INDOOR SKYDIVE AUSTRALIA GROUP LIMITED

ABN: 39 154 103 607

ANNUAL REPORT

for the year ended 30 June

2017

ISA GROUP
INDOOR SKYDIVE AUSTRALIA GROUP

CONTENTS

Cover: "Be A Superhero" campaign captured the imagination of Australia in 2017. One of our amazing Junior iFLYERS, Carissa, shows us her own Superhero pose

This page: AirRider is bringing the dream of flight to Asia later this year, and the Choi-Lee family and friends can't wait!


Air Rider
AirRider.my

Chairman's Report

KEN GILLESPIE
CHAIRMAN

In 2017 ISA Group took its first steps towards becoming an international owner and operator of indoor skydiving facilities. Development commenced on our first international facility, AirRider 1 Utama in Malaysia, and the Group launched its distinctive AirRider brand for the international market. We also continued the roll out of our Australian iFLY facilities with iFLY Perth commencing operations in December 2016. These key events are detailed in this Annual Report.

FIRST INTERNATIONAL FACILITY

ISA Group has partnered with Bandar Utama City Sdn Bhd (1 Utama) to establish its first international indoor skydiving facility in Kuala Lumpur, Malaysia. 1 Utama operates one of the largest shopping centres in the world and is currently implementing an extension to connect the centre to Kuala Lumpur's MTR rail network. AirRider 1 Utama will be an integral part of the new building enjoying easy access from the existing centre, local transport hubs and the new purpose built rail station. AirRider 1 Utama is located a convenient 15 minutes from the centre of Kuala Lumpur.

AirRider 1 Utama is the result of a long and detailed due diligence, planning and development process. An MOU was signed in December 2016. The MOU established the commercial terms of the joint venture and paved the way for a final agreement and the commencement of construction.

By partnering with 1 Utama, ISA Group leveraged strong local knowledge and expertise, reduced capital exposure for the Group's first international facility and, importantly, secured a purpose built site in a key high thoroughfare location.

AirRider 1 Utama is scheduled to open at the end of 2017.

AIRRIDER

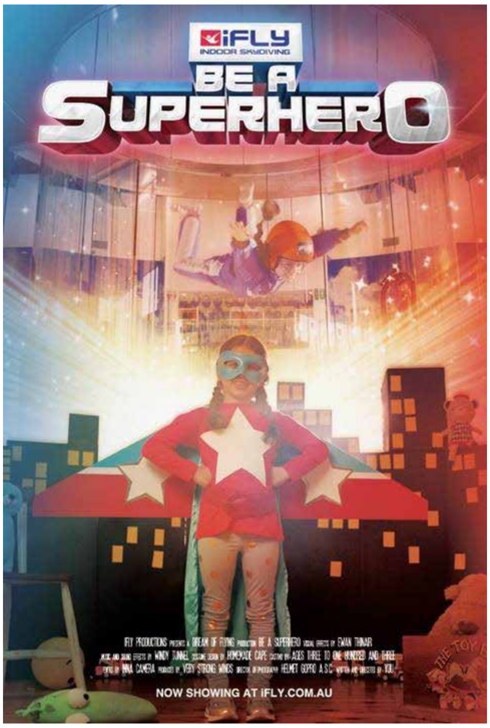
In preparation for the Group's international facilities launch a new brand, AirRider, was developed. AirRider is a contemporary and engaging brand designed to reflect the stimulating nature of indoor skydiving and the skills and expertise that can be learned through participation in the sport.

The brand colours have been chosen to reflect the Group's Australian heritage while appealing to the target audience. Market testing was undertaken as part of the development to ensure the brand resonated with key segments of the Asian market.

AirRider is wholly owned by ISA Group and will be used in Group facilities operated throughout South East Asia, China and Hong Kong. As the Group develops its international offering, the AirRider brand will be used to signal to customers the quality of the experience they will receive, regardless of location, and the brand will offer assurance of the highest safety standards.

INVESTMENTS IN SYSTEMS AND GROWTH

ISA Group has continued to grow throughout the year. There has been a strong focus redeveloping and implementing improved systems and processes. A key initiative has been the development of international systems to enable a seamless offering to multiple locations in a variety of currencies and languages. The customer experience interface with the booking and sales system has also been reviewed and refined to improve the effectiveness on our "mobile first" digital initiatives.



An international booking system will be rolled out over the coming months with AirRider 1 Utama being the first ISA Group facility to employ indoor skydiving specific systems. On completion of the AirRider 1 Utama deployment the systems will be able to be implemented across our other indoor skydiving facilities.

STABLE AUSTRALIAN OPERATIONS

2017 has also been an exciting year for our Australian operations.

Building on the lessons learnt from earlier construction and operations experience, ISA Group opened its first indoor skydiving facility in Perth. iFLY Perth was delivered ahead of schedule despite a challenging Australian construction environment.

iFLY Perth opened to the public on 14 December 2016. Experiences gained from the Group's east coast facilities ensured that iFLY Perth had few teething problems and was immediately able to operate as a polished, high standard concern. Opening just as the school holiday period commenced, iFLY Perth experienced high levels of occupancy and has continued to be very well received by the Perth community.

iFLY Downunder, located in Penrith NSW, continues to be our flagship operation. With its large flying chamber, talented coaches and its hosting of the Australian Indoor Skydiving Championships each year, it appeals to the professional and enthusiast market. The chamber allows these groups to develop their outdoor expertise and skills by utilising the exacting simulation provided by our indoor facility. Through our strong partnership with the Australian Parachute Federation (**APF**) a new world first indoor/outdoor skydiving training program has been implemented.

Our iFLY Gold Coast facility caters to the tourist market. It is located in the iconic Surfer's Paradise and is central to tourist accommodation and public transport. A number of efficiencies were implemented across the Group in 2017 and these have resulted in iFLY Gold Coast's performance improving throughout the course of the year.

NEXT STEPS

The Group remains focussed on our stated strategic intent of growth and expansion into South East Asia, China and Hong Kong. The Group will continue to seek opportunities to grow the AirRider brand across the region and build a reputation for the delivery of a superior customer experience with an ongoing commitment to safety.

ISA Group is exploring a number of potential opportunities across the region. As with each of the Group facilities any expansion will be subject to detailed due diligence including site feasibility and assessment, market analysis and the implementation of risk mitigation strategies.

A second Sydney indoor skydiving facility at EQ, Moore Park in the Eastern Suburbs is being considered. Further work aimed at understanding construction and lease costs and their impact of the delivery of an acceptable rate of return is a current focus.

The Group has not declared a dividend for the 2017 financial year. We do not anticipate there being a dividend declared while the Company's focus is on growth.

Thank you for your ongoing support of our Company. I encourage you to read the remainder of this Annual Report, including the financial performance, and invite you to attend our Annual General Meeting in October 2017.

KEN GILLESPIE
CHAIRMAN

KEN GILLESPIE AC, DSC, CSM
Chairman

WAYNE JONES
Director & Chief Executive Officer

DANNY HOGAN MG
Director & Chief Operations Officer

STEPHEN BAXTER
Non-Executive Director

School kids playing in the wind at iFLY Gold Coast as part of their STEM educational visit

DIRECTORS' REPORT

Directors' Report

Your Directors are pleased to present their report on the consolidated entity (referred to hereafter as **ISA Group**) consisting of Indoor Skydive Australia Group Limited (the **Company**) and the entities it controlled at the end of, or during, the year ended 30 June 2017.

DIRECTORS

The individuals listed below were Directors of the Company at all times during the year and at the date of this Directors' Report, unless otherwise stated:

Ken Gillespie AC, DSC, CSM
Chairman – Non-Executive
Appointed 18 October 2012

One of Australia's most distinguished career soldiers, Lieutenant General (retired) Ken Gillespie, AC, DSC, CSM, is the Chairman of ISA Group. Ken is on the Board of Directors of leading local defence manufacturer, Airbus Asia Pacific Group, and ASX listed, Senetas Limited. He is also Chair of the Council of the Australian Strategic Policy Institute, an internationally recognised Canberra based think tank, on the advisory board of Veolia Waste and a board member of the not-for-profit, ANZAC Research Institute. Ken also provides advice to the NSW Government in his role as Co-ordinator of Rural & Regional Infrastructure of NSW.

Ken, served with the Australian Defence Force for over 43 years, and was Chief of Army for three years before his retirement in June 2011. Previously he had served as Land Commander Australia and Vice Chief of the Australian Defence Force.

During the year Ken was a member of the Remuneration & Nomination Committee (Chairman until 23 August 2016) and the Audit & Risk Committee until the Committee structure was revised in May 2017.

Wayne Jones
Director & Chief Executive Officer
Appointed 4 November 2011

Wayne served for 21 years in the Australian Defence Force and was part of the highly acclaimed 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 Australian Military Freefall development and training over the past 10 years. He is still involved in the training of special forces troops and he continues to participate in the sport of skydiving at the highest levels. Wayne is a member of the Australian Institute of Company Directors.

Danny Hogan MG
Director & Chief Operations Officer
Appointed 4 November 2011

Danny enlisted in the Australian Regular Army in 1991, and in 1997 was selected for further service within the Special Air Service Regiment. He has been recognised and awarded for his actions and leadership during his 21 year military career including receiving the Medal for Gallantry. He was selected and completed a two year military exchange in the USA with two of the USA's elite Special Forces Commands. While in the USA he gained his freefall parachuting qualifications and developed a very strong background in the use of vertical wind tunnel simulation training. Danny was a highly qualified senior dive instructor within the Special Air Service Regiment. Danny is a member of the Australian Institute of Company Directors.

Steve Baxter
Non-Executive Director
Appointed 13 August 2012

Former Australian 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.

Steve is known for his entrepreneurial skills and appears on the popular TV show "Shark Tank". He is the founder of Brisbane based not-for-profit River City Labs - an early stage and start-up co-working space for tech and creative companies. Steve is a former director of Other Levels Limited (resigned 31 December 2016) and Vocus Communications Limited (resigned 22 February 2016).

Prior to the restructure of our Committees, Steve was Chairman of the Remuneration & Nomination Committee (from 23 August 2016) and a member of the Audit & Risk Committee (from 23 August 2016 when he stepped down from the role as Chairman)

David Murray AO
Former Non-Executive Director
Appointed 3 February 2014 Resigned 25 April 2017

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.

Kirsten Thomson
Non-Executive Director
Appointed 21 June 2016 Resigned 25 April 2017

Kirsten Thomson has over 20 years' experience in the fields of funds management and equities research. She has demonstrated strong success in a broad range of strategic challenges including competing business models, challenging economic cycles and differing and emerging commercial approaches to doing business in Australia and abroad.

Prior to her resignation Kirsten was Chairman of the Audit & Risk Committee and a member of the Remuneration & Nomination Committee.

COMPANY SECRETARY

Fiona Yiend
General Counsel & Company Secretary
Appointed 16 October 2013

Fiona Yiend is an experienced company secretary with has over 8 years' experience in the listed environment. 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).

DIRECTORS' MEETINGS

The number of meetings of the Directors' and Audit & Risk Committee that Directors were eligible to attend and the number of meetings attended by each Director during the year are listed below. There were no Remuneration & Nomination Committee meetings held in the period.

In May/June 2017 ISA Group restructured its Committees so that Committee matters will, for the present, be dealt with by the full Board in accordance with the appropriate Committee Charter and governance processes.

	BOARD	AUDIT AND RISK COMMITTEE		
	Eligible to Attend	Attended	Eligible to Attend	Attended
Ken Gillespie	12	11	2	2
Wayne Jones	12	12		
Danny Hogan	12	12		
Stephen Baxter	12	11	2	2
David Murray	10	10		
Kirsten Thomson	10	10	1	1

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
Ken Gillespie	Indirect interest in 436,142 shares held by Sector West Pty Ltd ATF Gillespie Family Trust
Wayne Jones	Indirect interest in 16,060,000 shares held by Excalib-air Pty Ltd, indirect interest in 350,000 shares held by Project Flight Pty Ltd ATF Wayne Jones Superannuation Fund, indirect interest in 14,000 shares held by Project Gravity Pty Ltd, indirect interest in 2,627,307 shares held by Project Gravity Pty Ltd ATF Jones Family Trust
Danny Hogan	Indirect interest in 16,060,000 shares held by Excalib-air Pty Ltd, indirect interest in 200,000 shares held by Hogan Superannuation Fund, indirect interest in 2,187,833 shares held by Australian Indoor Skydiving Pty Ltd ATF Hogan Family Trust
Stephen Baxter	Indirect interest in 17,039,475 shares held by Birkdale Holdings (QLD) Pty Ltd

DIVIDENDS

No dividends were declared during the period.

PRINCIPAL ACTIVITIES

ISA Group owns and/or operates Indoor Skydiving Facilities across Australia and South East Asia.

It operates three Indoor Skydiving Facilities in Australia; iFLY Downunder (Penrith NSW), iFLY Gold Coast and iFLY Perth. ISA Group has an agreement for lease for its fourth Australian Indoor Skydiving Facility at Entertainment Quarter, Moore Park Sydney.

ISA Group is currently developing its first Indoor Skydiving Facility in South East Asia. Located at 1 Utama, Kuala Lumpur Malaysia, AirRider 1 Utama is due to open by the end of 2017 and will be operated under our unique international "AirRider" brand.

Negotiations with a number of potential partners continue in relation to other opportunities in South East Asia, China and Hong Kong.

REVIEW OF OPERATIONS

With the opening of iFLY Perth, ISA Group's operations have focussed on group stability and consolidation. With 3 operating facilities in Australia, ISA Group is now well positioned to increase performance and promote organic growth.

In the last 6 months of the financial year the operational focus has been on implementing efficiencies and driving EBITDA margin performance. Tailored offerings have been developed at each of our facilities to capitalise on local opportunities and market trends.

In the second half of the year iFLY Gold Coast operations have started to see an increase in EBITDA margin. Work in this area is continuing and performance is expected to improve into financial year 2018. iFLY Downunder continues to perform well with a strong base of professional flyers. iFLY Perth has performed strongly since its opening ahead of schedule on 14 December 2016. Its overall performance is similar to iFLY Downunder.

For the year ended 30 June 2017, ISA Group reported earnings before interest, tax, depreciation and amortisation of $1,233,517 excluding share based payments and lease straight lining expense (2016: loss of $140,409).

ISA Group reported a net loss after tax of $891,290 (2016: loss of $1,506,760). To fully understand our results, please refer to the full financial statements and explanatory notes included in this Annual Report.

CHANGES IN THE STATE OF AFFAIRS

There were no significant changes in the affairs of the Company during the financial year which have not been disclosed to the market.

SUBSEQUENT EVENTS

Since the reporting date the Board of Directors has resolved to issue 4,150,000 unlisted options as a long term incentive to eligible employees (**incentive options**). 1,950,000 incentive options were issued to eligible employees on 24 August 2017 and 2,200,000 incentive options will be issued to the Company's executive directors subject to shareholder approval. The incentive options have an exercise price of $0.35 and expire on 23 August 2021. 50% of the incentive options will vest after 2 years of continuous service and 50% after 3 years of continuous service from 24 August 2017.

On 4 September 2017 the Company entered into a binding Memorandum of Understanding with Avest Capital Company Limited to enable the Company to conduct further due diligence and to establish a commercial framework for the development and operation of indoor skydiving facilities in China including Hong Kong under ISA Group's AirRider brand. See ASX Announcement made on 4 September 2017 for further details.

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.

FUTURE DEVELOPMENTS

Our focus on the growth and development of indoor skydiving facilities across Australia, South East Asia, China and Hong Kong continues. 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.

REMUNERATION REPORT (AUDITED)

The Remuneration Report set out from page 13 forms part of this Directors' Report.

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 2017 are detailed in Note 15 of the Financial Statements and form part of this Directors' Report.

With the exception of performance rights which are discussed in the Remuneration Report, ISA Group did not have any options on issue as at 30 June 2017.

ENVIRONMENTAL REGULATION

ISA Group is not subject to any significant environment regulation under any law of the Commonwealth or of a State or Territory.

DIRECTORS' AND OFFICERS' INSURANCE

During 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 a 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 Directors and Company Secretary of ISA Group are also party to a deed of access and indemnity.

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

Grant Thornton Audit Pty Ltd was appointed as ISA Group's auditor on 24 January 2017 and continues in office until the 2017 Annual General Meeting. Shareholders will be asked to approve the appointment of Grant Thornton Audit Pty Ltd as auditor at the 2017 Annual General Meeting in accordance with section *s327C of the Corporations Act 2001*.

NON-AUDIT SERVICES

The Directors have considered and are 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 Board 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 Grant Thornton Audit Pty Ltd for non-audit services provided during the year ended 30 June 2017 were $7,800.

AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's independence declaration at page x forms part of this Directors' Report.

ROUNDING OF AMOUNTS

ISA Group is not an entity to which ASIC Legislative Instrument 2016/199 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.

This Directors' Report is made in accordance with a resolution of the directors made pursuant to *section 298(2) of the Corporations Act.*

On behalf of the Board

KEN GILLESPIE
CHAIRMAN
26 September 2017
Sydney

WAYNE JONES
DIRECTOR & CHIEF EXECUTIVE OFFICER

REMUNERATION REPORT

Dear Shareholder

I am pleased to present to you the ISA Group 2017 Remuneration Report. This report sets out the remuneration strategy and outcomes for the financial year ended 30 June 2017.

Towards the end of each financial year the Directors of ISA Group review our remuneration strategy for the prior year against operational performance and formulate our remuneration strategy for the coming year. We take into account a number of factors including the delivery of strategic outcomes and the performance of the business, as well as market factors that influence remuneration and impact retention strategies.

In June 2016, ISA Group determined that due to the impact of the delay of the opening of our Gold Coast facility and the need to focus on delivering the Perth facility the Key Management Personnel (**KMP**) would not receive a remuneration increase for the 2017 financial year. We also took the opportunity to consider the focus of each of our KMP and restructured roles as appropriate.

We have a strong and talented management team which is committed to delivering our strategic and operational goals. Our remuneration strategy is designed to drive performance and provide reasonable and fair market remuneration. I believe we are achieving this and our KMP continues to strive to increase shareholder value and grow the company's operations and performance.

As always, we welcome your feedback on our remuneration strategy and seek your ongoing support to drive performance.

Yours sincerely

Ken Gillespie
Chairman of the Board

1. Introduction

This Remuneration Report for the year ended 30 June 2017 forms part of the ISA Group Directors' Report and has been audited in accordance with the *Corporations Act 2001*.

The Remuneration Report details remuneration information for the KMP of ISA Group comprising the Non-Executive Directors, Executive Directors and the senior executives responsible for planning, directing and controlling the activities of ISA Group.

2. Remuneration Governance

ISA Group implements strong corporate governance practices to ensure that it's remuneration strategy, policies and practices promote shareholder growth through the achievement of strategic and operational goals while fairly rewarding employees.

Consideration of Remuneration & Nomination Matters
ISA Group implements a corporate governance system whereby all remuneration matters are considered by a 'one up' manager for approval. This system is implemented across the Company and ensures that no individual determines their own remuneration or the remuneration of their direct reports. In the case of the Chief Executive Officer and his direct reports all remuneration matters are submitted to the Board for consideration and, if appropriate, approval.

Where appropriate external advice is obtained for the benefit of the Board in considering remuneration matters. This advice can take the form of remuneration benchmarking, remuneration consultancy, tax or financial consultancy services.

The approval of remuneration matters is restricted to non-executive directors only.

Prior to May 2017, the corporate governance processes were conducted through the Remuneration & Nomination Committee. Since that time remuneration matters are considered by the Board of Directors (Executive Directors excluded) under the auspices of the Remuneration & Nomination Committee Charter which is available at www.indoorskydive.com.au.

Remuneration Recommendations
ISA Group engages independent external consultants to provide advice and assistance in relation to remuneration from time to time as required. During the period, we received preliminary advice on long term incentives to drive performance in 2018 and the following years. This advice is continuing and relates to future remuneration.

No remuneration recommendations from independent remuneration advisors were received in relation to the 2017 financial year.

Hedging of Remuneration
ISA Group KMP and their closely related parties are prohibited from hedging or otherwise reducing or eliminating the risk associated with equity based incentives.

3. Key Management Personnel

The KMP for ISA Group for 2017 comprise the Non-Executive Directors, Executive Directors and the senior executives responsible for planning, directing and controlling the activities of ISA Group.

Executive KMP	
Wayne Jones	Executive Director & Chief Executive Office
Danny Hogan	Executive Director & Chief Operations Officer
Salesh Nischal	Chief Financial Officer (appointed 10 May 2017)
Brett Sheridan	Chief Commercial Officer
Fiona Yiend	General Counsel & Company Secretary

Non-Executive Directors:	
Ken Gillespie	Chair
Stephen Baxter	Director
Former KMP:	
David Murray	Director until 25 April 2017
Kirsten Thomson	Director until 25 April 2017
Stephen Burns	Chief Financial Officer until 17 May 2017

A short profile of the Executive KMP follows:

Wayne Jones Director & Chief Executive Officer	Wayne Jones is the Chief Executive Officer of ISA Group and was appointed to the role on the foundation of the company in November 2011. He has been one of the key forces behind the successful establishment of ISA Group. Wayne holds formal qualifications in Project Management, Business, Security and Risk Management and Management (Financial Management) and is a Member of the Australian Institute of Company Directors. He has over 21 years' experience in leading teams and delivering results. Prior to establishing ISA Group Wayne was a Commander within the Special Air Service Regiment and responsible for the development and performance of teams in changing environments.

Danny Hogan Director & Chief Operations Officer	Danny Hogan is the Chief Operations Officer of ISA Group and a founder of the company. His primary responsibilities are the Company's operations including the designing, development and construction of our indoor skydiving facilities. Danny is a Member of the Australian Institute of Company Directors and is qualified in Military Freefall Parachuting Operations and was a highly qualified senior dive instructor within the Special Air Service Regiment. Prior to establishing ISA Group Danny was a highly decorated member of the Special Air Service Regiment and received the distinguished Medal of Gallantry. Danny has proven expertise in VWT operations and the ability to lead teams and manage complex environments.
Salesh Nischal Chief Financial Officer	Joining the company in May 2017, Salesh Nischal has 20 years of extensive financial and operational experience in the ASX reporting environment within large diverse organisations. He also has a proven ability to improve operations, impact business growth and accomplish sustainable profit growth through achievements in strategic outcomes, financial management, cost control management, internal controls and productivity/ efficiency improvements. With experiences in building, and leading business transformation, Salesh has delivered significant achievements in strategy execution, risk management, treasury management, tax planning, acquisitions and divestments, and IT systems developments. Salesh is committed to maximising long-term shareholder value, ensuring a balanced portfolio of growth initiatives and maintaining the highest level of integrity and transparency. Salesh holds a Bachelor of Arts degree in accounting and has CPA qualifications.
Brett Sheridan Chief Commercial Officer	Brett Sheridan joined ISA Group in May 2013 in the role of Chief Marketing Officer and became the Chief Commercial Officer in July 2016. Prior to that time, Brett provided ISA Group with contracting services and has been involved with the Company since its inception. Brett is responsible for driving customer demand, increasing brand recognition and analysing market opportunities as well as driving future growth and the strategic direction of the Company. Brett is an experienced marketer with over 15 years association with the tourism and leisure industry and over 10 years of entrepreneurial experience. Brett's key expertise is to deliver business growth which he has proven repeatedly in the past.
Fiona Yiend General Counsel & Company Secretary	Fiona Yiend joined ISA Group in September 2013 as General Counsel and Company Secretary. She is responsible for managing ISA Group's legal matters, corporate governance and board administration. Fiona holds a Graduate Diploma of Applied Corporate Governance from the Governance Institute of Australia (formerly Chartered Secretaries Australia), Graduate Diplomas in International Law and in Applied Finance and Investment and a Bachelor of Laws (second class honours) and Bachelor of Arts. Fiona's formal qualifications are complemented by over 8 years' experience as General Counsel and Company Secretary of ASX listed entities.

Profiles of Non-Executive Directors can be found on pages 8 and 9.

4. Remuneration Principles, Strategy and Outcomes

Remuneration principles
ISA Group's remuneration strategy is based on the following principles:

- *Retain Top Talent* – As ISA Group operates in a unique environment with a limited pool of talent ISA Group seeks to retain the high calibre people it has identified.
- *Align rewards with business performance* – ISA Group seeks to align remuneration rewards with business performance through the use of "at risk" remuneration and the assessment of performance.

- *Support the execution of business strategy* – ISA Group seeks to motivate employees to execute our aggressive growth strategy by setting performance objectives in line with strategic outcomes.
- *Fairness, equity and consistency* – ISA Group implements a consistent, transparent process for remuneration review and structures remuneration to achieve equity for like positions taking into account performance and tenure.

These principles are applied as we assess remuneration in the context of the operational demands of the business, the labour market we operate in, and the returns to shareholders.

Remuneration Strategy

ISA Group's remuneration strategy for 2017 focused on driving performance to achieve three operating indoor skydiving facilities. Short term incentives were used to focus on achieving financial results with long term incentives designed to encourage the retention of key employees over the high growth period.

The following table sets out the mix of remuneration types and their alignment to our remuneration strategy:

	Fixed Remuneration	**Short-Term Incentive (STI)**	**Long Term Incentive (LTI)**
Consists of	Base salary	Annual cash payment subject to the achievement of financial targets	Participation in the ISA Group Performance Rights Plan
Rewards for	Experience, skills, capability and performance.	Achieving set financial outcomes for the financial year.	Tenure over a long term period
Is	Fixed Reviewed annually	At Risk Wholly dependent on achieving the set financial targets	At Risk Wholly dependent on achieving the set tenure requirements
Determined by	Review of individual performance, experience and capability within the context of the overall business performance.	Performance against predetermined financial targets. STI is only payable if the financial targets are achieved. It includes an initial target and a stretch target to encourage continued performance.	Retention of individual over a course of time.

Remuneration Outcomes for Executive KMP

The remuneration received by Executive KMP in 2017 and 2016 is set out below.

		Short Term Benefits			Post Employment Benefits	Long Term Benefits	Other	Share Based Payments	
KMP	Year	Salary	STI	Non Mone-tary	Super-annuation	Long Service Leave	Term-ination	Rights	Total
		$	$	$	$	$	$	$	$
Wayne Jones CEO	2017	208,725	-	8,943	19,829	-	-	51,212	288,709
	2016[3]	207,995	-	12,674	19,760	-	-	199,036	439,465
Danny Hogan COO	2017	208,725	-	16,020	19,829	-	-	51,212	295,786
	2016[3]	207,995	-	18,276	19,760	-	-	199,036	445,067
Brett Sheridan CCO	2017	178,200	-	7,372	16,929	-	-	30,537	233,038
	2016[3]	177,692	-	8,097	16,880	-	-	36,956	239,625
Fiona Yiend GC/CS	2017	146,578	-	4,019	13,925	-	-	30,537	195,059
	2016[3]	130,477	-	6,338	12,395	-	-	34,207	183,417
Salesh Nischal CFO[1]	2017	16,975	-	-	1,613	-	-	-	18,588
Stephen Burns Former CFO[2]	2017	179,675	-	-	17,692	-	-	(29,788)	167,579
	2016[3]	176,105	-	-	16,730	-	-	69,738	262,573

[1] Appointed CFO on 10 May 2017

[2] Resigned effective 17 May 2017

[3] 2016 comparative amounts have been updated to reflect the straight lining of performance rights on issue to KMP.

Executive Remuneration Structure

Remuneration Mix

Fixed annual remuneration provides a “base” level of remuneration. Short and long-term variable incentives (“at risk”) reward executives for meeting and exceeding pre-determined targets. The targets for at-risk rewards is linked to clear measurable targets which the Company considers are significant to achieving our strategic plan and delivering shareholder returns.

The percentage of at risk remuneration varies between executives based on the extent to which they are in a position to directly influence company performance. The executive directors at risk remuneration comprises short term incentives of 40% of base salary plus long term incentives which are assessed over a two year period. Other executives have short term incentives of up to 30% of their base at risk in each financial year in addition to long term incentives assessed over a two year period.

Fixed Remuneration

Fixed remuneration consists of cash salary, superannuation and other limited non-monetary benefits. The levels are set to attract and retain qualified, skilled and experienced executives and are determined based on comparable market data, the skills and experience of the individual executive and the accountability and responsibility of the role.

Following an independent external remuneration review in 2013 which identified that ISA Group Executive KMP remuneration was within the bottom quartile compared to its comparator group, ISA Group has been moving fixed remuneration closer to the median level. However due to impact of the late opening of the Gold Coast facility ISA Group determined not to increased fixed remuneration for the KMP for the 2017 financial year.

Short Term Incentive Structure

The key features of ISA Group's STI Plan are outlined below:

What is the purpose of the STI?	STI performance targets drive executives to focus on achieving ISA Group's performance goals and rewards executives for achieving or exceeding those goals.
Who participates?	All Executive KMP and selected senior executives.
How much can be earned under the STI Plan?	The target STI opportunity for KMP is between 14% to 18% of base salary depending on the role. For stretch/over performance, KMP have the ability to earn an additional 11% to 18% of base salary.
What are the performance conditions?	No STI is payable unless minimum financial targets relating to Group EBITDA are achieved. The Stretch target is also measured against EBITDA.
Over what period is it measured?	Performance is measured over the 12 month period from 1 July to 30 June.
How is it paid?	STI payments are made on the achievement of reaching targets (ie payments are not made progressively). If targets are reached the full STI is paid. If the target is achieved but the stretch target is not, no payment or partial payment is made for exceeding the target. The Executive must be an employee and not serving out a notice period when the payment of an STI is made. Payment occurs after conclusion of the end of year audit (usually September).
When and how is it reviewed?	The STI is reviewed annually in line with the review of remuneration and the setting of the upcoming financial budget.
Who assesses performance against targets?	The targets are objective financial measures which are assessed against the Company's audited financial accounts. The Board approves all STI assessments and payments.
What are the clawback provisions?	None

Short term Incentive Outcomes
For 2017, the STI performance targets were not met. All Executive KMP forfeited 100% of their STI award.

Long Term Incentive Structure
The key features of the ISA Group Long Term Incentive (**LTI**) are outlined below:

What is the purpose of the LTI?	The LTI drives executives to achieve certain outcomes that are considered important to the growth of the ISA Group.
Who participates?	Participants are the Executive KMP and select senior executives who drive the growth strategy of ISA Group.
What is the vehicle?	Awards are in the form of performance rights under the ISA Group Performance Rights Plan. If performance hurdles are met performance rights vest and the employee will be allocated the relevant number of shares. An employee granted performance rights is not legally entitled to shares in ISA Group before the rights vest. Once vested, each right entitles the employee to receive one share in ISA Group.
What are the performance conditions and what is the performance period?	Performance Rights issued to Executive KMP in FY2016 were not subject to performance conditions. They were subject to a service condition only as the Board considered at the time of issue that the retention of KMP during the early stages of the Company's growth was an important outcome. No Performance Rights were issued to Executive KMP in FY2017. In 2012 as part of the employment of the CEO and COO (Founding Directors), the Company committed to issue certain rights to the Founding Directors on completion certain milestones. The final tranche of incentives for the Founding Directors was based on the performance of our first indoor skydiving in the 2016 financial year. This milestone was assessed and vested in September 2017 following the completion of the 2016 audit process.
What are the service conditions?	Performance Rights issued to Executive KMP in FY2016 were subject to a service condition of continued services with ISA Group from Grant Date until 1 July 2017.
How is it paid?	Subject to meeting the performance hurdles the performance rights vest. Once vested the performance rights can be exercised on the basis of one fully paid ordinary ISA Group share for each performance right.
How are performance conditions set?	The performance conditions are set by the Board after considering the appropriate conditions to drive a particular outcome aligned.
What happens if a change of control occurs?	If a change in control event occurs unvested performance rights will vest where, in the Board's absolute discretion, pro rata performance is in line with the performance criteria applicable to those performance rights over the

	period from date of grant to the date of the change in control event.
What are the clawback provisions?	If in the reasonable opinion of the Board a participant in the LTI has acted fraudulently or dishonestly or is in material breach of his or her obligations to ISA Group then the Board in its absolute discretion may determine that any unvested rights lapse, that any shares issued pursuant to performance rights in these circumstances are forfeited, or where the shares issued to the performance rights have been sold require the participant to pay to ISA Group all or part of the net proceeds of sale.

Long Term Incentive Awards and Outcomes

During 2017 the Founding Directors were each entitled to 391,856 performance rights which vested for exceeding pre-determined targets in relation to the financial performance of the Penrith Indoor Skydiving Facility.

The following table sets out the performance rights issued to KMP in July 2015 which vested in July 2017 following the satisfaction of performance hurdles.

Name	Vested Performance Rights
Wayne Jones	228,554
Danny Hogan	228,554
Brett Sheridan	129,054
Fiona Yiend	129,054

Summary of Executive Contracts

Executive contracts set out remuneration details and other terms of employment for each individual executive. The key provisions of the KMP contracts relating to terms of employment and notice periods are set out below. Contractual terms vary due to the timing of contracts, individual negotiations and different market conditions.

	Date of contract	**Term of contract**	**Notice required to be given to the Company for termination by Employee**	**Termination Payments**
Wayne Jones Director and CEO	October 2012	Ongoing	6 months	6 months' notice for termination by Employer and legislative entitlements on redundancy.
Danny Hogan Director and COO	October 2012	Ongoing	6 months	6 months' notice for termination by Employer and legislative entitlements on redundancy.

Salesh Nischal CFO	May 2017	Ongoing	6 Weeks	6 weeks' notice for termination by Employer and legislative entitlements on redundancy.
Brett Sheridan CCO	May 2013	Ongoing	6 Weeks	6 weeks' notice for termination by Employer and 6 months on redundancy.
Fiona Yiend General Counsel & Company Secretary	September 2013	Ongoing	6 Weeks	6 weeks' notice for termination by Employer and 6 months on redundancy.

5. Non-Executive Director Remuneration

Approved Fee Pool

Non-Executive Director fees are determined within a maximum directors' fee pool limit. The directors' fee pool was set in 2012 as $500,000. No director's fees are paid to Executive Directors, Wayne Jones and Danny Hogan. Total non-executive remuneration paid during 2017 was $210,192.

Approach to setting Non-Executive Director Remuneration

Non-Executive Directors receive fixed remuneration in the form of a base fee plus fees for membership or chairing Board Committees. The Chairman's base fee has been calculated such that no additional fees are paid for committee membership.

Non-Executive Directors do not receive variable remuneration or other performance-related incentives.

The Non-Executive Director fees were not increased in 2017. The Non-Executive Directors fees for the last two financial years are set out below.

	Financial Year	Salary and Fees	Bonus	Share based payments	Total
Ken Gillespie	2017	85,000	-	-	85,000
	2016	84,530	-	-	84,530
Stephen Baxter	2017	55,000	-	-	55,000
	2016	55,000	-	-	55,000
David Murray *	2017	29,727	-	-	29,727
	2016	40,000	-	-	40,000
Kirsten Thomson*	2017	40,465	-	-	40,465
	2016	-	-	-	-

* Resigned 25 April 2017

6. Other Statutory Disclosures

ISA Group's Financial Performance

The table below sets out ISA Group's earnings and movements in shareholder wealth over the last 5 years.

	2013[1]	2014	2015	2016	2017
Revenue	-	1,212,643	6,431,444	8,155,888	12,271,081
Net Profit/(Loss) after Tax	(914,571)	(2,714,016)	(1,903,921)	(1,506,760)[2]	(891,290)
Share price at 30 June	0.43	0.68	0.45	0.40	0.20

[1] ISA Group listed on the ASX on 18 January 2013.

[2] The 30 June 2016 Net Profit/Loss after Tax has been restated. Refer to Note 1(t).

Performance rights holdings of KMP

Non-executive Directors do not hold performance rights. Details of the performance rights holdings of other KMP are set out below:

	Balance at 1 July 2016	Granted as remuneration	Rights exercised	Rights lapsed	Rights Forfeited	Balance at 30 June 2017
Wayne Jones	548,409	-	319,855	-	-	228,554
Danny Hogan	548,409	-	319,855	-	-	228,554
Brett Sheridan	129,054	-	-	-	-	129,054
Salesh Nischal	-	-	-	-	-	-
Fiona Yiend	129,054	-	-	-	-	129,054
Stephen Burns	129,054	-	-	-	129,054	-

Shareholdings of KMP

The shareholding of the KMP including their associates is as follows:

KMP	Role	Interest in shares held at 1 July 2017	Interest in shares acquired /(disposed) during the period	Interest in shares issued on exercise of vested performance rights during the period	Balance at 30 June 2017
Ken Gillespie	Chairman	396,668	39,474	-	436,142
Steve Baxter	Non-Executive Director	17,000,001	39,474	-	17,039,475
Wayne Jones	Chief Executive Officer & Director	18,241,423	164,474	391,856	18,797,753
Danny Hogan	Chief Operations Officer & Director	17,827,423	-	391,856	18,219,279
Salesh Nischal	Chief Financial Officer	-	-	-	-
Brett Sheridan	Chief Commercial Officer	550,000	-	-	550,000
Fiona Yiend	General Counsel & Company Secretary	177,555	(37,555)	-	140,000
Stephen Burns	Former Chief Financial Officer	334,474	86,316	-	420,790

2016 Annual General Meeting (AGM)
At the Company's AGM in October 2016, 98.28% of votes received were in favour of adopting the remuneration report.

Related party Transaction
No related party transactions were entered into with KMP during 2017.

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Auditor's Independence Declaration
To the Directors of Indoor Skydive Australia Group Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Indoor Skydive Australia Group Limited for the year ended 30 June 2017, I declare that, to the best of my knowledge and belief, there have been:

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

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

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

P J Woodley
Partner - Audit & Assurance

Sydney, 26 September 2017

Erica shows why our High Fly product is super-popular.

FINANCIAL REPORT

		Consolidated Group	
		2017	2016 Restated *
	Note	$	$
Revenue	3	12,271,081	8,155,888
Cost of sales		(2,464,687)	(1,703,943)
Gross Profit		9,806,394	6,451,945
Other Income	3	45,478	188,389
Selling and marketing expenses	3 (a)	(4,731,189)	(3,115,827)
Administration expenses	3 (b)	(4,354,932)	(4,317,659)
Other expenses		(1,432,046)	(867,632)
Earnings Before Interest and Tax		(666,295)	(1,660,784)
Finance Income		7,373	26,255
Finance expense		(383,317)	(124,614)
Loss Before Tax		(1,042,239)	(1,759,143)
Income tax benefit	4	150,949	252,383
Loss After Tax		(891,290)	(1,506,760)
Other comprehensive income for the year, net of tax		-	-
Total comprehensive loss for the year		(891,290)	(1,506,760)
Earnings per share			
From continuing operations:			
Basic earnings per share (cents)	23	(0.68)	(1.26)
Diluted earnings per share (cents)	23	(0.68)	(1.26)

The Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the Notes to the financial Statements.

* Certain amounts shown here do not correspond to the 2016 financial statements and reflect adjustments made. Refer to Note 1 (t).

	Notes	Consolidated Group 2017 $	2016 Restated * $	Restated as at 1 July 2015* $
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	5	1,706,457	2,550,601	5,647,175
Trade and other receivables	6	917,777	688,525	561,334
Inventories		74,105	59,794	44,927
Other financial asset	7	42,489	-	-
TOTAL CURRENT ASSETS		2,740,828	3,298,920	6,253,436
NON-CURRENT ASSETS				
Property, plant and equipment	8	43,965,692	38,070,213	23,881,098
Intangible asset	10	773,304	426,378	710,630
Deferred tax asset	4, 1(s).ii	2,167,638	2,016,689	1,764,304
Other financial asset	7	209,245	-	-
TOTAL NON-CURRENT ASSETS		47,115,879	40,513,280	26,356,032
TOTAL ASSETS		49,856,707	43,812,200	32,609,468
LIABILITIES				
CURRENT LIABILITIES				
Trade and other payables	11	3,655,064	3,445,188	2,042,848
Deferred revenue	12	1,907,300	1,016,439	1,280,530
Borrowings	13	472,312	711,584	-
Provisions	14	276,558	575,378	383,852
TOTAL CURRENT LIABILITIES		6,311,234	5,748,589	3,707,230
NON-CURRENT LIABILITIES				
Borrowings	13	10,267,198	8,436,342	-
Provisions	14	818,289	1,776,739	26,836
TOTAL NON-CURRENT LIABILITIES		11,085,487	10,213,081	26,836
TOTAL LIABILITIES		17,396,721	15,961,670	3,734,066
NET ASSETS		32,459,986	27,850,530	28,875,402
EQUITY				
Share capital	15	40,466,917	34,648,455	33,639,681
Reserve		340,448	658,164	1,185,050
Accumulated losses		(8,347,379)	(7,456,089)	(5,949,329)
TOTAL EQUITY		32,459,986	27,850,530	28,875,402

The Consolidated Statement of Financial Position should be read in conjunction with the Notes to the Financial Statements.

* Certain amounts shown here do not correspond to the 2016 financial statements and reflect adjustments made. Refer to Note 1 (t).

	$	$	$	$
Balance at 1 July 2016	**34,648,455**	**658,164**	**(7,456,089)**	**27,850,530**
Shares issued during the year	5,665,005	-	-	5,665,005
Share issue costs	(342,131)	-	-	(342,131)
Share issue on exercise of performance rights	495,588	(495,588)	-	-
Employee share based payment performance rights	-	177,872	-	177,872
Comprehensive income				
Loss for the period	-	-	(891,290)	(891,290)
Total comprehensive loss for the year	-	-	(891,290)	(891,290)
Balance at 30 June 2017	40,466,917	340,448	(8,347,379)	32,459,986
Balance at 1 July 2015	**33,639,681**	**1,185,050**	**(5,738,626)**	**29,086,105**
Adjustment	-	-	(210,703)	(210,703)
Balance at 1 July 2015 – Restated*	**33,639,681**	**1,185,050**	**(5,949,329)**	**28,875,402**
Shares issued on exercise of performance rights	1,008,774	(1,008,774)	-	-
Employee share based payment performance rights	-	481,888	-	481,888
Comprehensive income				
Loss for the year	-	-	(1,314,903)	(1,314,903)
Prior period adjustment			(191,857)	(191,857)
Total comprehensive loss for the year	-	-	(1,506,760)	(1,506,760)
Balance at 30 June 2016 – Restated*	34,648,455	658,164	(7,456,089)	27,850,530

The Consolidated Statement of Changes in Equity should be read in conjunction with the Notes to the Financial Statements.

* Certain amounts shown here do not correspond to the 2016 financial statements and reflect adjustments made. Refer to Note 1 (t).

		Consolidated Group	
		2017	2016
	Note	$	$
Cash Flows From Operating Activities			
Receipts from customers		14,523,197	8,133,131
Payments to suppliers and employees		(12,023,796)	(7,861,681)
Grant income received		24,875	51,750
Interest received		7,373	26,255
Finance costs		(383,317)	(76,335)
Net cash inflows from operating activities	**17**	2,148,332	273,120
Cash Flows From Investing Activities			
Purchase of property, plant and equipment		(9,389,457)	(12,370,007)
Realisation of term deposits		-	1,325,556
Payment for intangible assets		(517,477)	(284,252)
Net cash outflows from investing activities		(9,906,934)	(11,328,703)
Cash Flows From Financing Activities			
Proceeds from issue of securities		5,665,005	-
Proceeds from borrowings		2,493,302	9,147,926
Repayment of borrowings		(901,718)	-
Share issue costs		(342,131)	-
Net cash inflows from financing activities		6,914,458	9,147,926
Net decrease in cash held		(844,144)	(1,907,657)
Cash and cash equivalents at beginning of period		2,550,601	4,321,619
Effects of exchange rate changes		-	136,639
Cash and cash equivalents at end of period	**5**	1,706,457	2,550,601

The Consolidated Statement of Cash Flows should be read in conjunction with the Notes to the 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 26 September 2017 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*. Indoor Skydive Australia Group Ltd is the Group's ultimate parent company. Indoor Skydive Australia Group Ltd is a public company listed on the Australian Stock Exchange and domiciled in Australia. 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.

Basis of Accounting

The Group incurred a loss for the year after tax of $891,290 (2016: loss of $1,506,760) and has a net current deficiency in assets of $3,570,406. Included within current liabilities are deferred revenue of $1,907,300 that will be realised as revenue once the service has been delivered to the customer. Included within trade and other payables as outlined in Note 11 is an investment amount of $2,000,000 by iFly Australia Pty Ltd which is expected to be settled through the issue of equity in the relevant subsidiaries of ISA group. Therefore, excluding these two balances, the Group has an adjusted net positive current asset position of $336,894 at 30 June 2017. The Group has generated positive cash flows from operations during the year of $2,148,332 (2016: $273,120).

As a result, the financial report has been prepared on a going concern basis.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

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 9 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 share of changes in equity since that date.

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.

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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

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.

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(j) 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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

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:

Class of Fixed Asset	***Useful Life***
Office equipment	3 years
Furniture and fittings	5 years
IT equipment	5 years
Vertical wind tunnel building infrastructure	40 years
Vertical wind tunnel equipment	20 years

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

d. Intangibles

Exclusive Territory Development Agreement

Acquired intangibles are capitalised on the basis of the costs incurred to acquire and install the specific licence. Refer to Note 10 for further information.

Development Costs

Internally generated intangibles including capitalised development costs on individual projects that are recognised as an intangible asset when the Group can demonstrate that the asset will generate future economic benefits and can be measured reliably. Costs that are directly attributable to a project's development phase are recognised as intangible assets, provided they meet the following recognition requirements:

- the development costs can be measured reliably
- the project is technically and commercially feasible
- the Group intends to and has sufficient resources to complete the project
- the Group has the ability to use or sell the asset; and
- the asset will generate probable future economic benefits.

Development costs not meeting these criteria for capitalisation are expensed as incurred. Costs that are directly attributable include employees' (other than Directors') costs incurred on development. Expenditure on the research phase of projects is recognised as an expense as incurred.

Subsequent measurement

Intangible assets are not amortised but tested for impairment annually either individually or at cash generating unit level.

When an intangible asset is disposed of, the gain or loss on disposal is determined as the difference between the proceeds and the carrying amount of the asset, and is recognised in profit or loss within other income or other expenses.

e. 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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

f. 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.

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.

g. 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.

h. 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.

i. 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.

j. 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 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 (e.g. 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 intangible assets with indefinite lives and intangible assets not yet available for use.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

k. 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 performance rights that are expected to become exercisable. Estimates are subsequently revised if there is any indication that the number of performance rights 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 performance rights 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 performance rights, the proceeds received net of any directly attributable transaction costs are allocated to contributed equity.

l. 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.

Make good provisions are recognised on a systematic basis over the life of the lease, based on the most reliable evidence available at reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be requited in settlement is determined by considering the class of obligations as a whole. The provision is discounted to its present value, where the time value of money is material.

m. 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 current liability.

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. For gift card revenue, refer to Note 1(s)(iv).

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

n. Deferred Revenue

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

o. 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(j) for further discussion on the determination of impairment losses.

p. Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined using the weighted average cost method, after deducting any purchase settlement discount and including logistics expenses incurred in bringing the inventories to their present location and condition.

q. 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 incurred.

r. 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. Refer to Note 1(t).

s. 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 at present comprise the Vertical Wind Tunnel (**VWT**) Equipment and its related Building Infrastructure. The construction of these assets are typically foreseen in the lease agreements, 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 extend, the Board has confirmed the useful life of the Buildings to be 40 years and VWT equipment to be 20 years and the residual values of both these classes of assets to be nil.

ii. Deferred Tax Asset

In the current year, the Group is expected to generate a taxable income that will utilise the deferred tax balance. It is probable that the balance of unused tax losses will be recouped in future years, the directors have recognised a deferred tax asset to the extent of the tax losses and deductible temporary differences.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

iii. 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. As at the reporting date, there is no change to the previous estimates.

An accelerated amortisation rate of 40% diminishing value 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 an initial period of four years through the delivery of the four tunnels for which deposits have been paid to SkyVenture International.

iv. Gift Card Revenue

Gift card revenue from the sale of gift cards is recognised when the card is redeemed for the purchase of flight time (Flight Revenue), or when the gift card is no longer expected to be redeemed (Gift Card Revenue). At 30 June 2017, $494,388 of Gift Card Revenue is recognised (2016: $704,947). The key assumption in measuring the liability for gift cards and vouchers is the expected redemption rates by customers with a portion recognised upfront, which are reviewed based on historical information. Any reassessment of expected redemption rates in a particular period impacts the revenue recognised from expiry of gift cards and vouchers (either increasing or decreasing). Any foreseeable change in the estimate is unlikely to have a material impact on the financial statements.

v. Site Restoration

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.

In the current year, the Group has recognised a provision for site restoration for its three tunnels. To this extent, an estimate of the costs to remove the VWT's and its related Building Infrastructure has been determined based on current costs using existing technology at current prices. Management used the services of an expert and determined the cost to restore the sites. These costs were projected forward at a 2.5% inflationary escalation and then discounted back at 8.73% (2016: 2.5%), which is a change in estimate from the prior year, after consideration of the associated risks. The discount rate has been amended to reflect the time value of money and risks specific to the operation of the tunnels. The site restoration asset is depreciated over the remainder of each extended lease period being 40 years in the case of each of iFLY Downunder (Penrith), iFLY Gold Coast and iFLY Perth. The unwinding of the effect of discounting on the site restoration provision is included within finance costs in the statement of comprehensive income.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

vi. Capitalisation of Internally Developed Intangible Assets

Distinguishing the research and development phases of a new project and determining whether the recognition requirements for the capitalisation of development costs are met requires judgement.

After capitalisation, management monitors whether the recognition requirements continue to be met and whether there are any indicators that capitalised costs may be impaired.

t. Prior Period Adjustment
Lease Straight lining

In prior years, the Group has entered into lease agreements with associated rent incentives for each of its tunnels. These lease agreements have an initial term of 20 years with renewal at the option of the Group, giving an extended lease period of 40 years.

In the current year, the Group conducted a detailed review of the terms and conditions of its lease agreements and discovered an error in the accounting treatment of the rent incentives. The treatment has been corrected by restating each of the affected financial statement line items for the prior period, as follows:

Statement of Profit or Loss and other Comprehensive Income	Previously Reported 2016	Adjusted	Restated 2016
	$	$	$
Administration expenses	4,043,577	274,082	4,317,659
Income tax benefit	170,158	82,225	252,383
Loss after tax	(1,314,903)	(191,857)	(1,506,760)
Basic Earnings Per Share	(1.10)	(0.16)	(1.26)
Diluted Earnings Per Share	(1.10)	(0.16)	(1.26)
Statement of Financial Position			
Deferred tax asset	1,844,162	172,527	2,016,689
Provision – current	195,260	380,118	575,378
Provision – non current	1,581,770	194,969	1,776,739
Net Assets	28,253,090	(402,560)	27,850,530
Retained Earnings	(7,053,529)	(402,560)	(7,456,089)

The change did not have an impact on Other Comprehensive Income for the period or the Group's operating, investing and financing cash flows.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

u. New and amended standards and interpretations

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. At the date of this financial report the following standards and interpretations, which may impact the entity in the period of initial application, have been issued but are not yet effective:

Reference	**Title**	**Summary**	**Application date**	**Expected Impact**
AASB 15	*Revenue from Contracts with Customers*	This Standard establishes principles (including disclosure requirements) for reporting useful information about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers.	1 July 2018	Not expected to have a material impact.
AASB 9	*Financial Instruments*	This Standard supersedes both AASB 9 (December 2010) and AASB 9 (December 2009) when applied. It introduces a "fair value through other comprehensive income" category for debt instruments, contains requirements for impairment of financial assets, etc.	1 July 2018	Expected to change disclosures in the year of adoption.
AASB 16	*Leases*	This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases.	1 July 2019	The Group is yet to assess the effect.

NOTE 2: PARENT INFORMATION

The following information has been extracted from the books and records of the parent and has been prepared in accordance with Australian Accounting Standards.	2017 $	2016 $
Statement of Financial Position		
Assets		
Current assets	1,301,227	2,344,392
Non-current assets	39,486,508	32,362,426
Total Assets	40,787,734	34,706,818
Liabilities		
Current liabilities	385,842	1,042,041
Non-current liabilities	10,780,173	8,436,342
Total Liabilities	11,166,015	9,478,383
Equity		
Issued capital	40,466,917	34,648,255
Share based payments reserve	340,448	658,164
Retained earnings	(11,185,646)	(10,077,984)
Total Equity	29,621,719	25,228,435

Statement of Profit or Loss and Other Comprehensive Income		
Total loss before tax	(1,258,610)	(1,677,969)
Total comprehensive loss	(1,258,610)	(1,677,969)

Contingent liabilities

The parent entity does not have any contingent liabilities as at 30 June 2017.

Contractual commitments

Other than amounts disclosed in the financial statements, the parent entity has no additional contractual commitments as at 30 June 2017.

NOTE 3: REVENUE AND EXPENSES

Revenue	2017	2016
	$	$
VWT revenue – rendering of services	11,047,575	6,812,248
Other sales	1,223,506	1,343,640
	12,271,081	8,155,888

Other sales revenue relates to cafeteria income and merchandise income.

Other Income		
Grant Income	24,875	51,750
Other	20,603	136,639
	45,478	188,389

Included in the expenses are the following:

a) Selling and Marketing Expenses	2017	2016
	$	$
Marketing expenses	770,305	674,293
Employment expenses	3,960,884	2,441,534
	4,731,189	3,115,827

b) Administrative Expenses	2017	2016
	$	$
Depreciation and amortisation expenses	1,648,805	1,038,487
Occupancy expenses	1,313,899	1,039,428
Employment expenses	994,066	1,577,608
Share based payments	177,872	481,888
Directors' fees	220,290	180,248
	4,354,932	4,317,659

NOTE 4: INCOME TAX BENEFIT

	2017	2016
Income tax benefit	**$**	**$**
Current income tax:		
Current income tax charge	25,259	152,352
Deferred tax:		
Relating to origination and reversal of temporary differences	125,690	100,031
Income tax benefit reported in the Statement of Profit and Loss	150,949	252,383

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 year ended 30 June 2017 is as follows:

	2017	2016
	$	**$**
Accounting loss before income tax	(1,042,239)	(1,759,143)
At the statutory income tax rate of 30% (2016: 30%)	(312,672)	(527,743)
Non-deductible expenses for tax purposes:		
Entertainment expenses	3,525	2,128
Share based payments	53,362	144,566
Amortisation expenses	51,164	85,276
Other non-deductible expenses	53,672	43,390
Income Tax Benefit	(150,949)	(252,383)

Deferred tax assets (timing difference) comprises of:		
Share issue costs	185,278	208,330
Accruals and provisions	408,299	181,751
Deferred tax asset (timing difference) brought to account	593,577	390,081
Deferred tax asset (tax losses) brought to account	1,574,061	1,626,608
Total deferred tax brought to account	2,167,638	2,016,689

NOTE 5: CASH AND CASH EQUIVALENTS

	2017	2016
	$	**$**
Cash at bank and on hand	1,706,457	2,550,601
	1,706,457	2,550,601

NOTE 6: TRADE RECEIVABLES AND OTHER ASSETS	2017	2016
	$	$
Trade receivables	27,959	48,320
Other receivables	808,514	184,705
Prepaid expenses	81,304	455,500
	917,777	688,525

All amounts are short- term. The carrying value is considered a reasonable approximation of fair value. The Group's trade and other receivables have been reviewed for indicators of impairment. No impairment has been recognised and no receivables are past due.

NOTE 7: OTHER FINANCIAL ASSETS	2017	2016
	$	$
Current	42,489	-
Non- current	209,245	-
	251,734	-

Other financial assets relates to costs associated with the bank loan facility. This financial asset is amortised over the period of the loan facility.

NOTE 8: PROPERTY PLANT AND EQUIPMENT

	2017	2016	2017	2016	2017	2016
	Cost		Depreciation		Carrying Value	
Vertical wind tunnel building Infrastructure						
Balance at Beginning of year	22,631,045	10,265,176	(767,506)	(507,100)	21,863,539	9,758,076
Acquisitions / depreciation	8,262,704	12,365,870	(586,782)	(260,406)	7,675,922	12,105,464
Disposals / transfers	1,444,776	-	-	-	1,444,776	-
Balance at end of year	32,338,525	22,631,046	(1,354,288)	(767,506)	30,984,237	21,863,540
Vertical wind tunnel equipment						
Balance at Beginning of year	7,401,038	3,601,031	(464,051)	(165,835)	6,936,987	3,435,196
Acquisitions / depreciation	193,085	3,800,006	(594,428)	(298,216)	(401,343)	3,501,790
Disposals / transfers	5,169,612	-	-	-	5,169,612	-
Balance at end of year	12,763,735	7,401,037	(1,058,479)	(464,051)	11,705,256	6,936,986

NOTE 8: PROPERTY PLANT AND EQUIPMENT (CONT)

	2017	2016	2017	2016	2017	2016
	Cost		Depreciation		Carrying Value	
IT Equipment						
Balance at Beginning of year	491,266	239,029	(94,139)	(11,008)	397,127	228,021
Acquisitions / depreciation	173,611	252,237	(128,555)	(83,131)	45,056	169,106
Disposals / transfers	1,625		-		1,625	-
Balance at end of year	666,502	491,266	(222,694)	(94,139)	443,808	397,127
Furniture and fittings						
Balance at Beginning of year	461,202	224,401	(118,687)	(10,334)	342,515	214,067
Acquisitions / depreciation	294,490	236,801	(165,806)	(108,353)	128,684	128,448
Disposals / transfers	(157,411)	-	56,770		(100,641)	-
Balance at end of year	598,281	461,202	(227,723)	(118,687)	370,558	342,515
Office Equipment						
Balance at Beginning of year	300	-	(27)	-	273	-
Acquisitions / depreciation	20,968	300	(4,007)	(26)	16,961	274
Disposals / transfers	-	-	-		-	-
Balance at end of year	21,268	300	(4,034)	(26)	17,234	274
Capital Work in Progress						
Balance at Beginning of year	8,529,771	802,644	-	-	8,529,771	802,644
Acquisitions / depreciation	444,599	8,697,909	-	-	444,599	8,697,909
Disposals / transfers	(8,529,771)	(970,782)	-	-	(8,529,771)	(970,782)
Balance at end of year	444,599	8,529,771	-	-	444,599	8,529,771
Total						
Balance at Beginning of year	39,514,622	15,132,281	(1,444,410)	(694,277)	38,070,212	14,438,004
Acquisitions / depreciation	9,389457	25,353,123	(1,479,578)	(750,132)	7,909,879	24,602,991
Disposals / transfers	(2,071,169)	(970,782)	56,770	-	(2,014,399)	(970,782)
Balance at end of year	46,832,910	39,514,622	(2,867,218)	(1,444,409)	43,965,692	38,070,213

NOTE 9: INTEREST IN SUBSIDIARIES

Set out below are the Group's subsidiaries at 30 June 2017. The subsidiaries listed below have share capital consisting solely of ordinary shares, which are held directly by the Group and the proportion of ownership interests held equals the voting rights held by the Group. Each subsidiary's country of incorporation or registration is also its principal country of business.

Subsidiaries	**Country of Incorporation**	**2017 %**	**2016 %**
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	100
Indoor Skydiving Adelaide Pty Ltd	Australia	100	100
Indoor Skydiving Perth Pty Ltd	Australia	100	100
ISAG Holdings D Pty Ltd	Australia	100	100
ISAG Café Pty Ltd	Australia	100	100
ISA Asia Holdings Pty Ltd*	Australia	100	-
ISA Asia Operations Pty Ltd*	Australia	100	-

* There were no material transactions in these entities during the current year.

NOTE 10: INTANGIBLE ASSET

	Development Costs	Exclusive Territory Development Agreement	Total
Cost			
At 1 July 2015	**-**	**1,500,000**	**1,500,000**
Additions	-	-	0
At 30 Jun 2016	-	1,500,000	1,500,000
Additions	517,477	-	517,477
At 30 June 2017	517,477	1,500,000	2,017,477
Amortisation			
At 1 July 2015	**-**	**789,370**	**789,370**
Amortisation	-	284,252	284,252
At 30 Jun 2016	-	1,073,622	1,073,622
Amortisation	-	170,551	170,551
At 30 June 2017	-	1,244,173	1,244,173
Net Book Value			
At 30 June 2017	**517,477**	**255,827**	**773,304**
At 30 June 2016	**-**	**426,378**	**426,378**

The Exclusive Territory Development Agreement was entered into during the 2014 year and was valued at cost. The fair value of $1,500,000 at acquisition represents the value of the shares granted to iFly Australia Pty Limited under the Exclusive Joint Territory 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 the Exclusive Territory Development Agreement intangible asset, amortised from 20 December 2013. An accelerated method has been used to reflect the expected consumption of benefits under the agreement.

Development expenditure on individual projects are recognised as an intangible asset when the Group can demonstrate that the asset will generate future economic benefits and can be reliably measured. Refer to Note 1(d).

NOTE 11: TRADE AND OTHER PAYABLES	2017	2016
	$	$
Trade payables	407,894	561,130
Other accruals	1,247,170	884,058
Other payables	2,000,000	2,000,000
	3,655,064	3,445,188

In 2016, iFly Australia Pty Ltd exercised their rights under the Exclusive Territory Development Agreement to invest up to $1,000,000 in a subsidiary of the Company, Indoor Skydiving Perth Pty Ltd. The investment has been agreed to be set off against amounts owed to iFly Australia Pty Ltd for the purchase of equipment. As shares in the subsidiary have not yet been issued a non-controlling interest in the Group has not been recognised in the Group balance sheet as at the reporting date and is included in trade payables above. This is a separate transaction to the $1,000,000 investment made on similar basis by iFly Australia Pty Ltd in relation to Indoor Skydiving Gold Coast Pty Ltd in 2015 financial year. The shares of which are yet to be issued. Other payables above is therefore $2,000,000 which is expected to be settled through the issue of equity in subsidiaries.

NOTE 12: DEFERRED REVENUE	2017	2016
	$	$
Deferred revenue	1,907,300	1,016,439
	1,907,300	1,016,439

Deferred revenue primarily represents prepaid sales in respect of flight time purchased in advance. The sales are released to revenue at the time the services are rendered except the gift card revenue in relation to expected redemption rates.

NOTE 13: BORROWINGS	2017 $	2016 $
Current Liabilities		
Westpac debt facility	472,312	711,584
	472,312	711,584
Non - Current Liabilities		
Westpac debt facility	10,267,198	8,436,342
	10,267,198	8,436,342

The Company has in place a secured debt facility of $11,980,000 with Westpac Banking Corporation with an undrawn amount of $1,240,490. Interest payable on each component is based on current market rates, over a maximum 5 year term. Security provided is:

Fully Interlocking Guarantee and Indemnity by:

Indoor Skydive Australia Group Limited
Indoor Skydiving Penrith Holdings Pty Ltd
Indoor Skydiving Penrith Pty Ltd
Indoor Skydiving Gold Coast Pty Ltd
Indoor Skydiving Adelaide Pty Ltd
Indoor Skydiving Perth Pty Ltd
ISAG Holdings D Pty Ltd
ISAG Café Pty Ltd

Supported by General Security Agreement over all existing and future assets and undertaking by:

Indoor Skydive Australia Group Limited
Indoor Skydiving Penrith Holdings Pty Ltd
Indoor Skydiving Penrith Pty Ltd
Indoor Skydiving Gold Coast Pty Ltd
Indoor Skydiving Adelaide Pty Ltd
Indoor Skydiving Perth Pty Ltd
ISAG Holdings D Pty Ltd
ISAG Café Pty Ltd

Mortgage over lease by Indoor Skydiving Penrith Holdings Pty Ltd.

Flawed Asset Arrangement – deposits by Indoor Skydiving Penrith Holdings Pty Ltd over a deposits account held with Westpac Banking Corporation.

NOTE 14: PROVISIONS

	2017	2016
Current Provisions	276,558	575,378
Non Current Provisions	818,289	1,776,739
Total	1,094,847	2,352,117

	Provision for Employee Benefits $	Provision for Lease Straight Lining $	Provision for Site Restoration $	Total Provisions $
Carrying amount 1 July 2016	**195,260**	**575,087**	**1,581,770**	**2,352,117**
Additional Provisions	345,819	101,641	62,693	510,153
Change in Estimates	-	-	(1,421,808)	(1,421,808)
Amount Utilised	(317,109)	(28,506)	-	(345,615)
Carrying amount 30 June 2017	**223,970**	**648,222**	**222,655**	**1,094,847**
Current	**223,970**	**33,151**	**19,437**	**276,558**
Non-current	**-**	**615,072**	**203,218**	**818,289**
Carrying amount 1 July 2015	**109,683**	**301,005**	**-**	**410,688**
Additional Provisions	269,294	276,738	1,581,770	2,127,802
Amount Utilised	(183,717)	(2,656)	-	(186,373)
Carrying amount 30 June 2016	**195,260**	**575,087**	**1,581,770**	**2,352,117**
Current	**195,260**	**380,118**	**-**	**575,378**
Non-current	**-**	**194,969**	**1,581,770**	**1,776,739**

a) Provisions for employee benefits

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.

b) Provision for Lease Straight Lining

Rental lease payments for operating the wind tunnels are expensed on a straight lining basis. All unamortised lease incentives in the form of rent free periods are recognised as provision. This provision is reduced by allocating lease payments between rental expenses and reduction of the provision over the remaining term of the lease.

c) Provision for Site Restoration

This provision relates to present value of expected site restoration costs for three tunnels. These costs are projected forward to an extended lease period of 40 years using 2.5% inflationary escalation and discounted to present value at 8.73% after consideration of the associated risks.

NOTE 15: ISSUED CAPITAL	2017	2016
	$	$
135,884,625 (2016: 120,193,004) fully paid ordinary shares	42,459,363	36,298,770
Share issue costs	(1,992,446)	(1,650,315)
	40,466,917	34,648,455

	2017	2016
Ordinary Shares	No.	No.
At the beginning of the reporting period	120,193,004	118,974,294
· Shares issued during the period	14,907,909	-
· Performance rights exercised	783,712	1,218,710
	135,884,625	120,193,004

b. Performance Rights

	2017	2016 *
At the beginning of the reporting period:	1,845,496	1,133,712
Performance rights issued during the year	-	2,027,167
Performance rights lapsed during the year	(249,895)	(96,673)
Performance rights exercised during the year	(783,712)	(1,218,710)
	811,889	1,845,496

* 2016 values include 85,000 Conditional Rights issued and exercised during the year.

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 vesting period upon which the employees would become entitled to exercise the performance rights. The opening balance of 1,133,712 has also been updated to include remaining performance rights on issue from 2013 to KMP.

c. Capital Management

The Board controls the capital of the Group in order to generate long-term shareholder value and to ensure that the Group can fund its operations and continue as a going concern. The Board assesses the Group's capital requirements based on the Company's stage of operations, having regard to available debt funding and equity funding and seek to maintain a capital structure based on the lowest cost of capital available to the Group. The Board achieves this through the internal generation of capital and the management of debt levels and, if necessary, share issues.

NOTE 16: CAPITAL AND LEASING COMMITMENTS

a) Operating Lease Commitments

	2017 $	2016 $
Non-cancellable operating leases contracted for but not recognised in the financial statements		
Payable – minimum lease payments:		
- Not later than 12 months	857,821	715,442
- Between 12 months and five years	3,170,156	3,056,308
- Later than five years	24,856,067	25,624,310
	28,884,044	29,396,060

The Group has entered into operating leases for occupancy of the vertical wind tunnels with extended lease terms of 40 years.

b) Capital Commitments

Subsidiary capital commitments contracted for but not recognised in the financial statements	-	6,857,855
	-	6,857,855

Capital commitments for financial year 2016 related to the construction of the Perth tunnel.

NOTE 17: CASH FLOW INFORMATION

	2017	2016
	$	$
Reconciliation of Cash Flow from Operations with Loss after Income Tax		
Loss after income tax	(891,290)	(1,506,760)
Non-cash flows in loss:		
- Share based payments	177,872	481,888
- Gain/loss on FX revaluation	-	(136,639)
- Unwind of make good discount	(20,968)	-
- Depreciation expense	1,434,796	740,924
- Amortisation expense	214,009	345,842
Changes in assets and liabilities:		
- (increase)/decrease in trade and term receivables	20,361	241,335
- (increase)/decrease in prepaid expenses	374,196	-
- (increase)/decrease in other financial assets	(229,830)	72,107
- (increase)/decrease in deferred tax asset	(150,948)	(170,158)
- increase/(decrease) in trade payables and accruals	227,428	191,239
- increase/(decrease) in unearned revenue	890,861	(264,091)
- increase/(decrease) in provisions	101,845	277,433
Cash flow provided by operations	2,148,332	273,120

Other Non-Cash Transactions

Capital expenditure	9,906,934	12,654,259
Depreciation & Amortisation	1,648,805	1,086,766
Other non-cash expense	177,872	481,888

NOTE 18: RELATED PARTY TRANSACTIONS

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

(i) Entities exercising control over the Group:

The ultimate parent entity is Indoor Skydive Australia Group Ltd.

(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.

- The entities disclosed in Note 9 are 100% owned subsidiary companies of the parent entity. Refer to Note 9 for further details.

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. There were no related party transactions during the year (2016: Nil)

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

c. Key Management Personnel Compensation

The Key Management Personnel compensation included in employment expenses is as follows:

	Consolidated Entity		Company	
	2017 $	2016 $	2017 $	2016 $
Short term employee benefits	1,185,424	1,125,179	1,185,424	1,125,17
Post employment benefits	89,817	85,525	89,817	85,525
Share based payments	133,710	538,973	133,710	538,973
	1,408,951	1,749,677	1,408,951	1,749,677

NOTE 19: SHARE BASED PAYMENTS

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 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.

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 binominal 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.

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	7 July 2014	7 July 2015	27 Oct 2015
Fair Value at grant/approval date (weighted average)	$0.59	$0.68	$0.47	$0.38
Share Price at grant/approval date	$0.59	$0.68	$0.47	$0.47
Exercise Price	$0.00	$0.00	$0.00	$0.00
Expected Volatility	50%	50%	50%	50%
Expected life (weighted average number of days)	956	358	730	619
Expected dividends	0%	0%	0%	0%
Risk-free rate (weighted average)	2.95%	2.58%	2.20%	2.83%
5 day VWAP	n/a	$0.68	$0.47	n/a

Reconciliation of outstanding share options

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

	Number of rights	Weighted-average exercise price
Outstanding at 30 June 2016	1,845,496	-
Granted during the year	-	-
Forfeited during the year	(249,895)	-
Exercised during the year	(783,712)	-
Outstanding as at 30 June 2017	811,889	-

NOTE 20: SEGMENT INFORMATION

General Information

Identification of reportable segments

The Group's operations are in one segment being the construction and operation of indoor skydiving facilities. The Group operates in one segment being Australia. All subsidiaries in the Group operate within the same segment. All three tunnels have been aggregated to one operating 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.

NOTE 21: FINANCIAL RISK MANAGEMENT

Financial Risk Management Policies

The Board of Directors for, among other issues, manages financial risk exposures of the Group. The Board 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 Board meets on a regular basis.

The Board'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.

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 Board 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.

NOTE 21: FINANCIAL RISK MANAGEMENT (CONT)

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.

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 Board. which 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.

	2017 $	2016 $
Cash and Term Deposits:		
Cash at bank and on hand	1,706,457	2,550,601
	1,706,457	2,550,601

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 reputable credit profile;
- managing credit risk related to financial assets;
- only investing surplus cash with major financial institutions; and
- comparing the maturity profile of financial liabilities with the realisation profile of financial assets.

The Group's policy is to ensure that it will always have sufficient cash to allow it to meet it liabilities when they become due.

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 21: 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	
	2017	2016	2017	2016	2017	2016	2017	2016
	$	$	$	$	$	$	$	$
Financial liabilities due for payment								
Borrowings	472,312	711,584	10,267,198	8,436,342	-	-	10,739,510	9,147,926
Trade and other payables	1,655,064	1,445,188	-	-	-	-	1,655,064	1,445,188
Total contractual outflows	2,127,376	2,156,772	10,267,198	8,436,342	-	-	12,394,574	10,593,114
Total expected outflows	1,127,376	2,156,772	10,267,198	8,436,342	-	-	12,394,574	10,593,114
Financial assets – cash flows realisable								
Cash and cash equivalents	1,706,457	2,550,601	-	-	-	-	1,706,457	2,550,601
Trade and other receivables	917,777	688,525	-	-		-	917,777	688,525
Total anticipated inflows	2,624,234	3,239,126	-	-	-	-	2,624,234	3,239,126
Net inflow on financial instruments	496,858	1,082,354	(10,267,198)	(8,436,342)	-	-	(9,770,340)	(7,353,988)

* Trade and other payables excludes Skyventure investment balance of $2,000,000 that is expected to be settled through equity.

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 where possible.

NOTE 21: 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.

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 21: FINANCIAL RISK MANAGEMENT (CONT)

	Profit	Equity
Year ended 30 June 2017	**$**	**$**
+/–1% in interest rates	107,395	107,395
+/–10% in devaluation of the AUD	26,847	26,847
Year ended 30 June 2016		
+/–1% in interest rates	7,364	7,364
+/–10% in devaluation of the AUD	87	87

There have been no changes in any of the methods or assumptions used to prepare the above sensitivity analysis from the prior year. These movements 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 (i.e. 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.

NOTE 21: FINANCIAL RISK MANAGEMENT (CONT)

Consolidated Group	Note	2017 Carrying Amount $	2017 Fair Value $	2016 Carrying Amount $	2016 Fair Value $
Financial assets					
Cash and cash equivalents	(i)	1,706,457	1,706,457	2,550,601	2,550,601
Trade and other receivables	(i)	917,777	917,777	688,525	688,525
Total financial assets		2,624,234	2,624,234	3,239,126	3,239,126
Financial liabilities					
Trade and other payables	(i)	3,655,064	3,655,064	3,445,188	3,445,188
Borrowings	(ii)	10,739,510	10,739,510	9,147,926	9,147,926
Total financial liabilities		14,394,574	14,394,574	12,593,114	12,593,114

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) Debt is recorded at the current carrying value which is considered equivalent to fair value.

NOTE 22: AUDITOR'S REMUNERATION

Remuneration of the auditor for:	2017 $	2016 $
Grant Thornton Audit Pty Limited		
– Audit fees	62,500	60,000
– Half year review	25,500	23,000
– Taxation compliance	5,300	3,000
– Other advisory services	2,500	450
	95,800	86,450

The Group had a change in auditors. The auditor for financial year 2016 was RSM Australia Partners.

NOTE 23: EARNINGS PER SHARE

		2017 Cents	2016 Cents
	Earnings per share (cents per share)		
	From continuing operations:		
	- basic earnings per share	(0.68)	(1.26)
	- diluted earnings per share	(0.68)	(1.26)

		2017 $	2016 $
a.	Reconciliation of earnings to profit or loss:		
	Loss	(891,290)	(1,506,760)
	Earnings used to calculate basic EPS	(891,290)	(1,506,760)
	Earnings used in the calculation of dilutive EPS	(891,290)	(1,506,760)

		No.	No.
b.	Weighted average number of ordinary shares for basic EPS	131,633,571	119,673,163
	Weighted average number of ordinary shares for diluted EPS	136,633,571	119,673,163

All performance rights on issue at 30 June 2017 are anti-dilutive.

NOTE 24: EVENTS AFTER REPORTING DATE

Since the reporting date the Board of Directors has resolved to issue 4,150,000 unlisted options as a long term incentive to eligible employees (**incentive options**). 1,950,000 incentive options were issued to eligible employees on 24 August 2017 and 2,200,000 incentive options will be issued to the Company's executive directors subject to shareholder approval. The incentive options have an exercise price of $0.35 and expire on 23 August 2021. 50% of the incentive options will vest after 2 years of continuous service and 50% after 3 years of continuous service from 24 August 2017.

On 4 September 2017 the Company entered into a binding Memorandum of Understanding with Avest Capital Company Limited to enable the Company to conduct further due diligence and to establish a commercial framework for the development and operation of indoor skydiving facilities in China including Hong Kong under ISA Group's AirRider brand. See ASX Announcement made on 4 September 2017 for further details.

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.

NOTE 25: CONTINGENT LIABILITIES

The Group does not have any contingent liabilities at the reporting date.

In the opinion of the Directors of Indoor Skydive Australia Group Limited:

a. the financial statements and notes, as set out on pages 26 to 63, are in accordance with the *Corporations Act 2001*, including:

i. giving a true and fair view of the financial position as at 30 June 2017 and of its performance for the financial year ended on that date; and

ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

b. There are reasonable grounds to believe that Indoor Skydive Australia Group Limited will be able to pay its debts as and when they become due and payable.

Note 1 includes a statement that the financial statements also comply with International Financial Reporting Standards.

The Directors have been given the declarations required by Section 295A of the *Corporations Act 2001* from the Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2017.

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

For and on behalf of the Board

Ken Gillespie
Chairman
26 September 2017
Sydney

Wayne Jones
Director & Chief Executive Officer

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Independent Auditor's Report
To the Members of Indoor Skydive Australia Group Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of Indoor Skydive Australia Group Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2017, 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, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

a Giving a true and fair view of the Group's financial position as at 30 June 2017 and of its performance for the year ended on that date; and

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

Basis for Opinion

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

Grant Thornton

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Deferred revenue – Note 1(s)(iv), 12	
The Group recognises revenues derived from the sale of goods and services as well as the sale of prepaid gift cards. A portion of revenue relating to gift card sales is recognised upfront based on management's estimate of historical redemption rates. The Group recognised gift card revenue of $494,000 for the year ended 30 June 2017 and, at year end, a deferred revenue balance of $1,907,000 is recorded as a current liability. This is a key audit matter given the management judgement involved in developing and applying appropriate accounting policies that comply with accounting standards and in determining the timing of revenue to be recognised.	Our audit procedures included, among others: • reviewing the mathematical accuracy of management's calculation of the gift card revenue recognised; • evaluating the reasonableness of management's estimates relating to gift card breakage rates including corroborating management's assertions to historical redemption rates disaggregated based on locations; and • performing testing on a sample of sales at year end to determine the revenues recorded relate to the appropriate period.
Recovery of deferred tax assets – Note 1(s)(ii), 4	
Australian Accounting Standards require deferred tax assets to be recognised only to the extent that it is probable that sufficient future taxable profits will be generated in order for the benefits of the deferred tax assets to be realised. These benefits are realised by reducing tax payable on future taxable profits. The Group recognised gross deferred tax assets of $2,167,638 at 30 June 2017, of which $1,574,061 arises from tax losses carried forward. This is a key audit matter due to the magnitude of the deferred tax assets recognised and the judgment involved in determining the recoverability of the tax assets	Our audit procedures included, among others: • reviewing the tax calculations prepared by the Group; • evaluating the key assumptions used by the Group to determine its tax provisions; • involving our taxation specialists to assist in this assessment of the determination of the tax bases. • evaluating the assessment of the recoverability of its deferred tax assets; and • assessing the Group's taxation disclosures.

Grant Thornton

Provision for site restoration – Note 1(s)(v), 14	
The Group entered into long term tenant lease agreements at each of their tunnel facilities – Penrith, Gold Coast and Perth. There is a contractual obligation that the Group is responsible for restoring the site to its original condition at the conclusion of the lease. The Group has recognised a provision of $223,000 for site restoration as at 30 June 2017 in accordance with AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*. There has been a change in accounting estimate for the calculation of the provision which has been applied prospectively in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimated and Errors*. This is a key audit matter due to the inherent complexity in estimating future restoration costs, particularly those that are forecast to be incurred several years in the future.	Our audit procedures included, amongst others: • reviewing the mathematical accuracy of the Group's calculation; • evaluating the key assumptions used by the Group in calculating the provision including the inputs to calculate the discount factor; • reading the terms of the lease agreements to verify the Group's rights and obligations; • reviewing qualifications and experience of Management's expert in relation to the valuation of the restoration costs at their present value to use as the basis of the estimate; and • assessing the adequacy of financial statement disclosures.
Provision for lease incentives – Note 1(t), 14	
The Group entered into four lease agreements at each of their tunnel locations and head office. The varying rent incentive offered within each agreement is required to be recognised on a straight line basis in accordance with *AASB 117 Leases*. The accounting for the straight-lining of lease incentives was incorrect in the prior period. This error has been disclosed in the 30 June 2017 financial statements and prior year comparatives have been restated. This is a key audit matter due to the material nature of the prior period error and the significant amount of time and senior resources dedicated to this matter during the current year audit.	Our audit procedures included, amongst others: • reviewing prior auditor working papers as part of opening balance assessment; assessing the impact of the prior period accounting error identified; • reviewing the mathematical accuracy of the Group's calculation; • reading the terms of the lease agreements to understand the Group's rights and obligations; and • assessing the adequacy of financial statement disclosures.

Grant Thornton

Basis of Accounting - Note 1	
In accordance with the Australian Accounting Standards, when assessing whether the going concern assumption is appropriate, management is required to take into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. This assessment is largely based on the assumptions made by the directors in their cash flow forecast. These forecasts include the directors' assumptions regarding the timing of future cash flows, operating results, capital raising activities and any potential sale of assets. This assessment is largely based on the assumptions made by the directors in their cash flow forecast. These forecasts include the directors' assumptions regarding the timing of future cash flows, operating results, capital raising activities and any capital commitments.	Our audit procedures included, amongst others: • evaluating the underlying data used by (management/the directors) to generate the cash flow projections; • analysing the impact of reasonably possible changes in projected cash flows and their timing, to the projected periodic cash positions. • assessing the resulting impact on the ability of the Group to pay debts as and when they fall due and to continue as a going concern. The specific areas we focused on were informed from the results of our tests of the accuracy of previous Group cash flow projections and sensitivity analysis on key cash flow projection assumptions; • obtaining and reading correspondence with existing financiers to understand and assess the options available to the Group including available debt facilities, and assessing likelihood of compliance with terms of these facilities based on budgets and forecasts prepared by management; and • evaluating the Group's basis of accounting disclosures in the financial report by comparing them to our understanding of the matter, the events or conditions incorporated into the cash flow projection assessment, the Group's plans, and accounting standard requirements.

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

The Directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

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

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

Responsibilities of the Directors for the Financial Report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 13 to 24 of the directors' report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of Indoor Skydive Australia Group Limited, for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD

Chartered Accountants

P J Woodley

Partner - Audit & Assurance

Sydney, 26 September 2017

The following information is current as at **11 September 2017**:

1. Shareholder Information

Distribution of Shareholders

Category (size of holding):	**Number**	**Ordinary Shares**
1 – 1,000	36	18,626
1,001 – 5,000	105	266,820
5,001 – 10,000	72	613,064
10,001 – 100,000	256	8,836,290
100,001 and over	63	126,961,714
	532	136,696,514

The number of shareholdings held in less than marketable parcels is 87.

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

Shareholder:	**Number of Shares**	**% of Issued Capital**
Birkdale Holdings (QLD) Pty Ltd	17,039,475	12.47
Excalib-Air Pty Ltd	16,060,000	11.97
Challenger Limited	15,213,222	11.13
LHC Capital Partners Pty Ltd	10,792,523	7.94
Commonwealth Bank of Australia	10,182,782	7.49
Paradice Investment Management Pty Ltd	8,826,251	6.58

Voting Rights

ISA Group 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.

ISA Group has premium priced options which are not listed on the ASX. See Note 24 for further details. Premium priced options do not give a holder the right to vote at any meeting of ISA Group.

20 Largest Shareholders – Ordinary Shares

Name	Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
NATIONAL NOMINEES LIMITED	17,544,994	12.835
BIRKDALE HOLDINGS (QLD) PTY LTD	17,039,475	12.465
EXCALIB-AIR PTY LTD	16,060,000	11.749
J P MORGAN NOMINEES AUSTRALIA LIMITED	14,719,148	10.768
CITICORP NOMINEES PTY LIMITED	12,751,718	9.328
UBS NOMINEES PTY LTD	8,646,414	6.325
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	5,927,540	4.336
BNP PARIBAS NOMS PTY LTD <DRP>	3,200,376	2.341
QUAD INVESTMENTS PTY LTD	2,916,667	2.134
PROJECT GRAVITY PTY LTD <THE JONES FAMILY A/C>	2,627,307	1.922
LYNDCOTE SUPER PTY LTD <LYNDCOTE SUPER FUND A/C>	2,521,667	1.845
CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	2,521,601	1.845
IFLY AUSTRALIA PTY LIMITED	2,500,000	1.829
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED – A/C 2	2,300,711	1.683
AUSTRALIAN INDOOR SKYDIVING PTY LTD <THE HOGAN FAMILY A/C>	2,187,833	1.601
SABRE ONE INVESTMENTS PTY LTD <BAHUR FAMILY A/C>	1,001,277	0.732
DRILL INVESTMENTS PTY LTD	1,000,000	0.732
JACK SUPER PTY LTD <GREG JACK SUPER FUND A/C>	889,474	0.651
NULIS NOMINEES (AUSTRALIA) LIMITED <NAVIGATOR MAST PLAN SETT A/C>	757,000	0.554
MR ALISTAIR DAVID STRONG	600,000	0.439
	117,713,202	**86.113**

2. The name of the company secretary is Fiona Yiend.
3. The address of the principal registered office in Australia is Level 2, 201 Miller Street North Sydney NSW 2060 Telephone 02 9325 5900.
4. The Register of Securities is held at Grosvenor Place, Level 12, 225 George Street, Sydney NSW 2000.
5. **Stock Exchange Listing**

   Quotation has been granted for all 136,696,514 ordinary shares of ISA Group on all Member Exchanges of the Australian Securities Exchange Limited.
6. **Unquoted Securities**

   ISA Group has 1,950,000 incentive options on issue to eligible employees and has resolved to issue 2,200,000 incentive options to the Company's executive directors subject to shareholder approval. The incentive options are subject to vesting conditions, have an exercise price of $0.35 and expire on 23 August 2021.

CORPORATE DIRECTORY

Directors	Ken GILLESPIE Wayne JONES Danny HOGAN Steve BAXTER
Company Secretary	Fiona YIEND
Registered Office	Indoor Skydive Australia Group Ltd Level 2 201 Miller Street North Sydney NSW 2060
Principle Place of Business	Indoor Skydive Australia Group Ltd Level 2 201 Miller Street North Sydney NSW 2060
Share Register	Boardroom Pty Limited Level 12 225 George Street Sydney NSW 2000
Auditor	Grant Thornton Audit Pty Ltd Level 17 383 Kent Street Sydney NSW 2000
Bankers	Westpac Banking Corporation
Stock exchange listing code:	IDZ
Website	www.indoorskydive.com.au

NOTES


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INDOOR SKYDIVE AUSTRALIA GROUP LIMITED

ABN: 39 154 103 607