Indoor Skydive Australia Group Limited

ABN: 39 154 103 607

ANNUAL REPORT

For the year ended 30 June

2019

ISA GROUP

INDOOR SKYDIVE AUSTRALIA GROUP

Corporate Directory

Directors	Steve BAXTER Danny HOGAN Wayne JONES
Company Secretary	Stephen TOFLER
Registered Office	Indoor Skydive Australia Group Limited 123 Mulgoa Road Penrith NSW 2750
Principle Place of Business	Indoor Skydive Australia Group Limited 123 Mulgoa Road Penrith NSW 2750
Share Register	Boardroom Pty Limited Level 12 225 George Street Sydney NSW 2000
Auditor	Felser Chartered Accountants t/as Accru Felser Level 6 1 Chifley Square Sydney NSW 2000
Bankers	Westpac Banking Corporation
Stock exchange listing code:	IDZ
Website	www.indoorskydive.com.au

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Directors' Review

Repair, Grow, Diversify

The financial year ended 30 June 2019 was a challenging year for ISA Group with a focus on repairing the company after the costly legal dispute, settled in September 2018. Post settlement, the company formulated and commenced executing its strategy of repair, growth and diversification.

An immediate and material reduction in interest bearing debt and liabilities has been achieved through the sale of the Perth indoor skydiving facility, combined with a capital raise in August 2019. In conjunction with these activities, the company has commenced increasing operational performance, new business streams, and reducing costs.

Existing operations have been bolstered through investment in a new digital marketing strategy which includes a new website and booking system to increase sales and improve the customer purchasing experience.

The new Virtual Reality business is under development with the first location to be fully operational by the Christmas school holidays. The initial offering will be located in Penrith and will be focused on team play with state-of-the-art technology from around the world. The price point for the new experience will attract a new market and will be supported heavily through direct and indirect awareness and launch campaigns in the lead up to the Christmas gifting period.

2019 Financial Performance

FY2019 results have been affected by the lack of marketing spend due to cashflow restrictions which saw a correlating reduction in sales, distraction due to the legal settlement and costs associated with the restructure of the Company headquarters as part of the Company's cost reduction measures. Subsequent to the resolution of the dispute, the Company has significantly downsized its corporate footprint and ceased all offshore wind tunnel projects (other than its continued management of the Malaysian joint venture operation) and eliminated expenses associated with the offshore expansion strategy, refocusing on optimising its Australian operations.

For the year ended 30 June 2019, ISA Group reported statutory loss before interest, tax, depreciation and amortisation was $4,753,949. The underlying EBITDA (excluding Perth sale, China JV impairment, corporate reduction and royalty penalties) is $1,273,824. This compares to $2,293,178 in 2018.

Looking Forward

With the repair phase almost complete, the company is now in a position to implement the remaining phases to its immediate strategy.

Maximising the next 4 years of royalty free period under the Perth asset sale agreement, the company will focus on growing the remaining wind tunnel operations back to levels achieved in FY2018. With the resources of SkyVenture International and the local knowledge of ISA Group, the drive of brand awareness and combined national campaigns throughout Australia is expected to deliver an improved pipeline of sales in FY2020.

ISA Group is excited to be launching its new, diverse entertainment brand later this year and in line with its diversification strategy will also be further exploring the B2B range of virtual reality, including additional training services to industry and defence.

We thank all of our loyal shareholders for their support throughout a difficult year and we look forward to sharing a successful FY2020.

Directors' Report

Your Directors 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 2019.

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:

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.

Wayne served as Interim Chairman between 6 August 2018 and 24 September 2018 while the process of selecting a Chairman and appointing additional non-executive directors was conducted.

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
Chairman - Non-Executive
Appointed 13 August 2012

(appointed Chairman 15 July 2019)

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 and Vocus Communications Limited.

Jon Brett
Chairman – Non-Executive
Appointed 24 September 2018

Resigned 15 July 2019

Jon Brett is an experienced operations, finance and corporate advisory professional. He is a chartered accountant and a former executive of Investec Wentworth Private Equity. Jon has served as the managing director of a number of publicly listed companies and is an experienced non-executive director. He served as the non-executive deputy president of the National Roads and Motoring Association and been Chairman of the Audit & Risk Committees for a number of different companies

In the last three years Jon has been a director of Vocus Group Limited, Godfreys Limited and The PAS Group Limited.

Jon remains as an advisor to the ISA Group Board.

James Spenceley
Non-Executive Director
Appointed 24 September 2018

Resigned 15 July 2019

James Spenceley is an experienced entrepreneur, company director and CEO with a track record of organic and acquisition related value creation. He is the founder and former CEO of Vocus Communications, an ASX100 business and now Australia's 4th largest telecommunications company. James is the Chairman of Airtasker and former owner of the Illawarra Hawks basketball team. He is co-founder and CEO of MHOR asset management, an Australian small capital investment fund, and twice been recognised as an EY Entrepreneur of the Year award winner.

James is currently Chairman of Silver Heritage Group Limited and Chairman of AirTasker. In the last three years James was an executive director of Vocus Communications Limited.

James remains as an advisor to the ISA Group Board.

Simon Ward
Non-Executive Director
Appointed 5 October 2018
Resigned 11 March 2019

As International President of iFLY and a director of SkyVenture International Limited, Simon Ward has a detailed understanding of the developments and innovation occurring in the manufacture of vertical wind tunnels. Simon founded the indoor skydiving industry in the United Kingdom and brings over 13 years experience in the operation of indoor skydiving facilities. He is a senior member of the SkyVenture and iFLY leadership team and works with franchisees worldwide to drive the performance of indoor skydiving facilities.

Ken Gillespie AC, DSC, CSM
Former Chairman – Non-Executive
Appointed 18 October 2012
Resigned 6 August 2018

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.

COMPANY SECRETARY

Stephen Tofler
Chief Financial Officer & Company Secretary
Appointed 1 February 2019

Salesh Nischal
Chief Financial Officer & Company Secretary
Appointed 24 September 2018

Resigned 1 February 2019

Fiona Yiend
General Counsel & Company Secretary
Appointed 16 October 2013
Resigned 27 September 2018

DIRECTORS' MEETINGS

The number of Directors' meetings that Directors were eligible to attend and the number of meetings attended by each Director during the year are listed below.

	Board	
	Eligible to Attend	Attended
Wayne Jones	18	18
Danny Hogan	18	18
Steve Baxter	18	17
Jon Brett	12	12
James Spenceley	12	10
Simon Ward	6	6
Ken Gillespie	3	3

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.

Director	Number of Shares and Nature of Interest
Wayne Jones	Indirect interest in 16,060,000 shares held by Excalib-air Pty Ltd, indirect interest in 2,625,000 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 5,327,307 shares held by Project Gravity Pty Ltd ATF Jones Family Trust. Direct interest in 1,100,000 unlisted Options with an exercise price of $0.35, subject to vesting conditions being met, and an expiry date of 23 August 2021.
Danny Hogan	Indirect interest in 16,060,000 shares held by Excalib-air Pty Ltd, indirect interest in

Director	Number of Shares and Nature of Interest
	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. Direct interest in 1,100,000 unlisted Options with an exercise price of $0.35, subject to vesting conditions being met, and an expiry date of 23 August 2021.
Steve Baxter	Indirect interest in 59,638,163 (17,039,475 30 June 19) shares held by Birkdale Holdings (QLD) Pty Ltd. Contractual right to be issued 6,000,000 unlisted options with an exercise price of $0.25 and an expiry date of 26 June 2020
Jon Brett	Nil
James Spenceley	Indirect interest in 8,826,251 shares held by Spenceley Management ATF Spenceley Family Trust
Simon Ward	Nil
Ken Gillespie	Indirect interest in 436,142 shares held by Sector West Pty Ltd ATF Gillespie Family Trust

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.

DIVIDENDS

No dividends were declared during the period.

PRINCIPAL ACTIVITIES

ISA Group is a company that specialises in the experiential leisure industry. Providing experiences through indoor entertainment and realistic simulation, targeting a wide market that includes families, tourists, thrill seekers and military.
In FY2019, the Company owned and operated three indoor skydiving operations in Australia; iFLY Downunder (Sydney), iFLY Gold Coast and iFLY Perth.

Following the iFLY Perth Sale, the Company will own and operate iFLY Downunder (Sydney) and iFLY Gold Coast.
ISA Group also currently manages an indoor skydiving operation in Malaysia under a partnership with 1 Utama Shopping centre in Kuala Lumpur.

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

The Company has entered into an agreement to sell iFLY Perth to SkyVenture in return for the extinguishment of outstanding debt and outstanding royalty payments to SkyVenture, SkyVenture granting a royalty free period for iFLY Downunder (Sydney) and iFLY Gold Coast as well as a cash payment to the Company as outlined previously to the market. The Asset sale agreement was signed on 21st August 2019. In conjunction with the asset sale, the company also conducted a capital raise through an entitlement offer and placement which raised $2 million. The completion of the entitlement offer was 21st August 2019.

REMUNERATION REPORT (AUDITED)

The Remuneration Report set out from page 9 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 2019 are detailed in Note 16 of the Financial Statements and form part of this Directors' Report.

As at 30 June 2019 ISA Group had 2,200,000 employee and executive director unlisted options on issue with an exercise price of $0.35, tenure based vesting conditions and an expiry date of 23 August 2021.

As at 30 June 2019 ISA Group had a contractual obligation to issue 6,000,000 unlisted options with an exercise price of $0.25 and an expiry date of 26 June 2020 to Birkdale Holdings (QLD) Pty Ltd.

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

Felser Chartered Accountants trading as Accru Felsers was appointed as ISA Group's auditor on 13 June 2018 and continues in office in accordance with section 327 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 Felser Chartered Accountants for non-audit services provided during the year ended 30 June 2019 were $16,740.90.

AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's independence declaration at page 15 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.

STATEMENT OF CORPORATE GOVERNANCE

ISA Group's Statement of Corporate Governance for the year ended 30 June 2019 is available at http://www.indoorskydiveaustralia.com.au/skydivecompany/charters-and-policies/.

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

Chairman & Non-Executive Director
27 September 2019
Sydney

Wayne Jones
Director & Chief Executive Officer
27 September 2019
Sydney

Remuneration Report

1. Introduction

This Remuneration Report for the year ended 30 June 2019 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's remuneration strategy has been designed to promote shareholder growth by setting strategic and operational targets for at risk remuneration while maintaining a base salary that fairly rewards employees.

Consideration of Remuneration & Nomination Matters
All remuneration matters across ISA Group are reviewed by a 'one up' manager to ensure that no single individual is determining remuneration. 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. Throughout FY2019 remuneration matters have been 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. ISA Group received preliminary advice on long term incentives to drive performance in 2018 and the following years. This advice formed the foundation of ISA Group's long term incentive which utilises premium priced options.

Hedging of Remuneration
ISA Group's 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 2019 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
Stephen Tofler	Chief Financial Officer & Company Secretary (Feb 19 – present)
Fiona Yiend	General Counsel & Company Secretary (Sep 13 – Sep 18)
Salesh Nischal	Chief Financial Officer (May 17 – Feb 19) Company Secretary (May 17 – Feb 19)

Non-Executive Directors	*Notes*
Stephen Baxter	Appointed 13 August 2012 (appointed Chairman 15 July 2019)
Jon Brett	Appointed 24 September 2018 - Resigned 15 July 2019
Ken Gillespie	Appointed 18 October 2012 - Resigned 6 August 2018
James Spenceley	Appointed 24 September 2018 - Resigned 15 July 2019
Simon Ward	Appointed 5 October 2018 - Resigned 11 March 2019

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 returns to shareholders.

Remuneration Strategy

ISA Group's remuneration strategy for 2019 focused on driving the delivery of operations, and growth strategies. Throughout the year ISA Group restructured its corporate footprint which resulted in several positions becoming redundant.

As a result of the corporate overhead reduction and cost saving initiatives, all incentives to KMP were ceased.

Remuneration Outcomes for Executive KMP

The remuneration received by Executive KMP in 2019 and 2018 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	2019	219,161	-	12,738	20,820	-	-	-	252,719
	2018	218,759	-	15,090	20,782	-	-	13,034	267,665
Danny Hogan COO	2019	219,161	-	16,274	20,820	-	-	-	256,255
	2018	218,759	-	16,571	20,782	-	-	13,034	269,146
Salesh Nischal CFO[1]	2019	110,004	-	-	10,450	-	13,162	-	133,616
	2018	176,550	-	-	17,740	-	-	15,788	209,111
Fiona Yiend General Counsel/ Company Secretary	2019	50,800	-	1,394	4,826	-	107,786	-	164,806
	2018	185,038	-	7,560	17,579	-	-	15,788	225,965
Stephen Tofler CFO[2]	2019	66,461	-	-	6,314	-	-	-	72,775
	2018	-	-	-	-	-	-	-	-

[1] Resigned 1 February 2019

[2] Appointed CFO on 1 February 2019

Executive Remuneration Structure

Remuneration Mix

Fixed annual remuneration provides a "base" level of remuneration. Previously, 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. For FY2019 all incentives were ceased.

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.

Short Term Incentive Structure

Due to corporate overhead reductions in FY2019, all short term incentive plans were ceased.

Long Term Incentive Awards and Outcomes

Due to corporate overhead reductions in FY2019, there were no changes to the 2018 long term incentive plan.

During 2018 the following options were issued under the ISA Group Employee Incentive Option Plan. Each vested option entitles the holder to purchase one ordinary ISA Group share for the exercise price of $0.35. Shareholder approval was granted to the issue of options to Wayne Jones and Danny Hogan on 21 November 2017.

Employee	Options	Exercise Price	Vested	Vesting Date Tranche 1 (50%)	Vesting Date Tranche 2 (50%)	Expiry Date	Value of Option on Grant Date
Wayne Jones	1,100,000	$0.35	No	24 August 2019	24 August 2020	23 August 2021	3.55 cents
Danny Hogan	1,100,000	$0.35	No	24 August 2019	24 August 2020	23 August 2021	3.55 cents

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.
Stephen Tofler Chief Financial Officer & Company Secretary	January 2019	Ongoing	3 Months	3 months' notice for termination by Employer and legislative entitlements 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 2019 was $187,027 (FY18: $125,417).

Approach to setting Non-Executive Director Remuneration
Non-Executive Directors receive fixed remuneration in the form of a fee. The fee is set taking into account the

conditions at the time of the director's appointment, the director's skills and expertise and the role to be performed by the director.

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

The Non-Executive Director fees were not increased in 2018. 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
Stephen Baxter	2019	40,012	-	-	40,012
	2018	40,417	-	-	40,417
Ken Gillespie*	2019	7,083	-	-	7,083
	2018	85,000	-	-	85,000
Jon Brett**	2019	76,370	-	-	76,370
James Spenceley**	2019	63,562	-	-	63,562
Simon Ward***	2019	-	-	-	-

* Resigned 6 August 2018
** Resigned 15 July 2019
*** Resigned 11 March 2019

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.

	2015	2016	2017	2018	2019
Revenue	6,431,444	8,155,888	12,271,081	13,880,529	11,376,877
Net Profit/(Loss) after Tax	(1,903,921)	(1,506,760)	(891,290)	(10,140,582)	(7,400,998)
Share price at 30 June	0.45	0.40	0.20	0.12	0.018

Option holdings of KMP

Details of the option holdings of KMP are set out below. Non-Executive Directors are not granted options as part of their remuneration:

	Balance at 1 July 2018	Granted as remuneration	Rights exercised	Rights lapsed	Rights Forfeited	Balance at 30 June 2019
Wayne Jones	1,100,000	-	-	-	-	1,100,000
Danny Hogan	1,100,000	-	-	-	-	1,100,000

Shareholdings of KMP

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

KMP	Role	Interest in shares held at 1 July 2018	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 2019
Steve Baxter	Non-Executive Director	17,039,475	-	-	17,039,475
Wayne Jones	Chief Executive Officer & Director	19,026,307	450,000	-	19,476,307
Danny Hogan	Chief Operations Officer & Director	18,447,833	-	-	18,447,833
Stephen Tofler	Chief Financial Officer	-	-	-	-

2018 Annual General Meeting (AGM)
At the Company's AGM in November 2018, 96.59% of votes received were in favour of adopting the remuneration report.

Accru+ Felsers

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

In accordance with the requirements of section 307 of the *Corporations Act 2001*, as lead auditor for the audit of Indoor Skydive Australia Group Limited for the year ended 30 June 2019, I declare that, to the best of my knowledge and belief, there have been:

(i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

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

Vindran Vengadasalam
Partner

FELSERS
Chartered Accountants

27 September 2019

Sydney, Australia

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Chartered Accountants + Business Advisors
Sydney + Melbourne + Brisbane
Perth + Adelaide + Hobart + Auckland

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2019

	Note	Consolidated Group 2019 $	Consolidated Group 2018 $
Revenue	3	7,507,202	8,858,825
Cost of sales		(1,682,872)	(1,778,506)
Gross profit		5,824,330	7,080,319
Other income	3	337,016	396,753
Selling and marketing expenses	3(a)	(3,201,054)	(4,213,330)
Administration expenses	3(b)	(3,349,291)	(3,120,662)
Impairment of AirRider Brand		-	(2,627,648)
Legal expenses		-	(2,520,068)
Dispute settlement costs		-	(3,532,751)
Other expenses		(790,453)	(1,441,303)
Loss before interest and tax		(1,179,452)	(9,978,690)
Finance income		-	615
Finance expense		(1,060,004)	(535,8545)
Net financing costs		**(1,060,004)**	**(535,239)**
Share of loss of a joint venture entity	11	(53,031)	(339,583)
Loss before tax from continuing operations		**(2,292,487)**	**(10,853,512)**
Loss before tax from discontinuing operations	4(a)	(4,797,363)	1,631,081
Total Loss from operations		**(7,089,850)**	**(9,222,431)**
Income tax benefit	5	(311,148)	(918,151)
Loss after tax		**(7,400,998)**	**(10,140,582)**
Other comprehensive income			
Exchange differences on translation of foreign operations		2,357	805
Other comprehensive income for the period		2,357	805
Total comprehensive income for the period		**(7,398,641)**	**(10,139,777)**
Earnings per share			
From continuing operations:			
- Basic earnings per share (cents)	24	(1.90)	(7.42)
- Diluted earnings per share (cents)	24	(1.87)	(7.42)
From discontinuing operations:			
- Basic earnings per share (cents)	24	(3.51)	-
- Diluted earnings per share (cents)	24	(3.45)	-

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

Consolidated Statement of Financial Position

As at 30 June 2019

		Consolidated Group	
		2019	2018
	Notes	$	$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	6	140,665	953,541
Trade and other receivables	7	215,254	105,473
Inventories		30,148	83,156
Assets held for disposal	4(b)	9,736,903	-
Other financial asset	8	49,360	130,890
TOTAL CURRENT ASSETS		10,172,330	1,273,060
NON-CURRENT ASSETS			
Property, plant and equipment	9	26,285,762	42,151,324
Investment in joint venture entities	11	153,298	206,329
Intangible asset		-	264,350
Deferred tax asset	5	938,339	1,249,487
Other financial asset	8	132,585	197,440
TOTAL NON-CURRENT ASSETS		27,509,984	44,068,930
TOTAL ASSETS		37,682,314	45,341,990
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	12	3,334,028	3,997,700
Deferred revenue	13	759,681	1,231,797
Borrowings	14	1,651,465	1,886,317
Liabilities held for disposal	4(b)	6,722,153	-
Provisions	15	196,619	425,288
TOTAL CURRENT LIABILITIES		12,663,946	7,541,102
NON-CURRENT LIABILITIES			
Borrowings	14	9,454,229	9,081,123
Provisions	15	632,692	6,338,337
TOTAL NON-CURRENT LIABILITIES		10,086,921	15,419,460
TOTAL LIABILITIES		22,750,867	22,960,562
NET ASSETS		14,931,447	22,381,428
EQUITY			
Share capital	16	40,810,939	40,810,939
Reserves		9,467	58,450
Accumulated losses		(25,888,959)	(18,487,961)
TOTAL EQUITY		14,931,447	22,381,428

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

Consolidated Statement of Changes in Equity

For the year ended 30 June 2019

	Issued Capital	Reserves	Retained Earnings	Total
	$	$	$	$
Balance at 1 July 2018	**40,810,939**	**58,450**	**(18,487,961)**	**22,381,428**
Employee share based payment performance rights		(51,340)		(51,340)
Comprehensive income				
Loss for the year	-	-	(7,400,998)	(7,400,998)
Other comprehensive income	-	2,357	-	2,357
Total comprehensive loss for the year	**-**	**2,357**	**(7,440,998)**	**(7,398,641)**
Balance at 30 June 2019	**40,810,939**	**9,467**	**(25,888,959)**	**14,931,447**
Balance at 1 July 2017	**40,466,917**	**340,448**	**(8,347,379)**	**32,459,986**
Share issue on exercise of performance rights	344,022	(344,022)	-	-
Employee share based payment performance rights		3,574	-	3,574
Issue of share options		57,645	-	57,645
Comprehensive income				
Loss for the year	-	-	(10,140,582)	(10,140,582)
Other comprehensive income	-	805	-	805
Total comprehensive loss for the half year	**-**	**805**	**(10,140,582)**	**(10,139,777)**
Balance at 30 June 2018	**40,810,939**	**58,450**	**(18,487,961)**	**22,381,428**

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

Consolidated Statement of Cash Flows

For the year ended 30 June 2019

	Note	Consolidated Group 2019 $	2018 $
Cash Flows From Operating Activities			
Receipts from customers		12,412,011	14,946,055
Payments to suppliers and employees		(12,432,960)	(13,508,159)
Grant and Other Operational Income		210,250	-
Interest received		-	615
Finance costs		(1,065,550)	(558,598)
Net cash inflows from operating activities	18	**(876,249)**	**879,913**
Cash Flows From Investing Activities			
Purchase of property, plant and equipment		(74,883)	(106,485)
Payments for investment in joint venture		-	(545,107)
Payments for intangibles		-	(1,263,202)
Net cash outflows from investing activities		**(74,883)**	**(1,914,794)**
Cash Flows From Financing Activities			
Proceeds from borrowings		1,500,000	1,500,000
Repayment of borrowings		(1,361,744)	(1,218,035)
Net cash inflows from financing activities		**138,256**	**281,965**
Net decrease in cash held		**(812,876)**	**(752,916)**
Cash and cash equivalents at beginning of year		953,541	1,706,457
Cash and cash equivalents at end of year	5	**140,665**	**953,541**

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 27 September 2019 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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

Basis of Accounting

The Group incurred a loss for the year after tax of $7,400,998 (2018: loss of $10,140,582) and has a net current deficiency in assets of $5,506,366. Included within current liabilities are deferred revenue of $759,681 that will be realised as revenue once the service has been delivered to the customer. Therefore, excluding this balance, the Group has an adjusted current asset deficiency position of $4,746,685 at 30 June 2019.

The following matters have been considered by the directors in determining the appropriateness of the going concern basis of preparation in the financial statements:

i) in August 2019, ISA Group entered into an agreement with SkyVenture to sell the assets of iFLY Perth to SkyVenture in exchange for (amongst other things) the extinguishment of outstanding debt and royalties owed by ISA Group to SkyVenture, a suspension of royalty payments for a period of 4 years for iFLY Downunder (Sydney) and iFLY Gold Coast (which will be recorded in our financial statements as deferred consideration based on forecast royalty payments FY20) and a payment of A$500,000 from SkyVenture to the Company.

ii) In August 2019, ISA Group raised $2m through an entitlement offer and placement. The proceeds will be used to further reduce interest bearing debt and to invest in growth activities to improve operational performance

iii) In conjunction with the Entitlement Offer, to assist with the Company's strategy of reducing debt and liabilities, Birkdale (an entity associated with Chairman, Steve Baxter) has agreed to convert $1.2 million of its existing $3.0 million loan into New Shares at the Offer Price.

The above Conversion is subject to Shareholder approval being obtained for the issue of New Shares to Birkdale. In addition, Birkdale has agreed to extend the repayment date of the loan until 26 June 2021 and capitalise interest on the loan until 30 June 2020.

If the Company does not obtain shareholder approval for the Conversion, the Company and Birkdale have agreed to amend the terms of the Birkdale Loan facility by extending the repayment date for the whole amount of the outstanding principal under the Birkdale Loan facility, being $3 million, by a further 12 months to 26 June 2021.

A cash flow forecast for the next 12 months prepared by management has indicated that the consolidated entity will have sufficient cash assets to be able to meet its debts as and when they fall due. The directors are satisfied that the consolidated entity is able to meet its working capital liabilities through the normal cyclical nature of receipts and payments.

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 10 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

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)(iii).

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.

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 future years, 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 therefore 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. 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 2019, $664,328 of Gift Card Revenue is recognised (2018: $797,913). 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.

iv. 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 12.87% (2018: 8.73%), 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)

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 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.	2019 $	2018 $
Statement of Financial Position		
Assets		
Current assets	336,808	1,059,762
Non-current assets	31,535,823	35,055,595
Total Assets	31,872,631	36,115,357
Liabilities		
Current liabilities	1,812,552	2,609,814
Non-current liabilities	19,960,122	14,485,115
Total Liabilities	21,772,674	17,094,928
Equity		
Issued capital	40,810,939	40,810,939
Share based payments reserve	7,109	57,645
Retained earnings	(30,718,092)	(21,848,155)
Total Equity	10,099,956	19,020,429
Statement of Profit or Loss and Other Comprehensive Income		
Total comprehensive loss for the year	(8,869,937)	(10,662,509)
	(8,869,937)	(10,662,509)

Contingent liabilities

The parent entity does not have any contingent liabilities as at 30 June 2019.

Contractual commitments

Other than amounts disclosed in the financial statements, the parent entity has no additional contractual commitments as at 30 June 2019.

NOTE 3: REVENUE AND EXPENSES

Revenue	2019	2018
	$	$
VWT revenue – rendering of services	6,941,395	8,029,861
Other sales	565,807	828,964
	7,507,202	8,858,825

Other sales revenue relates to cafeteria income, merchandise income and sub-let income.

Other Income		
Grant Income	210,250	176,220
Other	126,766	220,533
	337,016	396,753

Included in the expenses are the following:

a) Selling and Marketing Expenses	2019	2018
	$	$
Marketing expenses	479,969	794,603
Employment expenses	2,721,085	3,418,727
	3,201,054	4,213,330

b) Administrative Expenses	2019	2018
	$	$
Depreciation and amortisation expenses	674,735	1,001,962
Occupancy expenses	689,591	888,089
Employment expenses	1,751,281	1,047,549
Share based payments	-	57,645
Directors' fees	238,684	125,417
	3,349,291	3,120,662

NOTE: 4 DISCONTINUING OPERATIONS

On 21 August 2019 the company entered into an agreement with SkyVenture International Ltd to sell the assets of the Perth Indoor Skydiving facility, as a part of the realignment of the future direction of the firm. This sale is subject to certain conditions and is in exchange for:

- Full satisfaction of amounts payable by the ISA Group of companies to SkyVenture under the Promissory Notes which were issued on settlement of the legal dispute in 2018
- Full satisfaction of all outstanding amounts payable by the ISA Group of companies under the Purchase and Licence Agreements for its three current operations
- A royalty suspension period of 4 years for Indoor Skydiving Penrith and Indoor Skydiving Gold Coast
- Cash payment to ISA Group of A$500,000
- Termination of the Purchase and Licence Agreement in relation to iFly Perth
- SkyVenture assuming the liabilities for presold and unused flights of up to $250,000

a) Profit or Loss from Discontinuing Operations

	2019 $	2018 $
Revenues	3,869,675	5,021,704
Cost of Sales	(845,079)	(796,795)
Gross Profit	3,024,596	4,224,909
Selling and marketing expenses	(1,312,652)	(969,939)
Administration expenses	(1,235,691)	(1,482,325)
Other expenses	(145,947)	(118,820)
Profit/Loss Before Interest and Tax	330,306	1,653,825
Finance expense	(5,546)	(22,744)
Net financing costs	**(5,546)**	**(22,744)**
Loss on disposal	(5,122,123)	-
Profit/Loss Before Tax	**(4,797,363)**	**1,631,081**

b) Financial Position of Discontinuing Operations

The carrying amounts of assets and liabilities are summarised as follows:

	Assets & Liabilities held for Disposal
	$
ASSETS	
CURRENT ASSETS	
Inventories	16,533
Property, plant and equipment	14,842,495
Provision for loss on disposal	(5,122,123)
TOTAL CURRENT ASSETS	9,736,905
TOTAL ASSETS	9,736,905
LIABILITIES	
CURRENT LIABILITIES	
Trade and other payables	857,789
Deferred revenue	250,000
Provisions	5,864,364
TOTAL CURRENT LIABILITIES	6,972,153
TOTAL LIABILITIES	6,972,153
NET ASSETS	2,764,752

NOTE 5: INCOME TAX (EXPENSES)/BENEFIT

	2019	2018
Income tax benefit	**$**	**$**
Current income tax:		
Current income tax charge	-	104,482
Deferred tax:		
Relating to origination and reversal of temporary differences	(311,148)	(1,022,633)
Income tax benefit	(311,148)	(918,151)

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 2019 is as follows:

	2019	2018
	$	**$**
Accounting loss before income tax	(7,089,850)	(9,222,431)
At the statutory income tax rate of 27.5%	(1,949,709)	(2,536,168)
Share of results of joint venture	14,584	81,500
Tax losses not recognised	2,316,058	1,666,342
Non-deductible expenses for tax purposes:		
Entertainment expenses	1,142	4,950
Share based payments	(14,119)	15,852
Amortisation expenses	-	28,141
Dispute settlement costs	-	971,507
Impairment of AirRider brand	-	722,603
Other exempt income	(57,819)	(48,460)
Other non-deductible expenses	-	-
Effect of lower tax rates in Malaysia	1,011	11,884
Income Tax Benefit	311,148	918,151
Deferred tax assets (timing difference) comprises of:		
Share issue costs	-	80,797
Accruals and provisions	938,339	1,168,691
Deferred tax asset (timing difference) brought to account	938,339	1,249,487
Deferred tax asset (tax losses) brought to account	-	-
Total deferred tax brought to account	938,339	1,249,487

The Group has tax losses that arose in Australia for which no deferred tax asset of $2,823,562 is recognised on the Statement of Financial Position. The tax losses are available indefinitely for offsetting against future taxable profits of the Group.

NOTE 6: CASH AND CASH EQUIVALENTS	2019	2018
	$	**$**
Cash at bank and on hand	140,665	953,541
	140,665	953,541

NOTE 7: TRADE RECEIVABLES AND OTHER ASSETS	2019	2018
	$	$
Trade receivables	39,713	38,885
Other receivables	138,060	9,400
Prepaid expenses	37,481	57,188
	215,254	105,473

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 8: OTHER FINANCIAL ASSETS	2019	2018
	$	$
Current	49,360	130,890
Non- current	132,585	197,440
	181,945	328,330

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

NOTE 9: PROPERTY PLANT AND EQUIPMENT

	2019	2018	2019	2018	2019	2018
	Cost		Depreciation		Carrying Value	
Vertical wind tunnel building Infrastructure						
Balance at Beginning of year	32,422,344	32,338,525	(2,158,394)	(1,354,288)	30,263,950	30,984,237
Acquisitions / depreciation	-	28,446	(220,281)	(804,106)	(220,281)	(775,660)
Disposals / transfers	(16,226,352)	55,373	2,119,939	-	(14,106,413)	55,373
Balance at end of year	16,195,992	32,422,344	(258,736)	(2,158,394)	15,937,256	30,263,950
Vertical wind tunnel equipment						
Balance at Beginning of year	12,763,818	12,763,735	(1,760,100)	(1,058,479)	11,003,718	11,705,256
Acquisitions / depreciation	-	83	(691,290)	(701,621)	(691,290)	(701,538)
Disposals / transfers	(602,447)	-	-	-	(602,447)	-
Balance at end of year	12,161,371	12,763,818	(2,451,390)	(1,760,100)	9,709,981	11,003,718

NOTE 9: PROPERTY PLANT AND EQUIPMENT (CONT)

	2019	2018	2019	2018	2019	2018
	Cost		Depreciation		Carrying Value	
IT Equipment						
Balance at Beginning of year	942,655	666,502	(368,096)	(222,694)	574,559	443,808
Acquisitions / depreciation	74,883	21,911	(112,244)	(145,402)	(37,361)	(123,491)
Disposals / transfers	(168,528)	254,242	52,762	-	(115,766)	254,242
Balance at end of year	849,010	942,655	(427,578)	(368,096)	421,432	574,559
Furniture and fittings						
Balance at Beginning of year	632,603	598,281	(334,172)	(227,723)	298,431	370,558
Acquisitions / depreciation	-	34,322	(66,804)	(106,449)	(66,804)	(72,127)
Disposals / transfers	(22,372)	-	7,529	-	(14,843)	-
Balance at end of year	610,231	632,603	(393,447)	(334,172)	216,784	298,431
Office Equipment						
Balance at Beginning of year	21,997	21,268	(11,331)	(4,034)	10,666	17,234
Acquisitions / depreciation	-	729	(7,332)	(7,297)	(7,332)	(6,568)
Disposals / transfers	(18,697)	-	15,673	-	(3,024)	-
Balance at end of year	3,300	21,997	(2,990)	(11,331)	310	10,666
Capital Work in Progress						
Balance at Beginning of year	-	444,599	-	-	-	444,599
Acquisitions / depreciation	-	-	-	-	-	-
Disposals / transfers	-	(444,599)	-	-	-	(444,599)
Balance at end of year	-	-	-	-	-	-
Total						
Balance at Beginning of year	46,783,417	46,832,910	(4,632,093)	(2,867,218)	42,151,324	43,965,692
Acquisitions / depreciation	74,883	85,491	(1,097,951)	(1,764,875)	(1,023,068)	(1,679,384)
Disposals / transfers	(17,038,396)	(134,984)	2,195,902	-	(14,842,494)	(134,984)
Balance at end of year	29,819,904	46,783,417	(3,534,142)	(4,632,093)	26,285,762	42,151,324

NOTE 10: INTEREST IN SUBSIDIARIES

Set out below are the Group's subsidiaries at 30 June 2019. 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	2019 %	2018 %
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
ISA FLIGHT Club 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	100
ISA Asia Operations Pty Ltd	Australia	100	100

* Indoor Skydiving Perth Pty Ltd is a discontinuing entity

NOTE 11: INTEREST IN JOINT VENTURE ENTITIES

a) The Group has a 40% interest in Leisureworld Assets Sdn. Bhd., a joint venture involved in owning an indoor skydive facility in Kuala Lumpur, Malaysia. The Group's interest in Leisureworld Assets Sdn. Bhd. is accounted for using the equity method.

b) The Group has a 60% interest in Leisureworld Escapades Sdn. Bhd., a joint venture operating and managing the indoor skydive facility in Kuala Lumpur, Malaysia. The Group's interest in Leisureworld Escapades Sdn. Bhd. is accounted for using the equity method.

	30 June 2019	
	Leisureworld Assets Sdn. Bhd.	**Leisureworld Escapades Sdn. Bhd.**
Current assets	1,027,146	102,026
Non-current assets	4,255,697	72,025
Current liabilities	(4,899,598)	(1,320,171)
Non-current liabilities	-	-
Equity	383,245	(1,146,120)
Group's carrying value of the investment	153,298	-

	Year ended 30 June 2019	
	Leisureworld Assets Sdn. Bhd.	**Leisureworld Escapades Sdn. Bhd.**
Revenue	1,227,836	1,035,701
Cost of sales	(536,464)	(1,630,275)
Administration expenses	(345,046)	(678,425)
Finance costs	(450,580)	-
Loss before tax	(104,245)	(1,272,999)
Income tax benefit	-	-
Loss for the period	(104,245)	(1,272,999)
Group's share of loss for the period	(41,698)	-

Note that LeisureWorld Escapades Sdn. Bhd. has a negative Net Assets. Accordingly, equity accounting is discontinued and the investment is carried as nil.

Under the September 2018 Deed of Settlement with SkyVenture International Ltd, any economic benefit derived by the Group from the Malaysian joint venture is to be passed on to SkyVenture International Ltd.

NOTE 12: TRADE AND OTHER PAYABLES	**2019**	**2018**
	$	**$**
Trade payables	1,305,784	1,267,853
Other accruals	2,028,244	2,729,847
	3,334,028	3,997,700

NOTE 13: DEFERRED REVENUE	**2019**	**2018**
	$	**$**
Deferred revenue	759,681	1,231,797
	759,681	1,231,797

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 14: BORROWINGS

	2019 $	2018 $
Current Liabilities		
Westpac debt facility (a)	1,651,465	1,886,317
	1,651,465	1,886,317
Non - Current Liabilities		
Westpac debt facility (a)	6,454,229	7,581,123
Loan from Birkdale Holdings (QLD) Pty Ltd (b)	3,000,000	1,500,000
	9,454,229	9,081,123

a) 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.

b) The company has in place a loan facility of $3,000,000 with Birkdale Holdings (QLD) Pty Ltd, a company associated with Steve Baxter Director of Indoor Skydive Australia Group Limited. During the year the company drew down the remaining $1,500,000 of this facility. The term of the loan is 24 months with full repayment at expiry.

NOTE 15: PROVISIONS

	2019	2018
Current Provisions	196,619	425,288
Non Current Provisions	632,692	6,338,337
Total	829,311	6,763,625

	Provision for Dispute Settlement	Provision for Employee Benefits	Provision for Lease Straight Lining	Provision for Site Restoration	Provision for Onerous lease	Total Provisions
	$	$	$	$	$	$
Carrying amount 1 July 2018	**5,532,751**	**271,475**	**617,306**	**242,093**	**100,000**	**6,763,625**
Additional Provisions		-	-	16,071	-	(100,000)
Amount Utilised	(5,532,751)	(57,650)	(185,867)	(74,117)	(100,000)	-
Carrying amount 30 June 2019	**-**	**213,825**	**431,439**	**184,047**	**-**	**829,311**
Current	**-**	**158,273**	**16,289**	**22,057**	**-**	**196,619**
Non-current	**-**	**55,552**	**415,150**	**161,990**	**-**	**632,692**
Carrying amount 1 July 2017	**-**	**223,970**	**648,222**	**222,655**	**-**	**1,094,847**
Additional Provisions	3,532,751	262,891	-	19,438	100,000	3,915,080
Transfer from payables	2,000,000	-	-	-	-	2,000,000
Amount Utilised	-	(215,386)	(30,916)	-	-	(246,302)
Carrying amount 30 June 2018	**5,532,751**	**271,475**	**617,306**	**242,093**	**100,000**	**6,763,625**
Current	**-**	**268,985**	**35,168**	**21,135**	**100,000**	**425,288**
Non-current	**5,532,751**	**2,490**	**582,138**	**220,958**	**-**	**6,338,337**

The Provision for Dispute Settlement has been written back against the sale of the Perth assets.

NOTE 15: PROVISIONS (CONT)

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 two 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 12.84% after consideration of the associated risks.

NOTE 16: ISSUED CAPITAL	2019	2018
	$	$
136,696,514 (2018: 136,696,514) fully paid ordinary shares	42,803,385	42,803,385
Share issue costs	(1,992,446)	(1,992,446)
	40,810,939	40,810,939

	2019	2018
Ordinary Shares	No.	No.
At the beginning of the reporting period	136,696,514	135,884,625
· Performance rights exercised	-	811,889
	136,696,514	136,696,514

b. 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 17: CAPITAL AND LEASING COMMITMENTS

a) Operating Lease Commitments	2019 $	2018 $
Non-cancellable operating leases contracted for but not recognised in the financial statements		
Payable – minimum lease payments:		
- Not later than 12 months	764,077	861,571
- Between 12 months and five years	3,056,308	3,072,662
- Later than five years	23,299,656	24,063,733
	27,120,041	27,997,966

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	-	-
	-	-

NOTE 18: CASH FLOW INFORMATION

	2019	2018
	$	$
Reconciliation of Cash Flow from Operations with Loss after Income Tax		
Loss after income tax	(7,400,998)	(10,140,582)
Non-cash flows in loss:		
- Share based payments	16,980	57,645
- Impairment	264,350	2,627,648
- Share of loss from joint venture	53,031	339,583
- Unwind of make good discount	14,534	19,438
- Depreciation expense	1,097,950	1,764,875
- Amortisation expense	177,947	172,701
Changes in assets and liabilities:		
- (increase)/decrease in trade and term receivables	(828)	(10,926)
- (increase)/decrease in prepaid expenses	19,707	24,116
- (increase)/decrease in other financial assets	9,335	(160,351)
- (increase)/decrease in deferred tax asset	311,148	918,151
- increase/(decrease) in trade payables and accruals	94,647	2,296,270
- increase/(decrease) in unearned revenue	(472,116)	(675,503)
- increase/(decrease) in provisions	4,938,064	3,646,848
Cash flow provided by operations	(876,249)	879,913

Other Non-Cash Transactions		
Capital expenditure	-	1,369,687
Depreciation & Amortisation	1,275,897	1,937,576
Other non-cash expense	16,980	57,645

NOTE 19: 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.

During the year, a loan facility of $3,000,000 which had previously been made available from Birkdale Holdings (Qld) Pty Ltd, a company controlled by Steve Baxter, Non-Executive Director and Chairman of Indoor Skydive Australia Group Limited, was fully drawn down from its previous $1,500,000 level.

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	
	2019 $	2018 $	2019 $	2018 $
Short term employee benefits	1,003,957	1,076,798	1,003,957	1,076,798
Post employment benefits	63,230	85,728	63,230	85,728
Share based payments	-	57,644	-	57,644
	1,067,187	1,220,170	1,067,187	1,220,170

NOTE 20: SHARE BASED PAYMENTS

Year Ended 30 June 2019

Under the Employee Incentive Options Plan, awards are made to the executives who have an impact on the Group's Performance. Employee Incentive Option awards are delivered in the form of options over shares which vest over a period of three years subject to meeting performance measures. The group uses share price as the performance measure.

The fair value of share options granted is estimated at the date of grant using a Black-Scholes valuation model., taking into account the terms and conditions upon which the share option is equal to 145% of the volume weighted average market price on the ASX for up to 5 trading days. The contracted term of the share options is four years and there are no cash settlement alternatives for employees.

The following table illustrates the reconciliation of share options during the year:

	Number of Share Options
Outstanding as at 1 July 2018	3,500,000
Granted during the year	-
Forfeited during the year	1,300,000
Outstanding as at 30 June 2019	2,200,000

The following table lists the inputs to the model used for the Employee Incentive Option Plan for the year ended 30 June 2019:

	24 Aug 2019	21 Nov 2019
Fair Value at grant/approval date (weighted average)	$0.02	$0.02
Share Price at grant/approval date	$0.02	$0.02
Exercise Price	$0.35	$0.35
Expected Volatility	50%	50%
Expected life (weighted average number of days)	1,460	1,460
Expected dividends	0%	0%
Risk-free rate (weighted average)	0.88%	0.88%

Year Ended 30 June 2018

Under the Employee Incentive Options Plan, awards are made to the executives who have an impact on the Group's Performance. Employee Incentive Option awards are delivered in the form of options over shares which vest over a period of three years subject to meeting performance measures. The group uses share price as the performance measure.

The fair value of share options granted is estimated at the date of grant using a Black-Scholes valuation model., taking into account the terms and conditions upon which the share option is equal to 145% of the volume weighted average market price on the ASX for up to 5 trading days. The contracted term of the share options is four years and there are no cash settlement alternatives for employees.

The following table illustrates the reconciliation of share options during the year:

	Number of Share Options
Outstanding as at 1 July 2017	-
Granted during the year	4,150,000
Forfeited during the year	(650,000)
Outstanding as at 30 June 2019	3,500,000

The following table lists the inputs to the model used for the Employee Incentive Option Plan for the year ended 30 June 2018:

	24 Aug 2018	21 Nov 2018
Fair Value at grant/approval date (weighted average)	$0.24	$0.17
Share Price at grant/approval date	$0.24	$0.17
Exercise Price	$0.35	$0.35
Expected Volatility	50%	50%
Expected life (weighted average number of days)	1,460	1,460
Expected dividends	0%	0%
Risk-free rate (weighted average)	2.66%	2.66%

NOTE 21: 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 22: 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 22: 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.

	2019 $	2018 $
Cash and Term Deposits:		
Cash at bank and on hand	140,665	953,541
	140,665	953,541

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 22: 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	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
	$	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Financial liabilities due for payment								
Borrowings	1,651,465	1,886,317	9,454,229	9,081,123	-	-	11,105,694	10,967,440
Trade and other payables	3,334,028	3,997,700	-	-	-	-	3,334,028	3,997,700
Total contractual outflows	4,985,493	5,884,017	9,454,229	9,081,123	-	-	14,439,722	14,965,140
Total expected outflows	4,985,493	5,884,017	9,454,229	9,081,123	-	-	14,439,722	14,965,140
Financial assets – cash flows realisable								
Cash and cash equivalents	140,665	953,541	-	-	-	-	140,665	953,541
Trade and other receivables	215,254	105,473	-	-		-	215,254	105,473
Total anticipated inflows	355,919	1,059,014	-	-	-	-	355,919	1,059,014
Net inflow on financial instruments	(4,629,574)	(4,825,003)	(9,454,229)	(9,081,123)	-	-	(14,083,803)	(13,906,126)

Refer to Note 1 Basis of Accounting for matters that have been considered by the directors in determining the appropriateness of the going concern for the preparation of the financial statements.

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 22: 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 22: FINANCIAL RISK MANAGEMENT (CONT)

	Profit	Equity
	$	$
Year ended 30 June 2019		
+/–1% in interest rates	109,740	109,740
+/–10% in devaluation of the AUD	508,527	508,527
Year ended 30 June 2018		
+/–1% in interest rates	100,291	100,291
+/–10% in devaluation of the AUD	541,419	541,419

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 22: FINANCIAL RISK MANAGEMENT (CONT)

Consolidated Group	Note	2019 Carrying Amount $	2019 Fair Value $	2018 Carrying Amount $	2018 Fair Value $
Financial assets					
Cash and cash equivalents	(i)	140,665	140,665	953,541	953,541
Trade and other receivables	(i)	215,254	215,254	105,473	105,473
Total financial assets		355,919	355,919	1,059,014	1,059,014
Financial liabilities					
Trade and other payables	(i)	3,334,028	3,334,028	3,997,700	3,997,700
Borrowings	(ii)	11,105,695	11,105,695	10,967,440	10,967,440
Total financial liabilities		14,439,723	14,439,723	14,965,140	14,965,140

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 23: AUDITOR'S REMUNERATION

Remuneration of the auditor for:	2019 $	2018 $
– Audit fees	55,300	55,300
– Half year review	21,500	27,550
– Taxation compliance	5,000	5,000
– Other advisory services	2,500	2,500
	84,300	90,350

The auditor for financial year 2018 and 2019 was Felsers, Chartered Accountants.

NOTE 24: EARNINGS PER SHARE

Earnings per share (cents per share)	2019 Cents	2018 Cents
From continuing operations:		
- basic earnings per share	(1.90)	(7.42)
- diluted earnings per share	(1.87)	(7.42)
From discontinuing operations:		
- basic earnings per share	(3.51)	-
- diluted earnings per share	(3.45)	-

		2019 $	2018 $
a.	Reconciliation of earnings to profit or loss:		
	Loss	(7,400,998)	(10,140,582)
	Earnings used to calculate basic EPS – continuing operations	(2,603,635)	(10,140,582)
	Earnings used to calculate basic EPS – discontinuing operations	(4,797,363)	-
	Earnings used in the calculation of dilutive EPS – continuing operations	(2,603,635)	(10,140,582)
	Earnings used in the calculation of dilutive EPS – discontinuing operations	(4,797,363)	-

		No.	No.
b.	Weighted average number of ordinary shares for basic EPS	136,696,514	136,640,752
	Weighted average number of ordinary shares for diluted EPS	138,896,514	139,818,500

All performance rights on issue at 30 June 2019 are anti-dilutive.

NOTE 25: EVENTS AFTER REPORTING DATE

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.

Subsequent Event

The Company has entered into an agreement to sell iFLY Perth to SkyVenture in return for the extinguishment of outstanding debt and outstanding royalty payments to SkyVenture, SkyVenture granting a royalty free period for iFLY Downunder (Sydney) and iFLY Gold Coast as well as a cash payment to the Company as outlined previously to the market. The Asset sale agreement was signed on 21st August 2019. At the date of signing, final conditions are still being met, and it will have an effective settlement date of 30th August 2019. In conjunction with the asset sale, the company also conducted a capital raise through an entitlement offer and placement which raised $2 million. The completion of the entitlement offer was 21st August 2019.

NOTE 26: CONTINGENT LIABILITIES

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

DIRECTORS' DECLARATION

For the year ended 30 June 2019

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

a. the financial statements and notes, as set out on pages 16 to 56, are in accordance with the *Corporations Act 2001*, including:

i. giving a true and fair view of the financial position as at 30 June 2019 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 2019.

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

For and on behalf of the Board

Wayne Jones
Director and Chief Executive Officer
27 September 2019
Sydney

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 2019, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies and the directors' declaration.

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

(i) giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the year then ended; and

(ii) 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 auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the financial report, which indicates that the Group incurred a net loss of $7,400,998 and has a current deficiency in assets of $4,746,685 as at 30 June 2019. A stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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.

We have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	How our audit addressed the key audit matter
Revenue – Note 3, 13	
The group recognised revenue derived from the sales of goods and services as well as the sale of prepaid gift cards. Wind Tunnel Revenue for the year ended 30 June 2019 was $10,587,226. It was noted that the point-of-sale system (Siriusware) used to record and track revenue receipts from the original point of sale is not integrated with general ledger. We therefore considered revenue to be a key audit matter given the potential for revenue to be materially misstated when posted via manual general ledger journal entries based off the monthly summary extracted from Siriusware. Our procedures were designed to corroborate our assessment that revenue should be closely aligned to actual cash banked and identify manual adjustments made to revenue for additional testing. A portion of the revenue attributable to gift card sales is recognised upfront using management's internal estimates of the historical redemption rates of the gift cards. As at 30 June 2019, gift card revenue or 'breakage' of $664,328 was recognised along with a corresponding deferred revenue balance of $759,681. Given the management judgement and inherent subjectivity in the development and application of appropriate accounting policies in compliance with Australian Accounting Standards as well as adherence to proper cut-off procedures as to the timing of the revenue, we believe this constitutes a key audit matter.	Our audit procedures included, among others: • Assessing whether the Group's revenue recognition policies were in compliance with Australian Accounting Standards • Evaluating the operating effectiveness of revenue recognition • Testing the appropriateness and accuracy of general ledger revenue journals • Reviewing the mathematical accuracy of management's calculation of the gift card revenue recognised and tracing a sample of general journals posted to supporting documentation; • Evaluating the reasonableness of management's estimates relating to gift card breakage rates including corroborating management's assertions to historical redemption rates; and • Performing testing on a sample of sales at year end to determine that the revenues recorded relate to the appropriate period.

<table>
<tr><th>Recovery of deferred tax assets – Note 1(s)(ii), 5</th><th></th></tr>
<tr><td>In accordance with Australian Accounting Standards, deferred tax assets can only be recognised to the extent that it is probable sufficient future taxable profits will be generated to utilise the benefits associated with the deferred tax assets through reductions in the tax payable in future reporting periods. Gross deferred tax assets of the Group for the year ended 30 June 2019 amounted to $938,339, all arising from future deductible temporary differences have been recognised. Due to several years of losses, the directors have deemed it prudent not to recognise a deferred tax asset of $2,823,562 on tax losses. The balance of unused tax losses may be recouped in future years.

Given the material amount of deferred tax assets recognised or unrecognised and the judgement required in determining their recoverability in accordance with the Australian Accounting Standards, we believe this constitutes a key audit matter.</td><td>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 balances;

• involving our taxation specialists to assist in the 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.</td></tr>
<tr><th>Impairment of non-current assets – Note 9, 11</th><th></th></tr>
<tr><td>As at 30 June 2019, the carrying amount of the group's property, plant and equipment totaled $26,285,762. Based on the Group's assessment of both external and internal indicators of impairment, there was no impairment charge.

We focused on this area due to the size of the intangible and PPE balances and because the director's assessment of the value in use (VIU) of the CGU's involves inherent judgement and subjectivity as to the future cash flows and discount rates applied to them.</td><td>Our audit procedures included, among others:

• Updating our understanding of managements procedures for annual impairment testing
• Agreeing key assumptions such as discount rates and revenue growth to supporting documentation and reasonableness when compared with industry averages and trends.
• Comparing cash flow projections to historical performance and observable trends corroborating any deviations to third party evidence where applicable</td></tr>
<tr><th>Provision for site restoration – Note 1 (s)(iv), 15</th><th></th></tr>
<tr><td>The Group entered into long term 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 $184,047 for the site restoration as at 30 June 2019 in accordance with AASB 137 Provision, Contingent Liabilities and Contingent Assts.

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.</td><td>Our audit procedures included, among 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 qualification and experience of Management's expert in relation to the valuation of the restoration costs at their presents value to use as the basis of the estimate; and
• Assessing the adequacy of the financial statement disclosure.</td></tr>
</table>

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 consider all information about the future encompassing at the least twelve months from the end of the reporting period. The assessment is largely based on the assumptions made by directors in formulating cash flow forecasts, with key assumptions including the timing of the future cash flows, operating results, capital raising activities, any potential sale of assets and any capital commitments.	Our audit procedures included, among others: • Evaluation of the underlying data used as the basis of cash flow projections prepared by management and those charged with governance; • Analysing the impact of potential 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 the Group's ability to continue as a going concern; • Recalculation of the ability to meet debt covenant ratios attached to existing facilities on the basis of budgeted and forecasted figures prepared by management and those charged with governance • Obtaining and reviewing correspondence between existing financiers and the Group to determine the options available to the Group inclusive of variable debt facilities • Evaluating the Group's 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.

Other Information

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 2019 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 accordingly 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 on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of 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 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 the financial report.

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors’ use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

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

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

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included on pages 9 to 14 of the directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Indoor Skydive Australia Group Limited, for the year ended 30 June 2019, complies with section 300A of the Corporations Act 2001.

Responsibilities

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

Vindran Vengadasalam
Partner

FELSERS
Chartered Accountants

27 September 2019
Sydney, Australia

The following information is current as at 4 September 2019:

1. Shareholder Information

Distribution of Shareholders

Category (size of holding):	**Number**	**Ordinary Shares**
1 – 1,000	37	15,579
1,001 – 5,000	70	176,164
5,001 – 10,000	65	553,494
10,001 – 100,000	235	9,703,461
100,001 and over	156	326,251,401
	563	336,700,099

The number of shareholdings held in less than marketable parcels is 320.

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	59,638,163	17.713
UBS NOMINEES PTY LTD	26,331,698	7.821
PARRY CAPITAL MANAGEMENT LTD <PARRY SPEC SIT SP FUND A/C>	25,000,000	7.425
MR ALEXANDER BEARD & MRS PASCALE BEARD <AD & MP BEARD SUPER FUND A/C>	20,435,000	6.069
MR KIM HOPWOOD	17,956,983	5.333

Voting Rights

ISA Group has 336,700,099 ordinary shares on issue which are listed on the ASX. 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 also has 3,300,000 options on issue which are not listed on the ASX. Options do not give a holder the right to vote at any meeting of ISA Group or to participate in any share issues.

20 Largest Shareholders – Ordinary Shares

Name	Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
BIRKDALE HOLDINGS (QLD) PTY LTD	59,638,163	17.713
UBS NOMINEES PTY LTD	26,331,698	7.821
PARRY CAPITAL MANAGEMENT LTD <PARRY SPEC SIT SP FUND A/C>	25,000,000	7.425
MR ALEXANDER BEARD & MRS PASCALE BEARD <AD & MP BEARD SUPER FUND A/C>	20,435,000	6.069
MR KIM HOPWOOD	17,956,983	5.333
EXCALIB-AIR PTY LTD <EXCALIB-AIR UNIT ACCOUNT>	16,060,000	4.770
MR ALEXANDER DAMIEN BEARD & MRS PASCALE MARIE BEARD <AD & MP BEARD SUPERFUND A/C>	15,228,274	4.523
QUAD INVESTMENTS PTY LTD	11,916,667	3.539
BNP PARIBAS NOMS (NZ) LTD <DRP>	10,095,914	2.998
SPENCELEY MANAGEMENT PTY LTD <SPENCELEY FAMILY S/F A/C>	8,826,251	2.621
HOWARD-WILLIS LIMITED	7,706,759	2.289
SANDHURST TRUSTEES LTD <EQUIT INV DRAGONFLY A/C>	6,820,139	2.026
EXERTUS CAPITAL PTY LTD	5,472,603	1.625
PROJECT GRAVITY PTY LTD <THE JONES FAMILY A/C>	5,327,307	1.582
DRILL INVESTMENTS PTY LTD	5,000,000	1.485
BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD DRP	3,200,563	0.951
MR ALEXANDER DAMIEN BEARD & MRS PASCALE MARIE BEARD <AD & MP BEARD SUPER FUND A/C>	3,000,000	0.891
MR DAVID LEYLAND	2,800,000	0.832
GALDARN PTY LTD	2,570,000	0.763
LYNDCOTE SUPER PTY LTD <LYNDCOTE SUPER FUND A/C>	2,521,667	0.749
	255,907,988	**76.005**

2. The name of the company secretary is Stephen Tofler.

3. The address of the principal registered office in Australia is 123 Mulgoa Road, Penrith NSW 2750

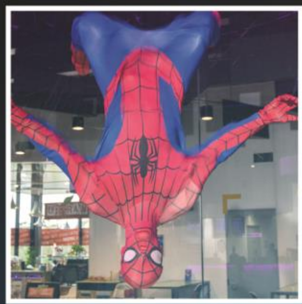
4. The Register of Securities is held at Grosvenor Place, Level 12, 225 George Street, Sydney NSW 2000.

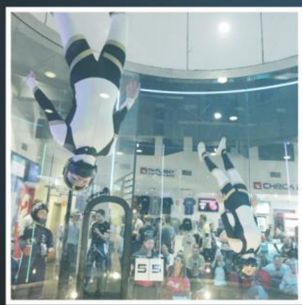
5. **Stock Exchange Listing**
   Quotation has been granted for all 336,700,099 ordinary shares of ISA Group on all Member Exchanges of the Australian Securities Exchange Limited.

6. **Unquoted Securities**
   ISA Group has 2,200,000 incentive options on issue to 2 eligible executive directors. The incentive options are subject to vesting conditions relating to tenure, have an exercise price of $0.35 and expire on 23 August 2021.







ISA GROUP
INDOOR SKYDIVE AUSTRALIA GROUP