structure for senior executives comprises FAR and LTI in the form of performance rights designed to encourage an ongoing commitment to the Company as it achieves its initial growth phase.

The Board's Role in Remuneration

The Remuneration and Nomination Committee is responsible for making recommendations to the Board with respect to ISA Group's compensation policies, including equity-based incentives.

The Committee reviews, considers and evaluates the remuneration and performance of Executive Directors and senior management. The Executive Directors review senior management performance against performance standards, position requirements, company values and personal targets and reports to the Committee.

The Board ensures that executive reward is reasonable, drives behaviours that increase shareholder value and is transparent.

Engagement of Remuneration Consultants

ISA Group engaged Windrose Consulting during the period to provide advice, benchmarking and recommendations in relation to executive remuneration (including Executive Directors). The Windrose Consulting report was one of the factors taken into account in setting executive remuneration for the coming year. The total fees paid to Windrose Consulting in respect of their report was \$8,200.

Relationship between Company Performance and Remuneration

ISA Group's remuneration strategy for the year ended 30 June 2014 focused on two key areas;

- achieving certain milestone outcomes including the commencement of operations at the Penrith facility;

- attracting high calibre executives and retaining them during the intense initial ramp up stage.

The Directors consider that these two focus areas are essential to drive shareholder value. At risk remuneration in the form of LTI was used to drive both of these outcomes during the period. The table below show the Company's financial performance since incorporation and the changes in share price since listing on the ASX to 30 June 2014.

	2012	2013	2014
Revenue	-	-	1,212,643
Net Loss after Tax	(206,116)	(914,571)	(2,714,016)
Share price at 30 June	*	0.43	0.68

* ISA Group listed on the ASX on 18 January 2013.

Remuneration of Directors and Key Management Personnel (KMP)

ISA Group's remuneration structure is designed to provide an appropriate mix of fixed and variable remuneration and short and long term incentives. The value of remuneration received by KMP is determined by measuring the achievement against specified performance measures plus fixed remuneration. The remuneration of Directors comprises a fixed component only unless the Director is an Executive Director.

Non-Executive Director Fees

Fees and payments to Non-Executive Directors reflect the responsibilities of the Directors and the demands which are made on them. Non-Executive Directors' fees for the financial year ended 30 June 2014 contain a fixed component only. Non-Executive Directors' fees and payments are reviewed annually by the Board.

The maximum aggregate fees approved by shareholders that can be paid to Non-Executive Directors is \$500,000. The allocation of fees within this pool is determined by the Board after consideration of the time commitments, the size and scale of the Company's operations, the expertise of individual directors, comparative market practice and other factors. The base fee for Non-Executive Directors is \$30,000 and the fee for the Chairman is \$60,000 which compensates the Chairman for the additional responsibilities of being the Chair. Committee members are entitled to an additional amount of \$5,000 and the Chairman of each committee is entitled to an additional amount of \$10,000.

Details of Non-Executive Director remuneration is set out in the table below. A number of Non-Executive Directors also provided additional services to the Company under contract or consulting arrangements during the Company's IPO and initial growth stages which is also included in the table below.

	Financial Year	Salary and Fees	Bonus	Share based payments	Total
Kenneth Gillespie	2014	75,000	-	-	75,000
	2013	42,586	-	7,500	50,086
Stephen Baxter	2014	45,000	-	-	45,000
	2013	20,301	-	-	20,301
John Diddams*	2014	95,000	-	107,052	202,052
	2013	75,790	50,000	12,000	137,290
David Murray**	2014	-	-	-	-
	2013	-	-	-	-
Malcolm Thompson	2014	-	-	-	-
	2013	-	-	12,000	12,000

* John Diddams provided contractual services to the company from 1 June 2012. During the 2013 financial year John provided company secretarial services, financial advisory and consulting services under a contract pursuant to which he was entitled to fees including a bonus due on successful completion of certain performance targets. During the 2014 financial year John continued to provide financial advisory and consulting services and was company secretary to 16 October 2013. The fees payable for these services are in addition to directors fees and are included in the table above.

** David Murray was appointed to the ISA Group Board on 3 February 2014. Director's fees were accrued from his appointment.

Key Management Personnel

The remuneration of ISA Group KMP generally comprise three components: fixed annual remuneration comprising salary and benefits including superannuation; short term incentives in the form of a cash bonus payable if certain performance conditions are met; and long term performance rights in the form of performance rights subject to vesting conditions.

The table below sets out the portion of fixed and 'at risk' remuneration of KMP for the year ended 30 June 2014 based on maximum performance being achieved. Participation in the performance rights plan is not taken into account for the calculation of the percentages shown.

Position	% of Total Maximum Remuneration	
	Fixed Remuneration	'At Risk' Remuneration
Executive Directors	84%	16%
Chief Marketing Officer (CMO)	59%	41%
General Counsel/Company Secretary (GC/CS)	100%	-

Fixed Remuneration

Each KMP receives a fixed remuneration base comprising salary, benefits and superannuation. The fixed remuneration component is reviewed annually taking into account:

- the current levels of remuneration within ISA Group;
- the market remuneration levels as determined by an external remuneration consultant;
- the assessment of the individual's performance;
- the forecast cash flows of ISA Group; and
- the key outcomes required to deliver ongoing shareholder value.

There are no guaranteed increases in fixed remuneration included in any KMP's contract.

Short Term Incentives

ISA Group set short term incentives in the form of cash bonus for the Executive Directors and CMO roles for the financial year ended 30 June 2014. The incentives are only paid on the achievement of pre-determined objectives. The aim of the incentives is to:

- Focus employees on achieving key objectives that drive the success of the business;
- Reward superior individual and company performance.

The objectives for the Executive Directors focused on the commencement of operations of our first facility at Penrith. The objectives for the CMO focused on net revenue as a driver to increase awareness of indoor skydiving and promote our brand and business during its formative stage.

The following table sets out the percentage of short term incentives that were earned during the year ended 30 June 2014.

Position	Short Term Incentive in Respect of the 2014 Financial Year	
	Payable	Forfeited
Executive Directors	57%	43%
CMO	0%	100%

Long Term Incentives

During the formative stages of ISA Group, the Company has used long term incentives as a method to attract and retain key personnel. This allowed the Company to attract high calibre experienced professionals while preserving cash flow prior to the commencement of operations. Accordingly at the 2013 Annual General Meeting shareholders were asked to, and did, approve the ISA Group Performance Rights Plan (**the Plan**).

The Plan provides for the grant of performance rights or conditional rights to eligible employees. A performance right is a right to acquire one fully paid ordinary share in the Company, subject to specified hurdles being met. An employee is not required to pay any consideration for the acquisition of a performance right or the vesting or exercising of a performance right (i.e. the shares allocated to the employee on the exercising of the performance right are without consideration). At the end of the vesting period, provided the vesting conditions have been met, the Company will notify the employee that the performance rights have vested and the employee will be able to convert each performance right to one ordinary ISA Group share. If the performance requirements are not met the vesting conditions are not satisfied and the performance rights lapse without any further action being taken.

A conditional right is a right, upon vesting, to receive ISA Group shares on the terms specified in the Plan without any further action being required by the holder of the conditional rights. Accordingly the holder of conditional rights will not need to elect to exercise his or her vested conditional rights by lodging a notice with the Company and will not need to pay an exercise price. However, conditional rights are subject to the same provisions in the Plan regarding performance hurdles and acceptance and grant procedures that apply to performance rights.

ISA Group determines the performance conditions in relation to each long term incentive taking into account the responsibilities of the particular role the individual performs and the key outcomes required by the Company to ensure longer term shareholder value is delivered. For Executive Directors the performance conditions are based on achieving certain milestones which underpin the Company's growth and financial performance. For other roles the performance conditions are tenure based reflecting the ongoing commitment required from specified personnel to consolidation the development of the Company during its initial stages. The expiry date for each right is the earlier of the last date to meet a performance requirement or 5 years from the date of grant.

The holder of a performance right issued under the Plan is not entitled to attend ISA Group meetings, to participate in ISA Group capital transactions or to receive dividends.

Performance rights are subject to ISA Group Security Trading Policy. Under the policy, Directors and employees of ISA Group are prohibited from entering into arrangements which would have the effect of eliminating, reducing or transferring to any other person the risk of any fluctuation in the value of the rights or securities (i.e. hedging).

The table below sets out the performance or conditional rights issued to KMP in respect of performance during the 2014 financial year. All of the performance or conditional rights were issued in the 2015 financial year other than the rights issued to the CMO which were issued and vested during the 2014 financial year. The table also shows the performance rights issued to KMP in respect of future years which were issued after 30 June 2014.

Position	Long Term Incentives in Respect of the 2014 Financial Year	Fair Value	Long Term Incentives in Respect of the 2015 Financial Year
	No of Rights	\$	No of Rights
Executive Directors (each)	391,856	0.59	-
Chief Marketing Officer	135,000	0.80	135,000
General Counsel/ Company Secretary	85,000 *	0.68	85,000

* conditional rights

The value of the rights has been calculated in accordance with the requirements of AASB 2 Share-Based Payment as at their grant date using the binomial pricing technique. The fair value of rights is amortised over the vesting period such that 'total' remuneration shown in this report includes a portion of the fair value of unvested equity compensation during the year.

As at the date of this report 350,000 performance rights are on issue, 783,712 performance rights were issued since 1 July 2014 that have already vested and been converted to ordinary shares.

Details of Remuneration

The KMP of ISA Group (as defined in AASB 124 'Related Party Disclosure') are the Directors of ISA Group (executive and non- executive), the CMO and the General Counsel/ Company Secretary. The Executive Directors, CMO and General Counsel/Company Secretary form the executive leadership team for ISA Group and are referred to as the KMP executives below.

The details of remuneration for Directors other than the Executive Directors is set out above. The details of remuneration for the KMP executives is set out in the following tables. The KMP executives held their current position for the 2014 Financial Year other than the General Counsel/Company Secretary who joined the Company on 18 September 2013.

KMP	Year	Short Term Benefits			Post Employment Benefits	Long Term Benefits	Other	Share Based Payments	Total
		Salary	STI	Non Monetary	Super-annuation	Long Service Leave	Termination	Rights	
		\$	\$	\$	\$	\$	\$	\$	\$
Wayne Jones CEO	2014	165,000	20,000	-	16,956	-	-	493,259	695,215
	2013	104,240	-	-	-	-	-	-	104,240
Danny Hogan COO	2014	165,000	20,000	-	16,956	-	-	493,259	695,215
	2013	106,760	-	-	-	-	-	-	106,760
Brett Sheridan CMO	2014	150,000	-	-	13,875	-	-	105,300	272,118
	2013	46,607	-	-	-	-	-	6,000	52,607
Fiona Yiend GC/CS	2014	110,337	-	-	10,278	-	-	-	120,615
	2013	-	-	-	-	-	-	-	-

Service Agreements

On appointment to the Board, all Non-Executive Directors enter into a service agreement with the company in the form of a letter of appointment. The letter summarises the Board policies and terms, including compensation, relevant to the office of director.

Remuneration and other terms of employment for KMP executives are formalised in service agreements with no fixed end date. Details of these agreements are as follows:

Position	Termination Notice Period by ISA Group	Termination Notice Period by Employee	Termination Payments Payable under Contract for Redundancy
Executive Directors	6 months	6 months	None
Other KMP	6 weeks	6 weeks	26 weeks

Termination payments are calculated based on the total fixed remuneration at the date of termination. No payment is payable in the event of summary dismissal.

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

On behalf of the Board



Wayne Jones

Director & Chief Executive Officer
Indoor Skydive Australia Group Limited
27 August 2014, Sydney



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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Indoor Skydive Australia Group Limited for the year ended 30 June 2014, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

RSM Bird Cameron Partners

RSM BIRD CAMERON PARTNERS
Chartered Accountants

G N SHERWOOD
Partner

Sydney, NSW
Dated: 27 August 2014

Liability limited by a scheme approved under Professional Standards Legislation

Major Offices in: Perth, Sydney, Melbourne, Adelaide, Canberra and Brisbane
ABN 36 965 185 036

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CONSOLIDATED STATEMENT OF PROFIT AND LOSS
and other Comprehensive Income for the year ended 30 June 2014

	Note	Consolidated Group	
		2014	2013
		\$	\$
Revenue			
Sales revenue	3	1,212,643	-
Interest income		106,028	39,168
Foreign exchange fair value gain		-	124,367
Total revenue		1,318,671	163,535
Expenses			
Depreciation and amortisation	7, 9	540,831	-
Administration expenses		199,485	42,839
Accounting and audit fees		73,307	88,449
Professional fees		295,193	156,510
Legal fees		43,247	78,144
Share registry and ASX fees		75,406	17,880
Advertising and marketing expense		251,352	48,189
Insurance		99,347	-
Occupancy expenses		90,298	24,117
Employee expenses		1,517,224	276,213
Directors fees		167,500	78,677
Share based payments	18	1,243,779	49,525
Foreign exchange fair value loss		121,687	-
Finance costs		253,513	173,205
Other expenses		452,209	44,358
Total expenses		5,424,378	1,078,106
Loss before income tax		(4,105,707)	(914,571)
Income tax benefit	4	1,391,691	-
Net loss for the year		(2,714,016)	(914,571)
Other comprehensive income			
Other comprehensive income for the year		-	-
Total comprehensive loss for the year		(2,714,016)	(914,571)
Earnings per share			
From continuing operations:			
– basic loss per share (cents)	22	(3.45)	(2.28)
– diluted loss per share (cents)	22	(3.45)	(2.28)

The accompanying notes form part of these financial statements.

There was no non-controlling interest as at 30 June 2014.

CONSOLIDATED STATEMENT
of Financial Position for the year ended 30 June 2014

	Note	Consolidated Group	
		2014	2013
		\$	\$
Assets			
Current Assets			
Cash and cash equivalents	5	1,117,249	5,212,501
Term deposits	5	300,278	10,000
Trade receivables and other assets	6	323,320	120,556
Total Current Assets		1,740,847	5,343,057
Non-Current Assets			
Deferred tax asset	4	1,391,691	-
Property, plant and equipment	7	17,227,529	4,975,207
Intangible asset	9	1,184,384	-
Other financial assets		-	26,700
Total Non-Current Assets		19,803,604	5,001,907
Total Assets		21,544,451	10,344,964
Liabilities			
Current Liabilities			
Trade and other payables	10	1,149,006	335,960
Provisions	11	65,187	10,911
Deferred revenue	12	905,497	-
Borrowings	13	1,500,000	-
Total Current Liabilities		3,619,690	346,871
Non Current Liabilities			
Borrowings	13	-	2,000,000
Provision for site restoration	1(q)(ii)	2,197,897	2,144,290
Total Non Current Liabilities		2,197,897	4,144,290
Total Liabilities		5,817,587	4,491,161
Net Assets		15,726,864	5,853,803
EQUITY			
Issued capital	14	18,467,998	6,974,490
Share based payments reserve	18	1,093,569	-
Accumulated losses		(3,834,703)	(1,120,687)
Total Equity		15,726,864	5,853,803

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT
of Change in Equity for the year ended 30 June 2014

Consolidated Group	Issued Capital	Share based payments reserve	Accumulated losses	Total
	\$	\$	\$	\$
Balance at 30 June 2013	6,974,490	-	(1,120,687)	5,853,803
Shares issued during the year	12,071,083	-	-	12,071,083
Share issue costs	(577,575)	-	-	(577,575)
Employee share based payment performance rights	-	1,093,569	-	1,093,569
Comprehensive income				
Loss for the year	-	-	(2,714,016)	(2,714,016)
Other comprehensive income for the year	-	-	-	-
Total comprehensive loss for the year	-	-	(2,714,016)	(2,714,016)
Balance at 30 June 2014	18,467,998	1,093,569	(3,834,703)	15,726,864
Balance at 1 July 2012	500,000	-	(206,116)	293,884
Shares issued during the year	6,933,525	-	-	6,933,525
Share issue costs	(459,035)	-	-	(459,035)
Comprehensive income				
Loss for the year	-	-	(914,571)	(914,571)
Other comprehensive income for the year	-	-	-	-
Total comprehensive loss for the year	-	-	(914,571)	-
Balance at 30 June 2013	6,974,490	-	(1,120,687)	5,853,803

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT
of Cash Flows for the year ended 30 June 2014

	Note	Consolidated Group	
		2014	2013
		\$	\$
Cash Flows From Operating Activities			
Receipts from customers		2,277,161	-
Payments to suppliers and employees		(2,783,112)	(548,378)
Finance costs		(182,262)	(173,205)
Interest received		106,028	39,168
Net cash used in operating activities	16	(582,185)	(682,415)
Cash Flows From Investing Activities			
Purchase of property, plant and equipment		(11,657,638)	(2,520,049)
Purchases of foreign exchange contracts		(96,764)	-
Deposits for tunnel equipment		(806,994)	-
Purchase of term deposits		(300,278)	(10,000)
Net cash used in investing activities		(12,861,674)	(2,530,049)
Cash Flows From Financing Activities			
Proceeds from issue of shares		10,416,183	6,884,000
Net proceeds from convertible note	13	(500,000)	2,000,000
Share issue costs		(577,576)	(459,035)
Net cash provided by financing activities		9,338,607	8,424,965
Net (decrease)/increase in cash held		(4,105,252)	5,212,501
Cash and cash equivalents at beginning of financial year		5,222,501	-
Cash and cash equivalents at end of financial year	5	1,117,249	5,212,501

The accompanying notes form part of these financial statements.

These consolidated financial statements and notes represent those of Indoor Skydive Australia Group Limited and Controlled Entities (the **Consolidated Group** or **Group**).

The separate financial statements of the parent entity, Indoor Skydive Australia Group Limited have not been presented within this financial report as permitted by the *Corporations Act 2001*.

The financial statements were authorised for issue on 27 August 2014 by the Directors of the Company.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

Australian Accounting Standards set out accounting policies that the Australian Accounting Standards Board has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

Except for cash flow information, the financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

a. Principles of Consolidation

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by Indoor Skydive Australia Group Limited at the end of the reporting period. A controlled entity is any entity over which Indoor Skydive Australia Group Limited has the ability and right to govern the financial and operating policies so as to obtain benefits from the entity's activities.

Where controlled entities have entered or left the Group during the year, the financial performance of those entities is included only for the period of the year that they were controlled. A list of controlled entities is contained in Note 8 to the financial statements.

In preparing the consolidated financial statements, all intragroup balances and transactions between entities in the consolidated group have been eliminated in full on consolidation. Non-controlling interests, being the equity in a subsidiary not attributable, directly or indirectly, to a parent, are reported separately within the equity section of the consolidated statement of financial position and statements showing profit or loss and other comprehensive income. The non-controlling interests in the net assets comprise their interests at the date of the original business combination and their

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

share of changes in equity since that date.

Business Combinations

Business combinations occur where an acquirer obtains control over one or more businesses.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The business combination will be accounted for from the date that control is attained, whereby the fair value of the identifiable assets acquired and liabilities (including contingent liabilities) assumed is recognised (subject to certain limited exemptions).

When measuring the consideration transferred in the business combination, any asset or liability resulting from a contingent consideration arrangement is also included. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability is remeasured in each reporting period to fair value, recognising any change to fair value in profit or loss, unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to business combinations, other than those associated with the issue of a financial instrument, are recognised as expenses in profit or loss when incurred.

The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase.

Goodwill

Goodwill is carried at cost less any accumulated impairment losses. Goodwill is calculated as the excess of the sum of:

- (i) the consideration transferred;
- (ii) any non-controlling interest (determined under either the full goodwill or proportionate interest method); and
- (iii) the acquisition date fair value of any previously held equity interest,

over the acquisition date fair value of net identifiable assets acquired.

The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity interest shall form the cost of the investment in the separate financial statements.

Fair value remeasurements in any pre-existing equity holdings are recognised in profit or loss in the period in which they arise. Where changes in the value of such equity holdings had previously been recognised in other comprehensive income, such amounts are recycled to profit or loss.

The amount of goodwill recognised on acquisition of each subsidiary in which the Group holds less than a 100% interest will depend on the method adopted in measuring the non-controlling interest. The Group can elect in most circumstances to measure the non-controlling interest in the acquiree either at fair value (*full goodwill method*) or at the non-controlling interest's proportionate share of the subsidiary's identifiable net

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

assets (*proportionate interest method*). In such circumstances, the Group determines which method to adopt for each acquisition and this is stated in the respective notes to these financial statements disclosing the business combination.

Under the full goodwill method, the fair value of the non-controlling interests is determined using valuation techniques which make the maximum use of market information where available. Under this method, goodwill attributable to the non-controlling interests is recognised in the consolidated financial statements.

Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates.

Goodwill is tested for impairment annually and is allocated to the Group's cash-generating units or groups of cash-generating units, representing the lowest level at which goodwill is monitored being not larger than an operating segment. Gains and losses on the disposal of an entity include the carrying amount of goodwill related to the entity disposed of.

Changes in the ownership interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions and do not affect the carrying amounts of goodwill.

b. Income Tax

The income tax expense/(benefit) for the year comprises current income tax expense/(benefit) and deferred tax expense/(benefit).

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities/(assets) are measured at the amounts expected to be paid to/(recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense/(benefit) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss.

Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability. With respect to non-depreciable items of property, plant and equipment measured at fair value and items of investment property measured at fair value, the related deferred tax liability or deferred tax asset is measured on the basis that the carrying amount of the asset will be recovered entirely through sale.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (a) a legally enforceable right of set-off exists; and (b) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

Tax Consolidation - Australia

The Company and its wholly-owned Australian resident entities have formed a tax consolidated group with effect from 1 November 2011 and will therefore be taxed as a single entity from that date. The Company is the head entity within the tax-consolidated group.

Current tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using a modified stand-alone tax allocation methodology.

Any current tax liabilities (or assets) and deferred tax assets arising from unused tax losses of the controlled entities are assumed by the head entity in the tax-consolidated group and are recognised as amounts payable (receivable) to (from) other entities in the tax-consolidated group in conjunction with any tax funding arrangements.

The Company recognises deferred tax assets arising from unused tax losses of the tax-consolidated group to the extent that it is probable that future taxable profits of the tax-consolidated group will be available against which the asset can be utilised.

Any subsequent period adjustments to deferred tax assets arising from unused tax losses as a result of revised assessments of the probability of recoverability is recognised by the head company only.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

c. Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

Plant and Equipment

Plant and equipment are measured on the cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised either in profit or loss or as a revaluation decrease if the impairment losses relate to a revalued asset. A formal assessment of recoverable amount is made when impairment indicators are present (refer to Note 1(i) for details of impairment).

The carrying amount of plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised as expenses in profit or loss during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets including buildings and capitalised lease assets, but excluding freehold land, is depreciated on a straight-line basis over the asset's useful life to the consolidated group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

<i>Class of Fixed Asset</i>	<i>Useful Life</i>
Office equipment	3 years
Furniture and fittings	5 years
IT equipment	5 years
Vertical wind tunnel building infrastructure	20 years
Vertical wind tunnel equipment	20 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are recognised in profit or loss in the period in which they arise. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

d. Leases

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset – but not the legal ownership – are transferred to entities in the consolidated group, are classified as finance leases.

Finance leases are capitalised by recognising an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the lease term.

e. Foreign Currency Transactions and Balances***Functional and Presentation Currency***

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars, which is the parent entity's functional currency.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

Transactions and Balances

Exchange differences arising on the translation of monetary items are recognised in profit or loss, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in other comprehensive income to the extent that the underlying gain or loss is recognised in other comprehensive income; otherwise the exchange difference is recognised in profit or loss.

f. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits available on demand with banks and bank overdrafts. Bank overdrafts are reported within short-term borrowings in current liabilities in the statement of financial position.

g. Trade and Other Payables

Trade and other payables represent the liabilities for goods and services received by the entity that remain unpaid at the end of the reporting period. Payables expected to be settled within 12 months of the end of the reporting period are classified as current liabilities. All other liabilities are classified as non-current liabilities.

h. Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

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

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

i. Impairment of Assets

At the end of each reporting period, the Group assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

and internal sources of information. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard (eg in accordance with the revaluation model in AASB 116: Property, Plant and Equipment). Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Impairment testing is performed annually for goodwill, intangible assets with indefinite lives and intangible assets not yet available for use.

j. Employee Benefits

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be settled within a year have been measured at the amounts expected to be paid when the liability is settled. Expenses for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable. Liabilities for long service leave are recognised when employees reach a qualifying period of continuous service. Liabilities and expenses for bonuses are recognised where contractually obliged or where there is a past practice that has created a constructive obligation.

Share-based Payments

Share-based compensation benefits are provided to certain employees (including key management personnel) via the Indoor Skydive Australia Group Limited Performance Rights Plan. The fair value is measured at grant date and is recognised over the period the services are received, which is the expected vesting period during which the employees would become entitled to exercise the performance rights.

Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period. No adjustment is made to any expense recognised in prior periods if share options ultimately exercised are different to that estimated on vesting.

The fair value of performance rights granted for rights with non-market based performance criteria are measured using the binomial option pricing methodology which is the approach typically used for valuing rights which may be exercised, once vested, at any time up until expiry.

Upon exercise of share options, the proceeds received net of any directly attributable

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

transaction costs are allocated to contributed equity.

k. Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

l. Revenue and Other Income

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. When the inflow of consideration is deferred, it is included in the Statement of Financial Position as a receivable and carried at amortised cost.

Revenue from the sale of goods and services is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership and the cessation of all involvement in those goods and services.

Interest revenue is recognised on an accruals basis using the effective interest method.

m. Deferred Revenue

Income relating to future periods is initially recorded as unearned income, and is then recognised as revenue over the relevant periods of admission or rendering of other services.

n. Trade and Other Receivables

Trade and other receivables include amounts due from customers for goods sold and services performed in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Refer to Note 1(i) for further discussion on the determination of impairment losses.

o. Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

incurred.

p. Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

Where the Group has retrospectively applied an accounting policy, made a retrospective restatement or reclassified items in its financial statements, an additional statement of financial position as at the beginning of the earliest comparative period will be disclosed.

q Critical Accounting Estimates and Judgements**i. *Useful lives, Residual Values and Classification of Property, Plant and Equipment***

There is a degree of judgement required in estimating the residual values and useful lives of the Property, Plant and Equipment. There is also a degree of judgement required in terms of the classification of such Property, Plant and Equipment. The Group's main assets comprise the Vertical Wind Tunnel (**VWT**) Equipment and its related Building Infrastructure. The construction of these assets are foreseen in the Agreement to Sub Lease with the Group's landlord, however the Board has exercised their judgement in determining that the nature of these assets are that of buildings and equipment, rather than leasehold improvements. To this extent, in determining the useful life of the property plant and equipment the directors considered the 4 x consecutive 5 year sub leases over the land that the VWT buildings and equipment are to be constructed on. The Board has estimated the useful life of the VWT Equipment, and its related Building Infrastructure to be 20 years. The Agreement to Sub Lease provides that the Group must remove all building works on expiry of the lease. The directors have considered the residual value of the buildings and equipment once removed and determined a residual value of zero is appropriate under the circumstances. The VWT buildings and equipment are therefore depreciated over 20 years.

ii. *Provision for Site Restoration of VWT Equipment and Building Infrastructure*

Provisions for site restoration obligations are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

interest expense.

As stated above, the lease agreement provides that the Group must remove all building works on expiry of the lease. To this extent, an estimate of the cost to remove the VWT and its related Building Infrastructure has been provided for amounting to \$2,144,290 escalated by 2.5% to \$2,197,897 and capitalised into the cost of the building infrastructure in the accounting records. The estimate to remove the equipment was based on current costs using existing technology at current prices. These costs were projected forward at a 2.5% inflationary escalation and then discounted back at 2.5% after consideration of the risks associated with the project and will be depreciated over 20 years. The unwinding of the effect of discounting on the site restoration provision is included within finance costs in the statement of comprehensive income.

iii. Deferred Tax

The Group has commenced operations throughout the year, and is expecting to generate a taxable income in future. As it is considered probable that the unused tax losses will be recouped, the directors have recognised a deferred tax asset to the extent of the tax losses and deductible temporary differences.

iv. Exclusive Territory Development Agreement Recognition and Amortisation

On 20 December 2013 an Exclusive Territory Development Agreement was entered into between the Company and iFly Australia Pty Ltd (**iFly**) to exclusively develop projects in Australia and New Zealand for which iFly would receive 2,500,000 shares in the company (IDZ.ASX). iFly is the Australian subsidiary of SkyVenture International, our vertical wind tunnel supplier. The agreement has created an intangible asset which is expected to create a future economic benefit. This intangible asset must be initially valued at cost, in accordance with AASB 138. The cost is calculated as \$1,500,000, being the fair value of the shares granted to iFly, at the IDZ close price of \$0.60 at 20 December 2013.

The term of the agreement is limited, and the asset is therefore classified as a finite life intangible asset. An intangible asset with a finite life is to be amortised over its useful life. The amortisation method selected should reflect the pattern over which the asset's future economic benefit is expected to be consumed. If that pattern cannot be determined reliably, the straight-line method is to be used. The amortisation period and method for an intangible asset with a finite useful life are to be reviewed at least at the end of each annual reporting period. If the expected useful life or expected pattern of consumption of the future economic benefit is different from previous estimates, the period or method is to be revised.

An accelerated amortisation rate of 40% has been used against this intangible asset. This reflects the expected consumption of benefits under the agreement. Although it is conceivable that the agreement could run to the full term of 20 years, management expect that the majority of the benefit will be achieved over the next four years through the delivery of the four tunnels for which deposits have been paid to SkyVenture International.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

v. *Going Concern Assumption*

The financial statements have been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business.

As disclosed in the financial statements, the consolidated entity incurred a loss before tax of \$4,105,707 and had net cash outflows from operating activities of \$582,185 for the year ended 30 June 2014. As at that date the consolidated entity had net current liabilities of \$1,878,843.

The Directors believe that it is reasonably foreseeable that the consolidated entity will continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial report after consideration of the following factors:

- The Company opened its' first facility in Penrith in 2014 and the facility has been trading profitably since it opened. The Directors have no reason to believe the facility will not continue to trade profitably for the foreseeable future.
- The Company has identified a number of other potential sites for further development, and has paid the initial deposits to SkyVenture International in anticipation of the development of these sites. The Company is considering a number of sources of financing with regard to the development of these sites, however should funding not be available for any reason, the Directors have no reason to believe the existing site will not generate sufficient cashflow to fund existing operations.
- As disclosed in Note 13, the Company has an undrawn convertible note facility of \$2,911,000 as at the date of this report.
- Included in current liabilities is \$905,497 in relation to deferred revenue that is not required to be cash settled in the future but rather settled through the provision of flight time in the vertical wind tunnel.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

r. New Accounting Standards for Application in Future Periods

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the Group. The Group has decided not to early adopt any of the new and amended pronouncements. The Group's assessment of the new and amended pronouncements that are relevant to the Group but applicable in future reporting periods is set out below:

Standard	Effective Date	Requirements or amendments	Expected impact
AASB 9 <i>Financial Instruments</i>	1 January 2015 (Changed to 1 January 2017 by AASB 2013-9C)	Replaces the requirements of AASB 139 for the classification and measurement of financial assets. This is the result of the first part of Phase 1 of the IASB's project to replace IAS 39.	None
2009-11 <i>Amendments to Australian Accounting Standards arising from AASB 9</i>	1 January 2015	Amends AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 and 1038 and Interpretations 10 and 12 as a result of the issuance of AASB 9.	None
2010-7 <i>Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)</i>	1 January 2015	Amends AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127 for amendments to AASB 9 in December 2010.	None
2013-3 <i>Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets</i>	1 January 2014	This Standard amends the disclosure requirements in AASB 136 to include additional disclosures about the fair value measurement and discount rates when the recoverable amount of impaired assets is based on fair value less costs of disposal.	None

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

2013-5 <i>Amendments to Australian Accounting Standards - Investment Entities</i>	1 January 2014	This Standard amends AASB 10, AASB 12 and AASB 127 to define an investment entity and require that, with limited exceptions, an investment entity not consolidate its subsidiaries but to measure them at fair value through profit or loss in accordance with AASB 9.	None
2013-9C <i>Amendments to Australian Accounting Standards - Conceptual Framework, Materiality and Financial Instruments</i>	1 January 2013	Part C of AASB 2013-9 amends AASB 9 to add Chapter 6 Hedge accounting, to permit "own credit risk" requirements to be applied without applying the other requirements of AASB 9 at the same time, to amend the mandatory effective date of AASB 9 to 1 January 2017 and to amend the reduced disclosure requirements for AASB 7 and AASB 101.	None
2014-1A <i>Amendments to Australian Accounting Standards</i>	1 July 2014	Part A of 2014-1 amends various standards as a result of the annual improvements process.	None
2014-1B <i>Amendments to Australian Accounting Standards</i>	1 July 2014	Part B of AASB 2014-1 makes amendments to AASB 119 Employee Benefits in relation to the requirements for contributions from employees or third parties that are linked to service.	None
2014-1C <i>Amendments to Australian Accounting Standards</i>	1 July 2014	Part C of AASB 2014-1 makes amendments to particular Australian Accounting Standards to delete their references to AASB 1030.	None
AASB 1031 <i>Materiality</i>	1 January 2014	Re-issuance of AASB 1031	None

s. New and Amended Accounting Policies Adopted by the Group

The Group has adopted the following Australian Accounting Standards, together with the relevant consequential amendments arising from related Amending Standards, from the mandatory application date of 1 January 2013:

- AASB 10: Consolidated Financial Statements;
- AASB 11: Joint Arrangements;
- AASB 12: Disclosure of Interests in Other Entities;
- AASB 127: Separate Financial Statements;
- AASB 13: Fair Value Measurements;
- AASB 119: Employee Benefits.

The above did not impact the Group's financial statements.

NOTE 2: PARENT INFORMATION

2014 **2013**
\$ **\$**

The following information has been extracted from the books and records of the parent and has been prepared in accordance with Australian Accounting Standards.

Statement of Financial Position

Assets

Current assets	2,202,175	5,343,056
Non-current assets	17,763,874	2,857,617
Total Assets	19,966,049	8,200,673

Liabilities

Current liabilities	2,343,286	346,871
Non-current liabilities	2,197,897	2,000,000
Total Liabilities	4,541,183	2,346,871

Equity

Issued capital	18,467,798	6,974,490
Share based payments reserve	1,093,569	-
Retained earnings	(4,136,501)	(1,120,688)
Total Equity	15,424,866	5,853,802

Statement of Profit or Loss and Other Comprehensive Income

Total profit/(loss) before tax	(2,917,383)	(914,571)
Total comprehensive income	(2,917,383)	(914,571)

NOTE 2: PARENT INFORMATION (CONT)

Guarantees

The parent entity does not have any guarantees as at 30 June 2014.

Contingent liabilities

The parent entity does not have any contingent liabilities as at 30 June 2014.

Contractual commitments

Other than amounts disclosed in the financial statements, the parent entity has no additional contractual commitments as at 30 June 2014 (2013: \$4,715,556).

NOTE 3: SALES REVENUE

	2014 \$	2013 \$
VWT revenue	1,143,476	-
Other sales	69,167	-
	<hr/> 1,212,643	<hr/> -

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

NOTE 4: INCOME TAX EXPENSE

A reconciliation of income tax expense applicable to accounting loss before income tax at the statutory income tax rate to income tax expense at the company's effective income tax rate for the period ended 30 June 2014 and 30 June 2013 is as follows:

	2014 \$	2013 \$
Accounting loss before income tax	(4,105,707)	(914,571)
At the statutory income tax rate of 30% (2013: 30%)	(1,231,712)	(274,371)
Permanent differences	469,565	-
Tax effect on temporary and timing differences not brought to account	(296,548)	(58,625)
2013 Income tax benefit not previously brought to account	(332,996)	332,996
Income Tax Benefit	(1,391,691)	Nil
<hr/>		
Deferred tax assets (timing difference) comprises of:		
Black hole expenditure	238,265	142,187
Unrealised gain and losses	(1,458)	(37,910)
Provisions and others	169,668	7,192
Deferred tax asset (timing difference) brought to account in 2014	406,475	111,469
Deferred tax asset (tax losses) brought to account in 2014	985,216	360,986
Total deferred tax bought into account	1,391,691	-

Total deferred tax asset brought to account of \$1,391,691 at 30 June 2014. No deferred tax asset was brought to account at 30 June 2013.

NOTE 5: CASH AND CASH EQUIVALENTS

	2014 \$	2013 \$
Cash at bank and on hand	1,117,249	320,611
Short-term bank deposits	-	4,891,890
	<hr/> 1,117,249	<hr/> 5,212,501

Included in Cash and Cash Equivalents is US\$817,588, the majority of which was purchased in February 2014. The currency has been converted at the spot rate of 0.942 at balance date.

The above cash balance excludes term deposits of \$300,278 held as at 30 June 2014 (2013: \$10,000).

NOTE 6: TRADE RECEIVABLES AND OTHER ASSETS

	2014	2013
	\$	\$
Trade receivables	46,795	-
Other receivables	172,325	96,316
Prepaid expenses	104,200	24,240
	<hr/>	<hr/>
	323,320	120,556
	<hr/> <hr/>	<hr/> <hr/>

NOTE 7: PROPERTY, PLANT AND EQUIPMENT**VWT Equipment and Building Infrastructure**

	2014	2013
	\$	\$
At cost	14,501,459	2,830,917
Accumulated depreciation	(118,000)	-
Total VWT Equipment and Building Infrastructure	<hr/>	<hr/>
	14,383,459	2,830,917
	<hr/> <hr/>	<hr/> <hr/>

Provision for Site Restoration of the VWT Equipment and Building Infrastructure on Termination of Lease

At cost	2,144,290	2,144,290
Accumulated depreciation	(107,214)	-
Total Provision for Site Restoration of the VWT Equipment and Building Infrastructure	<hr/>	<hr/>
	2,037,076	2,144,290
	<hr/> <hr/>	<hr/> <hr/>

VWT Construction Work in Progress

VWT deposits paid	806,994	-
Total Construction Work in Progress	<hr/>	<hr/>
	806,994	
	<hr/> <hr/>	<hr/> <hr/>
Total		
At cost	17,452,743	4,975,207
Accumulated	(225,214)	
Total	<hr/>	<hr/>
	17,227,529	4,975,207
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

NOTE 7: PROPERTY, PLANT AND EQUIPMENT (CONT)

a. Movements in Carrying Amounts

	VWT Equipment Building Infrastructure	Provision for Site Restoration of VWT Equipment and Building Infrastructure	VWT Construction Work In Progress	Total
Consolidated Group:	\$	\$		\$
Balance at 30 June 2012	87,439	-	-	87,439
Additions	2,743,478	2,144,290	-	4,887,768
Balance at 30 June 2013	2,830,917	2,144,290	-	4,975,207
Additions	11,670,542	-	806,994	12,477,536
Depreciation expense	(118,000)	(107,214)	-	(225,214)
Balance at 30 June 2014	14,383,459	2,037,076	806,994	17,227,529

NOTE 8: CONTROLLED ENTITIES

Subsidiaries of Indoor Skydive Australia Group	Country of Incorporation	2014 %	2013 %
Indoor Skydiving Penrith Holdings Pty Ltd	Australia	100	100
Indoor Skydiving Penrith Pty Ltd	Australia	100	100
Indoor Skydiving Gold Coast Pty Ltd	Australia	100	-
Indoor Skydiving Adelaide Pty Ltd	Australia	100	-
Indoor Skydiving Perth Pty Ltd	Australia	100	-
ISAG Holdings D Pty Ltd	Australia	100	-
upRAW Café & Juice Bar Pty Ltd	Australia	100	-

*Percentage of voting power is proportional to ownership

NOTE 9: INTANGIBLE ASSET

	2014	2013
	\$	\$
Exclusive Territory Development Agreement	1,500,000	-
Accumulated amortisation	(315,616)	-
	<u>1,184,384</u>	

The intangible asset was acquired during the year and is therefore initially valued at cost. The fair value of \$1,500,000 represents the value of the shares granted to iFly Australia Pty Limited under the Exclusive Territory Development Agreement, being 2,500,000 shares at a close price of \$0.60 on grant date (20 December 2013).

An accelerated amortisation rate of 40% has been used against this intangible asset, amortised from 20 December 2013. An accelerated method has been used to reflect the expected consumption of benefits under the agreement. Although it is conceivable that the agreement could run to the full term of 20 years, management expect that the majority of the benefit will be achieved over the next four years through the delivery of the four tunnels for which deposits have been paid to SkyVenture International.

NOTE 10: TRADE AND OTHER PAYABLES

	2014	2013
	\$	\$
Trade payables	601,450	67,224
Other payables and accruals	547,556	268,736
	<u>1,149,006</u>	<u>335,960</u>

NOTE 11: PROVISIONS - CURRENT

Provision for Employee Benefits	2014	2013
	\$	\$
Opening balance	10,911	-
Additional provisions	87,659	10,911
Amounts used	(33,383)	-
Closing balance – Provision for employee entitlements	<u>65,187</u>	<u>10,911</u>

Provisions for employee benefits represents amounts accrued for annual leave.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

NOTE 11: PROVISIONS --- CURRENT (CONT)

The current portion for this provision includes the total amount accrued for annual leave entitlements that have vested due to employees having completed the required period of service. Based on past experience, the Group does not expect the full amount of annual leave balances classified as current liabilities to be settled within the next 12 months. However, these amounts must be classified as current liabilities since the Group does not have an unconditional right to defer the settlement of these amounts in the event employees wish to use their leave entitlement.

NOTE 12: DEFERRED REVENUE

	2014	2013
	\$	\$
Deferred revenue	905,497	-
	<hr/>	<hr/>
	905,497	-
	<hr/>	<hr/>

Deferred revenue primarily represents prepaid sales in respect of flight time purchased in advance. The sales will be released to revenue at the time the services are rendered.

NOTE 13: BORROWINGS

Convertible Note Facility

The Company entered into a Convertible Note Finance Facility (**Facility**) with Birkdale Holdings (Qld) Pty Ltd as trustee for the Baxter Family Trust (**Birkdale**) by the execution of a Convertible Note Deed on 10 December 2012. Birkdale is a company associated with Stephen Baxter, a Director of the Company. Pursuant to the Facility, Birkdale will provide funding up to \$5,911,000 at 30 day call and acquire from the Company a Convertible Note (**Note**), with any outstanding drawn balance convertible at the lower of \$0.20 or 10% discount to the 30 day VWAP.

NOTE 13: BORROWINGS (CONT)

On 14 May, 2014 Birkdale and the Company extended the conversion date and term of the Facility each by 6 months to support the Company's efforts in accelerating its growth strategy. Under the revised terms, Birkdale's right to exercise to convert any outstanding amounts under the Facility begins on or after 10 December 2014. The term of the Facility is also extended to 10 June 2015. The Company has the right to draw down and repay the Facility before conversion and it is the stated intention of the Directors to do so, subject to available alternative funding. Interest is payable quarterly at 10% pa on the drawn amount of the Facility and a 2% line fee is payable on the undrawn portion.

The Facility has been drawn to \$1,500,000 at 30 June 2014 (\$3,000,000 as at the date of signing the report). The undrawn Facility is now \$2,911,000. An amount of \$199,261 is included in finance expenses for the period ended 30 June 2014 in relation to this Facility. As the Facility is required to be repaid during the next financial year, the classification has been changed to current liabilities.

NOTE 14 ISSUED CAPITAL

	2014	2013
	\$	\$
87,305,666 (2013: 58,810,833) fully paid ordinary shares	19,504,608	7,433,525
Share issue costs	(1,036,610)	(459,035)
	<hr/>	<hr/>
	18,467,998	6,974,490
	<hr/> <hr/>	<hr/> <hr/>

	2014	2013
	No.	No.
a. Ordinary Shares*		
At the beginning of the reporting period:	58,810,833	14,000,000
Shares issued during the year		
- Pre-IPO (Initial Public Offer) share issues		- 14,333,333
- Share issues	28,262,333	30,445,000
- Share base payments	232,500	32,500
At the end of the reporting period*	<hr/>	<hr/>
	87,305,666	58,810,833
	<hr/> <hr/>	<hr/> <hr/>

NOTE 14: ISSUED CAPITAL (CONT)

***Shares held in Escrow**

The following shares are held in escrow until the dates indicated:	2014 No.	2013 No.
- 13 July 2013		- 1,691,666
- 23 October 2013		- 666,667
- 18 January 2015	19,500,000	19,500,000
	19,500,000	21,858,333

During the year, the Company undertook a rights issue to raise additional capital. The issue was fully subscribed and included an institutional component of 13,526,667 shares and a retail component of 10,010,666 shares. The institutional and private placement components were completed on 1 October 2013, and the retail component was completed on 25 October 2013. A private placement of 2,225,000 shares was made to Lyndcote Holdings Pty Ltd, a company associated with David Murray, on 23 September 2013.

In addition, on 9 January 2014 the Company issued 2,500,000 shares to iFly Australia Pty Ltd (iFly) pursuant to the Exclusive Territory Development Agreement entered on 20 December 2013. The value of this agreement has been recognised as an intangible asset in the financial statements. The fair value of the agreement is \$1,500,000, being 2,500,000 ordinary shares granted to iFly, at the close price of \$0.60 of the shares at grant date (20 December 2013).

b. Performance Rights

	2014 \$	2013 \$
At the beginning of the reporting period:	-	-
Performance rights granted during the year		
- 27 November 2013	4,962,264	-
At the end of the reporting period	4,962,264	-

Performance rights are provided to certain employees (including key management personnel) via the Indoor Skydive Australia Group Limited Performance Rights Plan. The fair value is measured at grant date and is recognised over the period the services are received, which is the expected vesting period during which the employees would become entitled to exercise the performance rights.

NOTE 14: ISSUED CAPITAL (CONT)

c. Capital Management

Management controls the capital of the Group in order to maintain a sustainable debt to equity ratio, generate long-term shareholder value and ensure that the Group can fund its operations and continue as a going concern.

The Group is not subject to any externally imposed capital requirements.

Management effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

There have been no changes in the strategy adopted by management to control the capital of the Group since the prior year. The Group does not currently have a specific strategy in respect of the Group's gearing.

NOTE 15: CAPITAL AND LEASING COMMITMENTS

a. Operating Lease Commitments

	2014	2013
	\$	\$
Non-cancellable operating leases contracted for but not recognised in the financial statements		
Payable – minimum lease payments:		
– not later than 12 months	85,350	60,600
– between 12 months and five years	200,000	191,065
– later than five years	750,000	14,294
	1,035,350	265,959

b. Capital Commitments

	2014	2013
	\$	\$
Capital commitments contracted for but not recognised in the financial statements		
Raybal Constructions (i)	-	4,715,556
SkyVenture (ii)	-	1,798,000
	-	6,513,556

(i) Parent company commitment

(ii) Subsidiary company commitment (2013: USD 1,650,000)

NOTE 16: CASH FLOW INFORMATION

	2014	2013
	\$	\$
Reconciliation of Cash Flow from Operations with Loss after Income Tax		
Loss after income tax	(2,714,016)	(914,571)
Non-cash flows in loss:		
– Share based payments	1,243,779	49,525
– Gain/loss on FX revaluation	70,259	-
- Unwind of make good discount	53,607	-
- Depreciation expense	225,214	-
- Amortisation expense	315,616	-
Changes in assets and liabilities:		
– (increase)/decrease in trade and term receivables	(77,811)	(84,304)
– (increase)/decrease in prepaid expenses	(79,960)	169,365
- (increase)/decrease in deferred tax asset	(1,391,691)	-
– increase/(decrease) in trade payables and accruals	813,046	86,659
– increase/(decrease) in unearned revenue	905,497	-
– increase/(decrease) in provisions	54,275	10,911
Cash flow used in operations	(582,185)	(682,415)

NOTE 17: RELATED PARTY TRANSACTIONS

a. The Group's main related parties are as follows:

(i) *Entities exercising control over the Group:*

There is no ultimate parent entity that exercises control over the Group.

(ii) *Key management personnel:*

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity, are considered key management personnel.

For details of disclosures relating to key management personnel, refer to the Remuneration Report.

(iii) *Entities subject to significant influence by the Group:*

An entity that has the power to participate in the financial and operating policy decisions of an entity, but does not have control over those policies, is an entity which holds significant influence. Significant influence may be gained by share ownership, statute or agreement. There are no such entities in the Group.

(iv) *Other related parties:*

Other related parties include entities controlled by the ultimate parent entity and entities over which key management personnel have joint control.

- Birkdale Holdings (Qld) Pty Ltd is trustee for the Baxter Family Trust (**Birkdale**) which executed a Convertible Note Deed on 10 December 2012. Birkdale is a company associated with Stephen Baxter, a Director of the Company.
- The entities disclosed in Note 8 are 100% owned subsidiary companies of the parent entity.

b. Transactions with related parties:

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this Note. Details of transactions between the Group and other related parties are disclosed below.

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated. The following table provides the total amount of transactions that have been entered into with related parties for the financial year:

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

NOTE 17: RELATED PARTY TRANSACTIONS (CONT)

		Payments to related parties	Amounts owed to related parties	Amounts owed by related parties
Associates				
Birkdale Holdings (Qld) Pty Ltd	2014	199,261	1,500,000	-
	2013	173,206	2,000,000	-

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No expense has been recognised in the current or prior periods for bad or doubtful debts in respect of the amounts owed to related parties. See Note 13 for other terms in respect of the amounts owed to related parties.

NOTE 18: SHARE BASED PAYMENTS

The following Share Based Payments were expensed during the period:

		2014 \$	2013 \$
- Amounts credited to the share based payment reserve (in respect of performance rights)		1,093,569	-
- Brett Sheridan (i)	135,000 FPO (fully paid ordinary) shares	105,300	6,000
- Gailyon Investments Pty Ltd(ii)	73,125 FPO shares	33,683	9,019
- Bruce McLeary (iii)	24,375 FPO shares	11,227	3,006
- Shares issued to directors and KMPs in prior year	1,050,000 FPO shares	-	31,500
		<u>1,243,779</u>	<u>49,525</u>

(i) Chief Marketing Officer

(ii) A company associated with Michael Gordon of Gordon Capital, Financial Advisor

(iii) Associate of Gordon Capital, Financial Advisor

At 30 June 2014, the Company had the following share-based payment arrangements for remuneration of certain directors and key management personnel.

- (i) On 27 November 2013 shareholders approved the Indoor Skydive Australia Group Limited Performance Rights Plan (**Plan**) at the 2013 Annual General Meeting.

The Plan allows for the grant of performance rights to Directors and employees as part of the Company's remuneration strategy. The Company issued 4,962,264 performance rights during the financial year. The performance rights carry neither rights to dividends, nor voting rights and may be exercised at any time from the date of vesting to the date of their expiry. At the Annual General Meeting, approval was also obtained for the following grants to directors:

NOTE 18: SHARE BASED PAYMENTS (CONT)

- Wayne Jones, CEO: 2,351,132 Performance Rights
- Danny Hogan, COO: 2,351,132 Performance Rights
- John Diddams, Director: 260,000 Performance Rights

At 30 June 2014 these performance rights had not been issued. Approval at the Annual General Meeting allows for the performance rights to be granted at any time up to 27 November 2016.

- (ii) On 19 March 2014 135,000 performance rights were issued to and exercised by a senior manager.

Measurement of fair values

(i) *Equity-Settled Share-Based Payment Arrangements*

The fair value of equity instruments granted under the Plan has been, where appropriate, calculated using a binomial approximation option pricing model. Service and non-market performance conditions attached to the approvals or grants were not taken into account in determining the fair value.

Where performance rights that were immediately exercised were granted, the fair value of the equity instrument was calculated with reference to the 5 day VWAP of IDZ shares on the transaction date.

The inputs used in the calculation of the fair value at grant (or approval) date of the equity settled share-based payments were as follows:

	27 November 2013	27 November 2013	19 March 2014
Fair Value at grant/approval date (weighted average)	\$0.59	\$0.59	N/A
Share Price at grant/approval date	\$0.59	\$0.59	N/A
Exercise Price	\$0.00	\$0.00	\$0.00
Expected Volatility	50%	50%	N/A
Expected life (weighted average number of days)	956	307	N/A
Expected dividends	0%	0%	N/A
Risk-free rate (weighted average)	2.95%	2.69%	N/A
5 day VWAP	N/A	N/A	\$0.80

Reconciliation of outstanding performance rights

The number and weighted-average exercise prices of equity instruments granted under the Plan were as follows:

NOTE 18: SHARE BASED PAYMENTS (CONT)

	Number of Performance Rights	Weighted-average exercise price
Outstanding at 30 June 2013	0	0
Granted during the year	5,097,264	0
Forfeited during the year	0	0
Exercised during the year	135,000	0
Outstanding as at 30 June 2014	4,962,264	0
<i>Issued</i>	<i>0</i>	<i>0</i>
<i>Unissued</i>	<i>4,962,264</i>	<i>0</i>

NOTE 19: SEGMENT INFORMATION

General Information

Identification of reportable segments

The Group's operations are in one business segment being the construction and operation of indoor skydiving facilities. The Group operates in one geographical segment being Australia. All subsidiaries in the Group operate within the same segment.

Types of Products and Services by Segment

The products and services will include a number of indoor skydiving facilities allowing human flight within a safe environment used by tourists, enthusiasts and military throughout the world.

Basis of Accounting for Purposes of Reporting by Operating Segments

Accounting policies adopted

Unless stated otherwise, all amounts reported to the Board of Directors, being the chief operating decision makers with respect to operating segments, are determined in accordance with accounting policies that are consistent with those adopted in the annual financial statements of the Group.

NOTE 20: FINANCIAL RISK MANAGEMENT

Financial Risk Management Policies

The Audit and Risk Committee (**A&RC**) has been delegated responsibility by the Board of Directors for, among other issues, managing financial risk exposures of the Group. The A&RC monitors the Group's financial risk management policies and exposures and approves financial transactions within the scope of its authority. It also reviews the effectiveness of internal controls relating to commodity price risk, counterparty credit risk, currency risk, liquidity risk and interest rate risk. The A&RC meets on a regular basis and minutes of the A&RC are reviewed by the Board.

The A&RC's overall risk management strategy seeks to assist the Group in meeting its financial targets, while minimising potential adverse effects on financial performance. Its functions include the review of the use of hedging derivative instruments, credit risk policies and future cash flow requirements.

NOTE 20: FINANCIAL RISK MANAGEMENT (CONT)

Specific Financial Risk Exposures and Management

The main risks the Group is exposed to through its financial instruments are credit risk, liquidity risk and market risk consisting of interest rate risk, foreign currency risk and other price risk (commodity and equity price risk).

There have been no substantive changes in the types of risks the Group is exposed to, how these risks arise, or the Board's objectives, policies and processes for managing or measuring the risks from the previous period.

a. Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counter parties of contract obligations that could lead to a financial loss to the Group.

Risk is also minimised through investing surplus funds in financial institutions that maintain a high credit rating, or in entities that the A&RC has otherwise assessed as being financially sound.

Credit risk exposures

The maximum exposure to credit risk by class of recognised financial assets at the end of the reporting period excluding the value of any collateral or other security held, is equivalent to the carrying amount and classification of those financial assets (net of any provisions) as presented in the statement of financial position.

No collateral is held by the Group securing receivables.

The Group only has significant concentrations of credit risk with any single counterparty in the form of its bankers, and therefore significant credit risk exposures to Australia. All USD amounts under purchase contracts have now been settled.

There are no trade and other receivables that are past due nor impaired.

Credit risk related to balances with banks and other financial institutions is managed by the A&RC in accordance with approved Board policy. Such policy requires that surplus funds are only invested with counterparties with a Standard & Poor's rating of at least AA-.

The following table provides information regarding the credit risk relating to cash and term deposits based on Standard & Poor's counterparty credit ratings.

	Note	2014	2013
Cash and Term Deposits:		\$	\$
Cash at bank and on hand		1,117,249	320,611
Short-term bank deposits		-	4,891,890
Term deposits		300,278	10,000
AA- rated		<u>1,417,527</u>	<u>5,222,501</u>

NOTE 20: FINANCIAL RISK MANAGEMENT (CONT)**b. Liquidity risk**

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Group manages this risk through the following mechanisms:

- preparing forward-looking cash flow forecasts in relation to its operating, investing and financing activities;
- using derivatives that are only traded in highly liquid markets;
- monitoring undrawn credit facilities;
- obtaining funding from a variety of sources;
- maintaining a credit profile consistent with the business we conduct;
- managing credit risk related to financial assets;
- only investing surplus cash with credit worthy financial institutions; and
- comparing the maturity profile of financial liabilities with the realisation profile of financial assets.

The Group does not have a policy on maturity of borrowings at this time.

The table below reflects an undiscounted contractual maturity analysis for financial liabilities.

Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates and does not reflect management's expectations that banking facilities will be rolled forward.

NOTE 20: FINANCIAL RISK MANAGEMENT (CONT)

Financial liability and financial asset maturity analysis for the Consolidated Group.

	Within 1 Year		1 to 5 Years		Over 5 Years		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
	\$	\$	\$	\$	\$	\$	\$	\$
Financial liabilities due for payment								
Borrowings	1,500,000	-	-	2,000,000	-	-	1,500,000	2,000,000
Trade and other payables	1,149,006	335,960	-	-	-	-	1,149,006	335,960
Total	2,649,006	335,960	-	2,000,000	-	-	2,649,006	2,335,960
contractual outflows								
Total expected outflows	2,649,006	335,960	-	2,000,000	-	-	2,649,006	2,335,960
Financial assets – cash flows realisable								
Cash and cash equivalents	1,117,249	5,212,501	-	-	-	-	1,117,249	5,222,501
Term deposits	300,278	10,000	-	-	-	-	300,278	10,000
Trade and other receivables	219,120	-	-	-	-	-	219,120	-
Total anticipated inflows	1,636,647	5,222,501	-	-	-	-	1,636,647	5,222,501
Net inflow on financial instruments	(1,012,359)	4,886,541	-	2,000,000	-	-	(1,012,359)	2,886,541

c. Market risk

(i) Interest rate risk

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments. The Group is not exposed to earnings volatility on floating rate instruments.

The financial instruments that primarily expose the Group to interest rate risk are borrowings, cash and cash equivalents and term deposits.

Interest rate risk is managed using a mix of fixed and floating rate debt, if required. At 30 June 2014, 100% of group debt is fixed rate.

NOTE 20: FINANCIAL RISK MANAGEMENT (CONT)**(ii) Foreign exchange risk**

Most of the Group's transactions are carried out in AUD. Exposures to currency exchange rates primarily arise from the purchase of vertical wind tunnel equipment from SkyVenture International, which is denominated in US dollars. Further, the Group has USD cash, which has been used to fund the purchase of vertical wind tunnel equipment in the United States.

To mitigate the Group's exposure to foreign currency risk, non-AUD cash flows are monitored and forward exchange contracts are entered into in accordance with the Group's risk management policies. Forward exchange contracts are mainly entered into for significant long-term foreign currency exposures that are not expected to be offset by other currency transactions. Exposure to foreign exchange risk may result in the fair value or future cash flows of a financial instrument fluctuating due to movement in foreign exchange rates of currencies in which the Group holds financial instruments which are other than the AUD functional currency of the Group.

(iii) Other price risk

Other price risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices largely due to demand and supply factors (other than those arising from interest rate risk or currency risk) for commodities.

The Group is not exposed to commodity price risk. The Group is not exposed to securities price risk on investments held for trading over the medium to longer terms.

Sensitivity analysis

The following table illustrates sensitivities to the Group's exposures to changes in interest rates, and exchange rates. In respect of the exchange rates, the table summarises the sensitivity of the balance of financial instruments held at the reporting date to movement in the exchange rate of the US dollar to the Australian dollar, with all other variables held constant. The table indicates the impact on how profit and equity values reported at the end of the reporting period would have been affected by changes in the relevant risk variable that management considers to be reasonably possible.

These sensitivities assume that the movement in a particular variable is independent of other variables.

NOTE 20: FINANCIAL RISK MANAGEMENT (CONT)	Profit	Equity
Year ended 30 June 2014	\$	\$
+/-1% in interest rates	14,175	14,175
+/-10% in devaluation of the AUD	86,762	86,762
Year ended 30 June 2013		
+/-1% in interest rates	52,225	52,225
+/-10% in devaluation of the AUD	207,078	207,078

There have been no changes in any of the methods or assumptions used to prepare the above sensitivity analysis from the prior year. These changes are considered to be reasonably possible based on observation of current market conditions.

Fair Values

Fair value estimation

The fair values of financial assets and financial liabilities are presented in the following table and can be compared to their carrying amounts as presented in the statement of financial position. Fair value is the amount at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Fair values derived may be based on information that is estimated or subject to judgment, where changes in assumptions may have a material impact on the amounts estimated. Areas of judgement and the assumptions have been detailed below. Where possible, valuation information used to calculate fair value is extracted from the market, with more reliable information available from markets that are actively traded. In this regard, fair values for listed securities are obtained from quoted market bid prices. Where securities are unlisted and no market quotes are available, fair value is obtained using discounted cash flow analysis and other valuation techniques commonly used by market participants.

Differences between fair values and carrying amounts of financial instruments with fixed interest rates are due to the change in discount rates being applied by the market since their initial recognition by the Group.

Most of these instruments, which are carried at amortised cost (ie term receivables, held-to-maturity assets, loan liabilities), are to be held until maturity and therefore the fair value figures calculated bear little relevance to the Group.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

NOTE 20: FINANCIAL RISK MANAGEMENT (CONT)

Consolidated Group	Note	2014		2013	
		Carrying Amount \$	Fair Value \$	Carrying Amount \$	Fair Value \$
Financial assets					
Cash and cash equivalents	(i)	1,117,249	1,117,249	5,212,501	5,212,501
Term deposits	(i)	300,278	300,278	10,000	10,000
Trade and other receivables	(i)	219,120	219,120	96,316	96,316
Total financial assets		1,636,647	1,636,647	5,318,817	5,318,817
Financial liabilities					
Trade and other payables	(i)	1,149,006	1,149,006	335,960	335,960
Borrowings	(iii)	1,500,000	1,500,000	2,000,000	2,000,000
Total financial liabilities		2,649,006	2,649,006	2,335,960	2,335,960

The fair values disclosed in the above table have been determined based on the following methodologies:

- (i) Cash and cash equivalents, term deposits, trade and other receivables, and trade and other payables are short-term instruments in nature whose carrying amount is equivalent to fair value. Trade and other payables exclude amounts provided for annual leave, which is outside the scope of AASB 139.
- (ii) Convertible Note Finance Facility fair value approximates carrying amount.

NOTE 21: AUDITOR'S REMUNERATION

	2014 \$	2013 \$
Remuneration of the auditor for:		
– Investigating accounting report	-	35,000
– Audit fees	40,000	25,000
– Half year review	18,807	10,000
– Other advisory services	2,400	18,643
	61,207	88,643

NOTE 22: EARNINGS PER SHARE

	2014	2013
	Cents	Cents
Loss per share (cents per share)		
From continuing operations:		
- basic loss per share	(3.45)	(2.28)
- diluted loss per share	(3.45)	(2.28)
	2014	2013
	\$	\$
a. Reconciliation of earnings to profit or loss:		
Profit	(2,714,016)	(914,571)
Earnings used to calculate basic EPS	(2,714,016)	(914,571)
Dividends on converting preference shares	-	-
Earnings used in the calculation of dilutive EPS	(2,714,016)	(914,571)
	No.	No.
b. Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	78,666,583	40,136,509
Weighted average number of dilutive performance rights outstanding	-	-
Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	78,666,583	40,136,509

During the year, 4,962,264 performance rights were granted to employees (including key management personnel) under the performance rights plan. These rights are considered to be potential ordinary shares, and have not been included in the determination of basic earnings per share. The performance rights have not been included in the diluted earnings per share calculation as they are considered to be contingently issuable potential ordinary shares and their issue is contingent upon specified conditions in addition to the passage of time. Details relating to the performance rights are set out in Note 14.

NOTE 23: EVENTS AFTER REPORTING DATE

On 18 June 2014 ISA Group submitted an application for development approval for our second indoor skydiving facility with the Gold Coast City Council. Development approval was received on 26 August 2014. Construction of the Gold Coast facility will commence in the final quarter of 2014 with target completion of mid to late 2015.

On 28 July 2014, an amount of \$1,257,878 was paid to SkyVenture International, which will trigger fabrication of the Gold Coast tunnel components. Following this payment, a subsidiary company has a capital commitment of USD 1,177,500 to SkyVenture, representing the balance owing for Gold Coast VWT components.

On 23 July 2014, \$1,500,000 was drawn down under the Company's convertible note facility. The total amount owing under this facility is now \$3,000,000.

Since the reporting date, performance rights have been issued and exercised to directors and senior managers. On 8 July 2014 Wayne Jones and Danny Hogan each received 391,856 performance rights.

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the consolidated group, the results of those operations, or the state of affairs of the consolidated group in future financial years.

DIRECTOR'S DECLARATION

For the year ended 30 June 2014

In accordance with a resolution of the directors of Indoor Skydive Australia Group Limited, the Directors of the Company declare that:

1. The financial statements and notes, as set out on pages 22 to 62, are in accordance with the *Corporations Act 2001* and:
 - a. comply with Australian Accounting Standards, which, as stated in accounting policy Note 1 to the financial statements, constitutes compliance with International Financial Reporting Standards (IFRS); and
 - b. give a true and fair view of the financial position as at 30 June 2014 and of the performance for the year ended on that date of the consolidated group;
2. in the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
3. The Directors have been given the declarations required by s 295A of the *Corporations Act 2001*.



Wayne Jones

Director & Chief Executive Officer

Dated: 27 August 2014



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**INDEPENDENT AUDITOR'S REPORT
 TO THE MEMBERS OF
 INDOOR SKYDIVE AUSTRALIA GROUP LIMITED**

Report on the Financial Report

We have audited the accompanying financial report of Indoor Skydive Australia Group Limited, which comprises the consolidated statement of financial position as at 30 June 2014, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing 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 entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal 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.

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

Liability limited by a scheme approved under Professional Standards Legislation

Major Offices in:
 Perth, Sydney,
 Melbourne, Adelaide,
 Canberra and Brisbane
 ABN 36 965 185 036

RSM Bird Cameron Partners is a member of the RSM network. Each member of the RSM network is an independent accounting and advisory firm which practises in its own right. The RSM network is not itself a separate legal entity in any jurisdiction.



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*, which has been given to the directors of Indoor Skydive Australia Group Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

- (a) the financial report of Indoor Skydive Australia Group Limited and Controlled Entities is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 13 to 20 of the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion the Remuneration Report of Indoor Skydive Australia Group Limited for the year ended 30 June 2014 complies with section 300A of the *Corporations Act 2001*.

RSM Bird Cameron Partners

RSM BIRD CAMERON PARTNERS

Chartered Accountants



G N SHERWOOD

Partner

Sydney, NSW

Dated: 27 August 2014

The following information is current as at **7 August 2014**:

1. Shareholder Information

Distribution of Shareholders

Category (size of holding):	Number	Ordinary Shares
1 – 1,000	36	27,417
1,001 – 5,000	134	386,150
5,001 – 10,000	95	813,425
10,001 – 100,000	256	8,402,153
100,001 and over	51	78,610,233
	572	88,239,378

The number of shareholdings held in less than marketable parcels is 4.

The names of the substantial shareholders listed in the holding company's register are:

Shareholder:	Number Of Shares	% of Issued Capital
Excalib-Air Pty Ltd	16,000,000	19.90
Birkdale Holdings (QLD) Pty Ltd	15,000,000	17.72
Greencape Capital Pty Ltd and Challenger Limited	8,072,778	9.54
LHC Capital Partners Pty Ltd	7,212,202	8.52
Paradise Investment Management Pty Ltd	4,678,388	5.53

Voting Rights

ISA Group only has ordinary shares on issue. The voting rights attached to each ordinary share is one vote per share when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

20 Largest Shareholders – Ordinary Shares

Name	Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
EXCALIB-AIR PTY LTD	16,000,000	18.20%
BIRKDALE HOLDINGS (QLD) PTY LTD	15,000,000	17.00%
NATIONAL NOMINEES LIMITED	7,849,742	8.90%
UBS NOMINEES PTY LTD	7,040,000	7.98%
J P MORGAN NOMINEES AUSTRALIA LIMITED	5,799,493	6.58%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	4,002,358	4.54%
QUAD INVESTMENTS PTY LTD	2,916,667	3.31%
IFLY AUSTRALIA PTY LIMITED	2,500,000	2.83%
LYNDCOTE HOLDINGS PTY LTD <LYNDCOTE FDAMILY A/C>	2,225,000	2.52%
CITICORP NOMINEES PTY LIMITED	1,931,998	2.19%
R & K HOOD INVESTMENTS PTY LIMITED	1,000,000	1.13%
MR DAVID WILLIAM LONCASTY	825,329	0.93%
SABRE ONE INVESTMENTS PTY LTD	796,149	0.90%
BNP PARIBAS NOMS PTY LTD <DRP>	765,278	0.87%
MR GREGORY KENNETH JACK	750,000	0.85%
RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED <BKCUST A/C>	633,028	0.72%
WHITFIELD INVESTMENTS PTY LTD	445,000	0.50%
MR BRETT SHERIDAN	415,000	0.47%
INVIA CUSTODIAN PTY LIMITED <MALONEY SF A/C>	401,333	0.46%
LUCAPAC PTY LTD	400,000	0.45%
	71,696,375	81.25%

2. The name of the company secretary is Fiona Yiend.
3. The address of the principal registered office in Australia is Level 5, 8 Help Street Chatswood NSW 2067. Telephone 02 9325 5900.
4. Registers of securities are held at Level 7, 207 Kent Street, Sydney NSW 2000

5. **Stock Exchange Listing**

Quotation has been granted for 68,739,378 of the total 88,239,378 ordinary shares of the company on all Member Exchanges of the Australian Securities Exchange Limited.

6. **Unquoted Securities**

Ordinary Shares held in escrow:

19,500,000 ordinary shares on issue are held in escrow at the above date.

There are no options over unissued shares.

Directors	Kenneth GILLESPIE Wayne JONES Danny HOGAN Stephen BAXTER John DIDDAMS David MURRAY Malcolm THOMPSON (alternate for Stephen Baxter)
Company Secretary	Fiona YIEND
Registered Office	Indoor Skydive Australia Group Ltd Level 5, 8 Help Street Chatswood NSW 2067
Principle place of business	Indoor Skydive Australia Group Ltd Level 5, 8 Help Street Chatswood NSW 2067
Share register	Boardroom Pty Limited Level 7, 207 Kent street Sydney NSW 2000
Auditor	RSM Bird Cameron Partners Level 12, 60 Castlereagh St Sydney NSW 2000
Bankers	National Australia Bank
Stock exchange listing code:	IDZ
Website	www.indoorskydiveaustralia.com.au



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