

**INDOOR  
SKYDIVE  
AUSTRALIA  
GROUP  
LIMITED**

ABN: 39 154 103 607

**Annual Report**  
For the year ended 30th June 2013



# Indoor Skydive Australia Group Limited & Controlled Entities

ABN 39 154 103 607

## Contents

Chairman's letter	3
Directors' report	4
Remuneration report	8
Corporate Governance Arrangements	12
Auditors' independence declaration	16
Consolidated statement of profit or loss and other comprehensive income	17
Consolidated statement of financial position	18
Consolidated statement of changes in equity	19
Consolidated statement of cash flows	20
Notes to the financial statements	21
Directors' declaration	47
Independent audit report	48
Additional information for public companies	50
Corporate directory	52

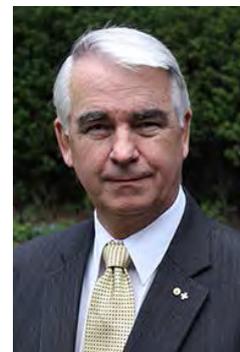
# Indoor Skydive Australia Group Limited & Controlled Entities

ABN 39 154 103 607



Dear Shareholder,

Welcome to the first annual report of Indoor Skydive Australia Group Limited (IDZ). I would like to use this opportunity to thank especially those of you who participated in our IPO and enabled us to successfully list on the ASX earlier this year. By any measure it has been an exciting and successful year, and we look forward to this being the first of many positive annual reports to come. Our performance to date should reassure our investors that our clear vision, which is to operate a portfolio of Vertical Wind Tunnels (VWT) throughout Australia and the region, is being rigorously pursued.



Subsequent to the ASX listing in January, construction commenced on our first VWT at the Penrith site and I am very pleased to report that the project is currently both on time and on budget. Wayne, our CEO, Danny COO, and their IDZ team are doing a fantastic job in bringing this class leading project to fruition. The building is now well out of the ground and the VWT equipment has been manufactured in the USA. All VWT equipment is en-route to Australia with consolidation expected in Penrith by early October 13. Completion of the facility is expected to be on time in first quarter 2014. For more information on the Penrith construction, photographs and other Company information, please visit our web site at <http://www.indoorskydiveaustralia.com.au/>

Extensive progress has been made on our marketing campaign and our sales modelling. Brett Sheridan, the Group's Chief Marketing Officer, is very focused on pre-launch promotion and sales and is working extensively with stakeholders at Penrith including the local government, business chambers, the Penrith Leagues Club and schools. We look forward to announcing the start of pre-sales activities before the end of the year. The development of our systems to allow these activities to progress with high levels of confidence and data security is progressing well.

The Company is in strategic discussions with key marketing and distribution organisations, skydiving drop zones and major potential users of the VWT. As part of our future growth plans we continue to discuss opportunities with all our current and potential future suppliers.

The Penrith Operations Manager and her team have been busy recruiting tunnel coaches and support personnel in preparation for our start date. Operations procedures and policy development is well underway to ensure we have a smooth and safe opening of the facility.

In line with its vision and as we look to accelerate our growth, the Company released a formal Expression of Interest (EOI) document in June with the intention of identifying other Australian VWT sites. The response to the EOI has been very encouraging and the Board is actively considering how we might capitalise on the opportunities presented.

The Annual General Meeting (AGM) of the company is planned for November and will be held at the Penrith Panthers facility. We've chosen this location to give shareholders the opportunity to see first-hand the progress being made with construction, and to have a venue for informal discussions with the Board and management after the AGM. I look forward to seeing you at that time. In the meantime, I encourage you to contact us directly with any questions you might have, or, you can also stay up to date through our social media sites at Facebook and Linked. The links are:

<https://www.facebook.com/indoorskydiveaustralia>

<http://www.linkedin.com/company/indoor-skydive-australia-group-ltd>

I would like to invite all shareholders to take this opportunity to attend the AGM and look forward to seeing you at that time.

Yours faithfully,

Lt Gen Ken Gillespie (Retd)

AC, DSC, CSM

Chairman

# Indoor Skydive Australia Group Limited & Controlled Entities

ABN 39 154 103 607

## DIRECTORS' REPORT

Your directors present their report, together with the financial statements of the Group, being the company and its controlled entities, for the financial year ended 30 June 2013.

### Directors

The names of directors who held office during or since the end of the year:

Kenneth James GILLESPIE	Chairman	Appointed 18 October 2012
Wayne Peter JONES	Chief Executive Officer	Appointed 4 November 2011
Daniel Christopher HOGAN	Chief Operating Officer	Appointed 4 November 2011
John Flower DIDDAMS	Non-Executive Director	Appointed 27 July 2012
Stephen BAXTER	Non-Executive Director	Appointed 13 August 2012
Malcolm John THOMPSON	Alternative Director	Appointed 13 February 2012

### Company Secretary

John Flower DIDDAMS	B Com, FCPA, FAICD	Appointed 21 June 2012
---------------------	--------------------	------------------------

### Kenneth James GILLESPIE

Qualifications

Experience

- **Chairman**
- AC, DSC, CSM
- Appointed Chair and Board member since 18 October 2012. One of Australia's most distinguished career soldiers, Lieutenant General (retired) Ken Gillespie served with the Australian Defence Force (ADF) for over 43 years, was appointed Chief of Army in July 2008, a position he held until his retirement in June last year. Previously he had served as Land Commander Australia and Vice Chief of the Defence Force.

Interest in Shares and Options

Special Responsibilities

- 250,000 ordinary shares
- Kenneth Gillespie is Chairman of the Board, Chair of the Remuneration and Nomination Committee and a member of the Audit and Risk Committee.

Directorships held in other listed entities during the three years prior to the current year

- Current board member of Senetas Limited (since April 2013), and Australian Aerospace Limited (since August 2012)

### Wayne Peter JONES

Qualifications

Experience

- **Chief Executive Officer**
- Dip Bus, Dip Man, MAICD.
- Appointed 4 November 2011. Wayne Jones served for 21 years in the Australian Defence Force. The last 14 years were spent as part of the highly recognised SAS where he has been involved in multiple operations both overseas and in Australia. Wayne holds various senior instructor qualifications and has been at the forefront of Military Freefall development and training over the past 10 years. Wayne's leadership and management qualities have been recognised throughout his career in the Defence force.

Interest in Shares and Options

Special Responsibilities

- 8,000,000 ordinary shares
- Wayne Jones is Chief Executive Officer

Directorships held in other listed entities during the three years prior to the current year

- None

# Indoor Skydive Australia Group Limited & Controlled Entities

ABN 39 154 103 607

## Daniel Christopher HOGAN

Qualifications

- Chief Operating Officer
- MG, MAICD, various certificates in frontline management and security operations.

Experience

- Appointed 4 November 2011. Daniel Hogan enlisted in the Australian Regular Army in 1991. In 1997 Daniel completed the Special Air Service Regiment (SASR) selection course and was selected for service within SASR in 1997. Daniel has deployed on multiple Military Operations during his 15 year career with SASR. He qualified in Military Freefall Parachuting Operations, is a highly qualified instructor for a wide variety of specialty courses and is also a senior military diving instructor for SASR.

Interest in Shares and Options

- 8,000,000 ordinary shares

Special Responsibilities

- Daniel Hogan is Chief Operating Officer

Directorships held in other listed entities during the three years prior to the current year

- None

## John Flower DIDDAMS

Qualifications

- **Non-Executive Director**
- B Com, FCPA, FAICD

Experience

- Appointed 27 July 2012, John has over thirty years financial and management experience as CFO, CEO and director of both private and public listed companies. John is the principal of a CPA firm that provides corporate services to SME & Mid-cap companies, including management of the process to raise capital and list on the stock exchange.

Interest in Shares and Options

- 435,000 ordinary shares

Special Responsibilities

- John Diddams is Company Secretary and a member of the Audit and Risk Committee

Directorships held in other listed entities during the three years prior to the current year

- None

## Stephen BAXTER

Qualifications

- **Non-Executive Director**
- nil

Experience

- Appointed 13 August 2012. — Former Regular Army electronics technician turned successful entrepreneur, Stephen is the founder of early Internet Provider SE Net and co-founder of Australia's premier competitive telecommunications infrastructure company, Pipe Networks Ltd (ASX:PWK). He has been a Director on several successful ASX listed companies boards and is an Australian success story with extensive experience in successful start-up and listed companies.

Interest in Shares and Options

- 15,000,000 ordinary shares

Special Responsibilities

- Stephen Baxter is Chair of the Audit and Risk Committee, and member of the Remuneration and Nomination Committee

Directorships held in other listed entities during the three years prior to the current year

- Former director of Pipe Networks (PWK), retired April 2010
- Vocus (VOC), retired Feb 2013

# Indoor Skydive Australia Group Limited & Controlled Entities

ABN 39 154 103 607

**Malcolm John THOMPSON**

Qualifications

- Alternative Director (for Stephen Baxter)
- MBA, B.Com, G Dip App Fin, G Dip Corp Gov.  
CPA, ACSA, ACIS, F.Fin, JP(Qual)

Experience

- Appointed Alternative Director 13 February 2012. An accountant and governance specialist by training, Malcolm has over 20 years' experience across technology, telecommunications, R&D and aerospace industries in senior roles, including CFO, Company Secretary and Director. Working with Stephen Baxter, he is currently Chief Investment Officer for Transition Level Investments targeting optimisation of angel and start-up investment success.

Interest in Shares and Options

- 400,000 ordinary shares

Special Responsibilities

- None

Directorships held in other listed entities during the three years prior to the current year

- None

## Principal Activities

Indoor Skydive Australia Group Limited was established on 4 November 2011 as the parent company to facilitate the construction and operation of a number of indoor skydiving facilities across Australasia over the next 3-5 years. These facilities allow human flight within a safe environment and are currently used by tourists, enthusiasts and military throughout the world.

There were no other significant changes in the nature of the consolidated group's principal activities during the financial year.

## Meetings of Directors

During the financial year, nineteen meetings of directors (including committees of directors) were held. Attendances by each director during the year were as follows:

	Directors' Meetings		Audit and Risk Committee		Remuneration and Nomination Committee	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Kenneth James GILLESPIE	8	7	2	2	1	1
Wayne Peter JONES	16	16	-	-	-	-
Daniel Christopher HOGAN	16	16	-	-	-	-
John Flower DIDDAMS	14	14	2	2	-	-
Stephen BAXTER	13	11	2	1	1	1
Malcolm John THOMPSON	2	2	1	1	-	-

## Operating Results, Review of Operations and Significant Changes in the State of Affairs

The company listed on the ASX in January 2013 and raised \$6,089,000 in share capital and has an additional \$5,911,000 available under a Convertible Note Finance Facility, \$2,000,000 of which has been drawn down as at 30 June 2013.

The company is still in the construction phase of the project and is therefore not generating any trading revenue.

The Company and consolidated group incurred an operating loss of \$914,571 for the period (2012: \$206,116) which was expected given the company's stage of development.

The ISA Group has total equity of \$5,853,803, which is represented mainly by cash of \$5,222,501, property plant and equipment of \$4,975,207, less debt and provisions of \$2,346,871 and \$2,144,290 respectively.

# Indoor Skydive Australia Group Limited & Controlled Entities

ABN 39 154 103 607

## Environmental Regulations

The consolidated group's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a state or territory. However, the Board believes that the consolidated group has adequate systems in place for the management of its environmental requirements and is not aware of any breach of those environmental requirements as they apply to consolidated entity.

## Dividends Paid or Recommended

No dividends were declared or paid during the year.

## Events After Reporting Date

The tender and acceptance of the vertical wind tunnel equipment as contemplated in the agreement with Sky Venture took place on 11 July 2013, which triggered an obligation to make the final payment of US\$1,650,000 (equivalent to A\$1,798,000 at payment date), which was made on that date. However, the Company had acquired the required US\$1,650,000 on 8 March 2013 for A\$1,608,000 resulting in a foreign currency gain which was brought to account at the balance date.

Other than the above, 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.

## Share Capital

44,810,833 ordinary shares were issued during the year after raising additional capital of \$6,933,525 during the year. Details of the shares issued during the year are set out in note 13.

Total issued share capital at 30 June 2013 is \$6,974,490 (2012: \$500,000).

## Indemnification of Officers or Auditor

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

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

## Proceedings on Behalf of Company

No person has applied for leave of court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

The company was not a party to any such proceedings during the year.

## Future Developments, Prospects and Business Strategies

Information as to the future developments, prospects and business strategies in the operations of the consolidated group are included in the Chairman's Letter. ISA Group currently proposes to construct a portfolio of facilities across Australia and our region in addition to that at Penrith. ISA Group is actively considering the following locations for additional projects;

- Sydney, NSW.
- Melbourne, VIC.
- Gold Coast, QLD.
- Perth, WA.

ISA Group does not limit future construction to within Australia and the directors are considering offshore opportunities. It is noted though that the current licence agreement between ISA Group and Sky Venture is in relation to the Penrith site only, however the opportunity for future engagement with Sky Venture to purchase further VWTs of various sizes from Sky Venture is contemplated by the current licence agreement.

## Non-Audit Services

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

# Indoor Skydive Australia Group Limited & Controlled Entities

ABN 39 154 103 607

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

The following fees were paid or payable to RSM Bird Cameron Partners for non-audit services provided during the year ended 30 June 2013:

	\$
Investigating Accountants Report	35,000
Other Advisory Fees in Relation to ASX Listing	14,643
	<u>49,643</u>

## ASIC Class Order 98/100 Rounding of Amounts

The company is an entity to which ASIC class order 98/100 does not apply and, accordingly, amounts in the financial statements and directors' report have not been rounded to the nearest thousand dollars.

## Auditor's independence declaration

The lead auditor's independence declaration for the year ended 30 June 2013 has been received and can be found on page 16 of the financial report.

## REMUNERATION REPORT

### Remuneration Policy

The remuneration policy of Indoor Skydive Australia Group Limited has been designed to align key management personnel (KMP) objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the consolidated group's financial results. The Board of Indoor Skydive Australia Group Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain high-quality KMP to run and manage the consolidated group, as well as create goal congruence between directors, executives and shareholders.

The Board's policy for determining the nature and amount of remuneration for KMP of the consolidated group will be as follows:

- The remuneration policy is to be developed by the remuneration committee and approved by the Board after professional advice is sought from independent external consultants.
- All KMP receive a base salary (which is based on factors such as length of service and experience), superannuation, fringe benefits, options and performance incentives. This aspect of policy is currently under review by external consultants.
- Performance incentives are generally only paid once predetermined key performance indicators (KPIs) have been met.
- Incentives paid in the form of shares, options or rights are intended to align the interests of the directors and company with those of the shareholders. In this regard, KMP will be prohibited from limiting risk attached to those instruments by use of derivatives or other means.
- The remuneration committee reviews KMP packages annually by reference to the consolidated group's performance, executive performance and comparable information from industry sectors.

The performance of KMP is measured against criteria agreed annually with each executive and is based predominantly on the forecast growth of the consolidated group's profits and shareholders' value. All bonuses and incentives must be linked to predetermined performance criteria. The Board may, however, exercise its discretion in relation to approving incentives, bonuses and options, and can recommend changes to the committee's recommendations. Any change must be justified by reference to measurable performance criteria. The policy is designed to attract the highest calibre of executives and reward them for performance results leading to long-term growth in shareholder wealth.

KMP receive a superannuation guarantee contribution required by the government, and do not receive any other retirement benefits. Some individuals, however, may choose to sacrifice part of their salary to increase payments towards superannuation.

Upon retirement, KMP are paid employee benefit entitlements accrued to the date of retirement.

All remuneration paid to KMP is valued at the cost to the company and expensed.

# Indoor Skydive Australia Group Limited & Controlled Entities

ABN 39 154 103 607

The Board's policy is to remunerate non-executive directors at market rates for time, commitment and responsibilities. The remuneration committee determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting.

KMP are also entitled and encouraged to participate in the employee share and option arrangements to align directors' interests with shareholders' interests.

KMP or closely related parties of KMP are prohibited from entering into hedge arrangements that would have the effect of limiting the risk exposure relating to their remuneration.

In addition, the Board's remuneration policy prohibits directors and KMP from using Indoor Skydive Australia Group Limited shares as collateral in any financial transaction, including margin loan arrangements.

## Engagement of Remuneration Consultants

During the financial year, no external firm was engaged to review the elements of KMP remuneration and provide recommendations.

## Performance-based Remuneration

KPIs are set annually, with a certain level of consultation with KMP and are included in the Executive Service Agreements for each KMP. The measures are specifically tailored to the area each individual is involved in and has a level of control over. The KPIs target areas the Board believes hold greater potential for group expansion and profit, covering financial and non-financial as well as short and long-term goals. The level set for each KPI is based on budgeted figures for the Group and respective industry standards.

Performance in relation to the KPIs is assessed annually, with bonuses being awarded depending on the number and deemed difficulty of the KPIs achieved. Following the assessment, the KPIs are reviewed by the CEO and/or the Remuneration & Nomination Committee in light of the desired and actual outcomes, and their efficiency is assessed in relation to the Group's goals and shareholder wealth, before the KPIs are set for the following year.

In determining whether or not a KPI has been achieved, Indoor Skydive Australia Group Limited bases the assessment on audited figures; however, where the KPI involves comparison of the Group, or a division within the Group, to the market, independent reports may be obtained from external advisory organisations, such as Standard & Poor's.

## Relationship between Remuneration Policy and Company Performance

The remuneration policy will be tailored to increase goal congruence between shareholders, directors and executives remuneration, with the intention of taking account of the gross revenue, profits and dividends for the listed entity, as well as the share price at the end of the financial year.

## Performance Conditions Linked to Remuneration

The Group seeks to emphasise reward incentives for results and continued commitment to the Group through the provision of various cash bonus reward schemes, specifically the incorporation of incentive payments based on the achievement of revenue targets, return on equity ratios, and continued employment with the Group. This provides management with a performance target which focuses upon organic sales growth utilising existing group resources.

The performance-related proportions of remuneration based on these targets are included in the following table. The objective of the reward schemes is to both reinforce the short and long-term goals of the Group and provide a common interest between management and shareholders.

The satisfaction of the performance conditions is based on a review of the audited financial statements of the Group and publicly available market indices, as such figures reduce any risk of contention relating to payment eligibility. The Board does not believe that performance conditions should include a comparison with any other measures or factors external to the Group at this time.

## Employment Details of Members of Key Management Personnel

The following table provides employment details of persons who were, during the financial year, members of KMP of the consolidated group. The table also illustrates the proportion of remuneration that was performance and non-performance based and the proportion of remuneration received in the form of shares or options for the period ended 30 June 2013.

# Indoor Skydive Australia Group Limited & Controlled Entities

ABN 39 154 103 607

	Position Held as at 30 June 2013 and any Change during the Year	Contract Details (Duration and Termination)	Proportions of Elements of Remuneration Related to Performance			Proportions of Elements of Remuneration Not Related to Performance	
			Non-salary Cash-based Incentives	Shares/ Units	Options/ Rights	Fixed Salary/ Fees	Total
			%	%	%	%	%
<i>Group KMP</i>							
Ken Gillespie	Chairman	Monthly (Note A)	-	15%	-	85%	100%
Stephen Baxter	NED	Monthly (Note A)	-	-	-	100%	100%
Malcolm Thompson	Alternate Dir.	N/A	-	100%	-	-	100%
Wayne Jones	CEO	Evergreen, 6 months	-	-	-	100%	100%
Daniel Hogan	COO	Evergreen, 6 months	-	-	-	100%	100%
Brett Sheridan	CMO	Evergreen, 6 months	-	-	-	100%	100%
John Diddams	NED/Co Sec	Contractor (Note A)	36%	9%	-	55%	100%

The employment terms and conditions of all KMP (except the Company Secretary) are formalised in Executive Service Agreements. The CEO & COO were each paid as contractors prior to assuming their full time positions at the date of ASX listing on 18/1/2013 when their respective Executive Service Agreements became operative. The CMO provided services as a consultant to the Company prior to assuming a full time role on 20/5/2013 when his Executive Service Agreement became operative. The Company Secretary is a contractor and under the terms of a letter of contract dated 1 June 2012, was paid fees due on success of the IPO and ASX Listing in a combination of cash and a share based payment, in addition to consulting and director's fees.

Terms of employment under Executive Service Agreements require that the relevant group entity provide an executive contracted person with a minimum of six months' notice prior to termination of contract. A contracted person deemed employed on a permanent basis may terminate their employment by providing at least six months' notice. Termination payments are not payable on resignation or under the circumstances of unsatisfactory performance.

#### Note A:

Non-executive directors are not subject to contractual arrangements whereby notice is required to be given on termination. Termination payments are at the discretion of the Remuneration & Nomination Committee.

#### Changes in Directors and Executives Subsequent to Year-end

There have been no changes in Directors & Executives subsequent to the Year-end..

#### Remuneration Details for the Year Ended 30 June 2013

The following table of benefits and payments details, in respect to the 2013 and 2012 financial years, the components of remuneration for each member of KMP of the consolidated group:

# Indoor Skydive Australia Group Limited & Controlled Entities

ABN 39 154 103 607

**Table of Benefits and Payments for the Year Ended 30 June 2013**

		Short-term Benefits				Post-employment Benefits		Long-term Benefits		Equity-settled Share-based Payments		Cash-settled Share-based Payments	Termination Benefits	Total
		Salary, Fees and Leave	Profit and Share Bonuses	and Non-monetary	Other	Pension and Superannuation	Other	Incentive Plans	LSL	Shares/Units	Options/Rights			
		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	
<b>KMP 2013</b>														
Ken Gillespie, Chair	2013	42,586	-	-	-	-	-	-	-	7,500	-	-	-	50,086
Stephen Baxter, NED	2013	20,301	-	-	-	-	-	-	-	-	-	-	-	20,301
Mal. Thompson, Alt.	2013	-	-	-	-	-	-	-	-	12,000	-	-	-	12,000
Wayne Jones, CEO	2013	104,240	-	-	-	-	-	-	-	-	-	-	-	104,240
Daniel Hogan, COO	2013	106,760	-	-	-	-	-	-	-	-	-	-	-	106,760
Brett Sheridan, CMO	2013	46,607	-	-	-	-	-	-	-	6,000	-	-	-	52,607
John Diddams, Co Sec	2013	75,790	50,000	-	19,500	-	-	-	-	12,000	-	-	-	157,290
<b>Total</b>	<b>2013</b>	<b>396,284</b>	<b>50,000</b>	<b>-</b>	<b>19,500</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>37,500</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>503,284</b>
<b>KMP 2012</b>														
Nil	2012	-	-	-	-	-	-	-	-	-	-	-	-	-

### Securities Received that Are Not Performance-related

No members of KMP are entitled to receive securities that are not performance-based as part of their remuneration package.

### Cash Bonuses, Performance-related Bonuses and Share-based Payments

The terms and conditions relating to options and bonuses granted as remuneration during the year to KMP are as follows:

Remuneration Type	Grant Date	Grant Value \$	Reason for Grant (Note 1)	Percentage Vested/Paid during Year % (Note 2)	Percentage Forfeited during Year %	Percentage Remaining as Unvested %	Expiry Date for Vesting or Payment	Range of Possible Values Relating to Future Payments
<b>Group KMP</b>								
Nil								

Under Executive Service Agreements, the CEO and COO are each entitled to shares amounting to 4% of the issued capital, subject to achieving specific KPIs over the next three years, pursuant to a proposed share/option incentive plan, yet to be formalised, approval of which is expected to be subject to shareholder approval.

This director's report, incorporating the remuneration report, is signed in accordance with a resolution of the Board of Directors.



Wayne Jones, Director

Dated: 26th August 2013

# Indoor Skydive Australia Group Limited & Controlled Entities

ABN 39 154 103 607

## CORPORATE GOVERNANCE STATEMENT

### Indoor Skydive Australia Group's

#### Corporate Governance Arrangements

The objective of the Board of Indoor Skydive Australia Group Limited is to create and deliver long-term shareholder value through the implementation of the business plan to build and operate a number of indoor skydiving facilities in Australia, New Zealand and Asia.

The Board considers there to be an unambiguous and positive relationship between the creation and delivery of long-term shareholder value and high-quality corporate governance. Accordingly, in pursuing its objective, the Board has committed to corporate governance arrangements that strive to foster the values of integrity, respect, trust and openness among and between board members, management, employees, customers and suppliers.

Indoor Skydive Australia Group Limited and its subsidiaries operate as a single economic entity with a unified Board and management. As such, the Board's corporate governance arrangements apply to all entities within the economic group.

Indoor Skydive Australia Group Limited is listed on the Australian Securities Exchange (ASX). Accordingly, unless stated otherwise in this document, the Board's corporate governance arrangements comply with the recommendations of the ASX Corporate Governance Council (including the 2010 amendments) as well as current standards of best practice for the entire financial year ended 30 June 2013.

#### Board Composition

The Board comprises five directors and one alternate director, 4 of whom (including the Chair and Alternate director) are non-executive. The Chairman is the only director that meets the Board's criteria (as set out below) to be considered independent. The names of the independent, non-executive directors are:

Kenneth James GILLESPIE

An independent director is a non-executive director who is not a member of management and who is free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the independent exercise of their judgement. For a director to be considered independent, they must meet all of the following materiality thresholds:

- not hold, either directly or indirectly through a related person or entity, more than 10% of the company's outstanding shares;
- not benefit, either directly or through a related person or entity, from any sales to or purchases from the company or any of its related entities; and
- derive no income, either directly or indirectly through a related person or entity, from a contract with the company or any of its related entities.

A complete listing of the Board's directors for the year ended 30 June 2013, along with their biographical details, is provided in the directors' report.

The Non-Executive Directors and Chairman of the Board were appointed in the year under review in anticipation of the Indoor Skydive Australia Group Limited listing on the ASX. The appointment was confirmed by the Board following an extensive selection process in accordance with best practice governance procedures that identified appropriate candidates.

The Board considers that the current board composition reflects an appropriate balance between executive and non-executive directors that promotes both the generation of shareholder value and effective governance.

The Board considers that the current board composition reflects an appropriate balance of skills, expertise and experience to achieve its objective of creating and delivering long-term shareholder value. The diverse range of business activities the company is involved in necessitates the Board having a correspondingly diverse range of skills, experience and expertise. As sky diving and the leisure industry constitute a significant part of the company's overall operations, directors are required to have detailed knowledge and understanding of these industries. Nevertheless, directors need to have a strong understanding of a range of other areas, including finance, contract law and occupational health and safety requirements.

Notwithstanding the fact that the Board considers its current composition to be appropriate, it has in place an active program for assessing whether individual directors and the Board as a whole have the skills and knowledge necessary to discharge their responsibilities in accordance with the Board's governance arrangements. Any deficiencies identified by this program can be addressed in a number of ways, including training and the employment of specialist staff. Details of the skills, expertise and experience of each director are provided in the directors' report.

# Indoor Skydive Australia Group Limited & Controlled Entities

ABN 39 154 103 607

## CORPORATE GOVERNANCE STATEMENT

### Ethical Standards & Code of Conduct Policy

The Board is committed to its core governance values of integrity, respect, trust and openness among and between board members, management, employees, customers and suppliers. These values are enshrined in the Board's Code of Conduct policy, which is available at [www.indoorskydiveaustralia.com.au/](http://www.indoorskydiveaustralia.com.au/).

The Code of Conduct policy requires all directors, management and employees to at all times:

- act honestly and in good faith;
- exercise due care and diligence in fulfilling the functions of office;
- act with integrity in all dealings;
- avoid false or misleading statements;
- not discriminate on the grounds of a person's race, gender, religion, marital status, sexual preferences or disability;
- avoid conflicts and make full disclosure of any possible conflict of interest;
- use the powers of office for a proper purpose and not make improper use of information, not accept any improper payment or other gifts of significance;
- comply with both the letter and spirit of the law;
- encourage the reporting and investigation of unlawful and unethical behaviour; and
- comply with the share trading policy outlined in the Code of Conduct.

Directors are obliged to be independent in judgement and ensure all reasonable steps are taken to ensure that the Board's core governance values are not compromised in any decisions the Board makes.

### Diversity Policy

Diversity includes, but is not limited to, gender, age, ethnicity and cultural background. The company is committed to diversity and recognises the benefits arising from employee and board diversity and the importance of benefiting from all available talent. The company intends to establish a diversity policy once it becomes operational.

### Share Ownership and Share Trading Policy

Details of directors' individual shareholdings in Indoor Skydive Australia Group Limited are provided in the remuneration report.

The Board's policy regarding directors and employees trading in Indoor Skydive Australia Group Limited shares is governed by the Securities Trading policy approved by the directors. The policy restricts directors and employees from acting on material information until it has been released to the market and adequate time has been given for this to be reflected in the company's share price.

A detailed description of the Board's policy regarding directors and employees trading in Indoor Skydive Australia Group Limited shares is available from the Board's Securities Trading policy at [www.indoorskydiveaustralia.com.au/](http://www.indoorskydiveaustralia.com.au/).

### Continuous Disclosure Policy

The Indoor Skydive Australia Group Limited shares are quoted on the ASX and under the ASX Listing Rules a company must continuously disclose price-sensitive information to the market. The Company is committed to complying with the continuous disclosure obligations contained in the ASX Listing Rules and the Corporations Act 2001 (Cth) and the Board has adopted a Continuous Disclosure Protocol that embraces the principles contained in the ASIC guidance note, *Better Disclosure for Investors*, ASX Guidance Note 8 and the *Principles of Good Corporate Governance and Best Practice Recommendations* published by the ASX Corporate Governance Council.

A copy of the Continuous Disclosure Protocol is available at [www.indoorskydiveaustralia.com.au/](http://www.indoorskydiveaustralia.com.au/).

### Shareholder Communication Policy

Indoor Skydive Australia Group Limited is committed to effective communication with shareholders and providing them with balanced and understandable information about the Company, its business and its performance. A Shareholder Communication Policy has been adopted by the Board which sets out the Company's approach to effective communication with its shareholders and to encouraging participation by shareholders in general meetings of the Company.

A copy of the Shareholder Communication Policy is available at [www.indoorskydiveaustralia.com.au/](http://www.indoorskydiveaustralia.com.au/).

# Indoor Skydive Australia Group Limited & Controlled Entities

ABN 39 154 103 607

## Board Committees

To facilitate achieving its objectives, the Board has established two sub-committees comprising board members being the Audit & Risk Committee and the Remuneration & Nomination Committee. Each of these committees has formal terms of reference that outline the committee's roles and responsibilities, and the authorities delegated to it by the Board. Copies of the Charters containing the terms of reference for each of these committees are available from the company's website at [www.indoorskydiveaustralia.com.au/](http://www.indoorskydiveaustralia.com.au/).

### Audit & Risk Committee

The Audit & Risk Committee has been established to assist the Board of Indoor Skydive Australia Group Limited in fulfilling its corporate governance and oversight responsibilities in relation to the Company's financial reports and reporting process, internal control structure, risk management systems (financial and non-financial) and the internal and external audit process.

Specifically, the Audit & Risk Committee oversees:

- the appointment, independence, performance and remuneration of the external auditor;
- the integrity of the audit process;
- the effectiveness of the internal controls; and
- compliance with applicable regulatory requirements.

A copy of the Audit & Risk Committee Charter is available from the company's website at [www.indoorskydiveaustralia.com.au/](http://www.indoorskydiveaustralia.com.au/).

The Audit & Risk Committee comprises three non-executive directors and consistent with the ASX's *Corporate Governance Principles and Recommendations*, the Chair of the audit committee does not hold the position of Chair of the Board.

The names and qualifications of the audit committee members and their attendance at meetings of the committee are included in the directors' report.

### Remuneration & Nomination Committee

The role of the Remuneration & Nomination Committee is to assist the Board in ensuring that the Board comprises directors with a range and mix of attributes appropriate for achieving its objective. The overall purpose of the Remuneration and Nomination Committee is to:

- ensure the Board fulfils its corporate governance and oversight responsibilities relating to nominating and remunerating directors and senior executives;
- ensure that directors and senior management are remunerated fairly and responsibly;
- review and make recommendations to the Board on remuneration packages and policies related to the Non-executive Directors, Chairman, Chief Executive Officer and senior employees and ensure that remuneration policies and practices are consistent with the Company's strategic goals and human resource objectives; and
- oversee the remuneration and human resources policies and practices of the Company.

A copy of the Remuneration & Nomination Committee Charter is available from the company's website at [www.indoorskydiveaustralia.com.au/](http://www.indoorskydiveaustralia.com.au/).

The nomination committee comprises not less than two directors (including the Chair), both of whom are non-executive directors.

The names and qualifications of the nomination committee members and their attendance at meetings of the committee are included in the directors' report.

### Performance Evaluation

The Board intends to assess its performance, the performance of individual directors and the performance of its committees annually through a combination of internal peer review and externally facilitated evaluation processes. Directors' individual performances will also be evaluated each year against their performance plans, which are to be reviewed annually. The Board also intends to formally review its governance arrangements on a similar basis annually.

The performance of the CEO will be reviewed on an annual basis by the Chair with the assistance of the Remuneration & Nomination Committee.

The performance of each member of KMP will be assessed by the CEO against their individual performance plans, which comprise target performance indicators. Consideration is also given to the contribution each member of KMP makes to board meetings. Further details regarding the Board's remuneration policy for KMP is provided in the remuneration report.

# Indoor Skydive Australia Group Limited & Controlled Entities

ABN 39 154 103 607

## Board Roles and Responsibilities

The Board is accountable to the shareholders for creating and delivering shareholder value through governance of the company's business activities. The discharge of these responsibilities is facilitated by the Board delivering to shareholders timely and balanced disclosures about the company's performance.

The Board has delegated to the CEO all authorities appropriate and necessary to achieve the Board's objective to create and deliver long-term shareholder value.

Notwithstanding these delegations of authority by the Board, the CEO remains accountable to the Board for the authority delegated to him and for the performance of the company's business activities at all times. As noted above, the Board regularly monitors the decisions and actions of the CEO as well as the performance of the company's business activities.

A key plank of the Code of Conduct Policy set out above is the requirement for all directors to demonstrate honesty, integrity, and preparedness to critically evaluate all aspects of the company's operations. Inherent in all of this is the expectation that directors:

- commit the necessary time and energy to fulfil their responsibilities as directors; and
- place the interests of the company before their personal interests.

The Chair is responsible for ensuring individual directors, the Board as a whole and KMP comply with both the letter and spirit of the Board's governance arrangements. The Chair discharges their responsibilities in a number of ways, primarily through:

- setting agendas in collaboration with other directors and KMP;
- encouraging critical evaluation and debate among directors;
- managing board meetings to ensure that all critical matters are given sufficient attention; and
- communicating with stakeholders as and when required.

Independent directors have the right to seek independent professional advice on any matter connected with the discharge of their responsibilities as directors at the company's expense. Written approval must be obtained from the Chair prior to incurring any expense on behalf of the company.

## Shareholder Rights

Shareholders are entitled to vote on significant matters impacting on the business, which include the election and remuneration of directors, changes to the constitution and receipt of annual financial statements & remuneration report. The Board actively encourages shareholders to attend and participate in the Annual General Meetings, to lodge questions to be responded to by the Board and/or the CEO, and are able to appoint proxies.

### AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Indoor Skydive Australia Group Limited for the period ended 30 June 2013, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

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

*RSM Bird Cameron Partners*

#### RSM BIRD CAMERON PARTNERS



**G N SHERWOOD**  
Partner

Sydney, NSW  
Dated: 26 August 2013

# Indoor Skydive Australia Group Limited & Controlled Entities

ABN 39 154 103 607

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2013

	Note	Consolidated Group	
		2013	2012
		\$	\$
Revenue	3	-	-
Interest income	3	39,168	-
Profit on foreign exchange revaluation		124,367	-
Professional fees		(156,510)	(34,110)
Administration expenses		(42,839)	(6,191)
Accounting and audit fees		(88,449)	(50,071)
Legal fees		(78,144)	(82,441)
Share registry		(17,880)	-
Advertising and marketing expense		(48,189)	(1,156)
Travel		(44,358)	(32,147)
Office rent		(24,117)	-
Employee related expenditure		(276,213)	-
Directors fees		(78,677)	-
Share based payments	17	(49,525)	-
Finance costs	12	(173,205)	-
<b>Loss before income tax</b>		(914,571)	(206,116)
Income tax expense	4	-	-
<b>Net loss for the year*</b>		(914,571)	(206,116)
Other comprehensive income for the year		-	-
<b>Total comprehensive loss for the year</b>		(914,571)	(206,116)
<b>Earnings per share</b>			
From continuing and discontinued operations:			
Basic earnings per share (cents)		(2.28)	(4.03)
Diluted earnings per share (cents)		(2.28)	(4.03)

The accompanying notes form part of these financial statements.

\*There was no non-controlling interest as at 30 June 2013.

# Indoor Skydive Australia Group Limited & Controlled Entities

ABN 39 154 103 607

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2013

	Note	Consolidated Group	
		2013	2012
		\$	\$
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	6	5,222,501	-
Trade and other receivables	7	96,316	15,134
Other assets	10	24,240	216,000
<b>TOTAL CURRENT ASSETS</b>		5,343,057	231,134
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	8	4,975,207	87,439
Other financial assets		26,700	-
<b>TOTAL NON-CURRENT ASSETS</b>		5,001,907	87,439
<b>TOTAL ASSETS</b>		10,334,964	318,573
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables	11	335,960	24,689
Provision for employee benefits		10,911	-
<b>TOTAL CURRENT LIABILITIES</b>		346,871	24,689
<b>NON CURRENT LIABILITIES</b>			
Convertible note finance facility	12	2,000,000	-
Provision for site restoration	8	2,144,290	-
<b>TOTAL NON CURRENT LIABILITIES</b>		4,144,290	-
<b>TOTAL LIABILITIES</b>		4,491,161	24,689
<b>NET ASSETS</b>		5,853,803	293,884
<b>EQUITY</b>			
Issued capital	13	6,974,490	500,000
Accumulated losses		(1,120,687)	(206,116)
<b>TOTAL EQUITY</b>		5,853,803	293,884

The accompanying notes form part of these financial statements.

# Indoor Skydive Australia Group Limited & Controlled Entities

ABN 39 154 103 607

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2013

Consolidated Group	Issued Capital \$	Accumulated losses \$	Total \$
Balance at 4 November 2011	-	-	-
Shares issued during the period	500,000	-	500,000
<b>Comprehensive income</b>			
Loss for the period	-	(206,116)	(206,116)
Other comprehensive income for the period	-	-	-
<b>Total comprehensive loss for the period</b>	-	(206,116)	(206,116)
<b>Balance at 30 June 2012</b>	<b>500,000</b>	<b>(206,116)</b>	<b>293,884</b>
<b>Balance at 1 July 2012</b>	<b>500,000</b>	<b>(206,116)</b>	<b>293,884</b>
Shares issued during the year	6,933,525	-	6,933,525
Shares issue costs	(459,035)	-	(459,035)
<b>Comprehensive income</b>			
Loss for the year	-	(914,571)	(914,571)
Other comprehensive income for the year	-	-	-
<b>Total comprehensive loss for the year</b>	-	<b>(914,571)</b>	-
<b>Balance at 30 June 2013</b>	<b>6,974,490</b>	<b>(1,120,687)</b>	<b>5,853,803</b>

The accompanying notes form part of these financial statements.

# Indoor Skydive Australia Group Limited & Controlled Entities

ABN 39 154 103 607

## CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2013

	Note	Consolidated Group	
		2013	2012
		\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Payments to suppliers and employees		(548,378)	-
Finance costs		(173,205)	
Interest received		39,168	-
Net cash used in operating activities	15	(682,415)	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment	8	(2,520,049)	-
Net cash used in investing activities		(2,520,049)	-
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of shares	13	6,884,000	-
Proceed from convertible note issue	12	2,000,000	-
Share issue costs		(459,035)	-
Net cash provided by financing activities		8,424,965	-
Net increase in cash held		5,222,501	-
Cash and cash equivalents at beginning of financial year		-	-
Cash and cash equivalents at end of financial year	6	5,222,501	-

The accompanying notes form part of these financial statements.

**Note:** During the prior period, all expenses and capital expenditure was paid by the sole shareholder, Excalib-Air Pty Ltd on behalf of Indoor Skydive Australia Group Ltd. The company did not operate a bank account during that period and consequently, no cash flow information was prepared for the 2012 reporting period.

# Indoor Skydive Australia Group Limited & Controlled Entities

ABN 39 154 103 607

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

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 21<sup>st</sup> August 2013 by the directors of the company.

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Basis of Preparation

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

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

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

#### a. Principles of Consolidation

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

Where controlled entities have entered or left the Group during the year, the financial performance of those entities is included only for the period of the year that they were controlled. A list of controlled entities is contained in Note 9 to the financial statements.

In preparing the consolidated financial statements, all intragroup balances and transactions between entities in the consolidated group have been eliminated in full on consolidation.

Non-controlling interests, being the equity in a subsidiary not attributable, directly or indirectly, to a parent, are reported separately within the equity section of the consolidated statement of financial position and statements showing profit or loss and other comprehensive income. The non-controlling interests in the net assets comprise their interests at the date of the original business combination and their share of changes in equity since that date.

#### b. Income Tax

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

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

# Indoor Skydive Australia Group Limited & Controlled Entities

ABN 39 154 103 607

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### b. Income Tax (continued)

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.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

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.

#### 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.

##### Property

Freehold land and buildings are carried at their fair value (being the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction), based on periodic, but at least triennial, valuations by external independent valuers, less accumulated depreciation for buildings.

Increases in the carrying amount arising on revaluation of land and buildings are credited to a revaluation surplus in equity. Decreases that offset previous increases of the same asset are recognised against revaluation surplus directly in equity; all other decreases are recognised in profit or loss.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

##### Plant and equipment

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

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

The cost of fixed assets constructed within the consolidated group includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

# Indoor Skydive Australia Group Limited & Controlled Entities

ABN 39 154 103 607

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### c. Property, Plant and Equipment (continued)

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

##### Depreciation

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

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

Class of Fixed Asset	Useful Life
Office equipment	3 years
Vertical wind tunnel building infrastructure	20 years
Vertical wind tunnel equipment	20 years

The assets are still under construction and are consequently not being depreciated.

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.

#### d. Leases

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

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

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

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

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

#### e. Foreign Currency Transactions and Balances

##### Functional and presentation currency

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

##### Transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

# Indoor Skydive Australia Group Limited & Controlled Entities

ABN 39 154 103 607

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### e. Foreign Currency Transactions and Balances (continued)

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.

#### Group companies

The financial results and position of foreign operations, whose functional currency is different from the Group's presentation currency, are translated as follows:

- assets and liabilities are translated at exchange rates prevailing at the end of the reporting period;
- income and expenses are translated at average exchange rates for the period; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations with functional currencies other than Australian dollars are recognised in other comprehensive income and included in the foreign currency translation reserve in the statement of financial position. The cumulative amount of these differences is reclassified into profit or loss in the period in which the operation is disposed of.

#### f. Cash and Cash Equivalents

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

#### g. Trade and Other Payables

Trade and other payables represent the liabilities for goods and services received by the entity that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

#### h. Goods and Services Tax (GST)

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

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

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

#### i. Impairment of Assets

At the end of each reporting period, the Group assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information including dividends received from subsidiaries, associates or jointly controlled entities deemed to be out of pre-acquisition profits. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard (eg in accordance with the revaluation model in AASB 116: Property, Plant and Equipment). Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

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

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

# Indoor Skydive Australia Group Limited & Controlled Entities

ABN 39 154 103 607

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### j. Employee Benefits

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be settled within a year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than a year have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wages increases and the probability that the employee may satisfy any vesting requirements. Those cash flows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows attributable to employee benefits.

#### Equity-settled compensation

The Group is intending to operate an employee share and option plan. In terms of the proposed plan, Share-based payments to employees will be measured at the fair value of the instruments issued and amortised over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the option reserve. The fair value of options is determined using the Black-Scholes pricing model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognised for services received as consideration for the equity instruments granted is based on the number of equity instruments that eventually vest.

#### k. Provisions

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

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

#### l. Revenue and Other Income

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. When the inflow of consideration is deferred, it is treated as the provision of financing and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received is interest revenue.

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

Interest revenue is recognised using the effective interest method.

Revenue recognition relating to the provision of services is determined with reference to the stage of completion of the transaction at the end of the reporting period, where outcome of the contract can be estimated reliably. Stage of completion is determined with reference to the services performed to date as a percentage of total anticipated services to be performed. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent that related expenditure is recoverable

#### m. Trade and Other Receivables

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

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

#### n. 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.

# Indoor Skydive Australia Group Limited & Controlled Entities

ABN 39 154 103 607

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

#### o. 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.

#### p. 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 ISAG Group's main assets comprise the Vertical Wind Tunnel Equipment and its related Building Infrastructure. The construction of these assets are foreseen in the Lease Agreement with the Group's landlord, however the Board has exercised their judgement in determining that the nature of these assets are that of buildings and equipment, rather than leasehold improvements. To this extent, in determining the useful life of the property plant and equipment the directors considered the 5 year lease over the land that VWT buildings and equipment are to be constructed on, together with the fact that the ISA Group has the option to renew such lease for 3 option terms of 5 years each. The Board has estimated the useful life of the VWT Equipment, and its related Building Infrastructure to be 20 years. The lease agreement provides that the Group must remove all building works on expiry of the lease. The directors have considered the residual value of the buildings and equipment once removed and determined a residual value of zero is appropriate under the circumstances. The VWT buildings and equipment will be depreciated over 20 years once completed.

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

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

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

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

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

##### iii. Deferred Tax

The company is in the construction phase of its development, and consequently, it is not generating revenue. There is a degree of uncertainty surrounding the ability of the company to generate sufficient taxable income to utilise the tax losses after taking the capital allowances into consideration. The directors therefore consider it prudent to only account for any deferred tax on the assessed loss to the extent of any deferred tax liabilities, and consequently, no deferred tax is disclosed in the financial statements.

# Indoor Skydive Australia Group Limited & Controlled Entities

ABN 39 154 103 607

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### q. New Accounting Standards for Application in Future Periods

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

Reference	Title	Summary	Application date (financial years beginning)	Expected Impact
AASB 9	<i>Financial Instruments</i>	Replaces the requirements of AASB 139 for the classification and measurement of financial assets. This is the result of the first part of Phase 1 of the IASB's project to replace IAS 39.	1 January 2015	None
2009-11	<i>Amendments to Australian Accounting Standards arising from AASB 9</i>	Amends AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 and 1038 and Interpretations 10 and 12 as a result of the issuance of AASB 9.	1 January 2015	None
2010-7	<i>Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)</i>	Amends AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127 for amendments to AASB 9 in December 2010	1 January 2015	None
AASB 10	<i>Consolidated Financial Statements</i>	Replaces the requirements of AASB 127 and Interpretation 112 pertaining to the principles to be applied in the preparation and presentation of consolidated financial statements.	1 January 2013 (for-profit) / 1 January 2014 (Not For Profit)	None
AASB 11	<i>Joint Arrangements</i>	Replaces the requirements of AASB 131 pertaining to the principles to be applied for financial reporting by entities that have in interest in arrangements that are jointly controlled.	1 January 2013 (for-profit) / 1 January 2014 (Not For Profit)	None
AASB 12	<i>Disclosure of Interests in Other Entities</i>	Replaces the disclosure requirements of AASB 127 and AASB 131 pertaining to interests in other entities.	1 January 2013 (for-profit) / 1 January 2014 (Not For Profit)	None
AASB 127	<i>Separate Financial Statements</i>	Prescribes the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements.	1 January 2013 (for-profit) / 1 January 2014 (Not For Profit)	None
AASB 128	<i>Investments in Associates and Joint Ventures</i>	Prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.	1 January 2013 (for-profit) / 1 January 2014 (Not For Profit)	None
2011-7	<i>Amendments to Australian Accounting Standards arising from AASB 10,11,12,127,128</i>	Amends AASB 1,2,3,5,7,9,2009-11,101,107,112,118,121,124,132,133,136,138,139,1023 & 1038 and Interpretations 5,9,16 & 17 as a result of the issuance of AASB 10, 11, 12, 127 and 128	1 January 2013 (for-profit) / 1 January 2014 (Not For Profit)	None

## Indoor Skydive Australia Group Limited & Controlled Entities

ABN 39 154 103 607

AASB 13	<i>Fair Value Measurement</i>	Provides a clear definition of fair value, a framework for measuring fair value and requires enhanced disclosures about fair value measurement.	1 January 2013	None
2011-8	<i>Amendments to Australian Accounting Standards arising from AASB 13</i>	Amends AASB 1, 2, 3, 4, 5, 7, 9, 101, 102, 108, 110, 116, 117, 118, 119, 120, 121, 132, 133, 134, 136, 138, 139, 140, 141, 1004, 1023 & 1038 and Interpretations 2, 4, 12, 13, 14, 17, 19, 131 & 132 as a result of issuance of AASB 13 <i>Fair Value Measurement</i> .	1 January 2013	None
2012-1	<i>Amendments to Australian Accounting Standards – Fair Value Measurement – Reduced Disclosure Requirements</i>	This Standard makes amendments to AASB 3, 7, 13, 140 and 141 to establish reduced disclosure requirements for entities preparing general purpose financial statements under Australian Accounting Standards – Reduced Disclosure Requirements for additional and amended disclosures arising from AASB 13 and the consequential amendments implemented through AASB 2011-8 <i>Amendments to Australian Accounting Standards arising from AASB 13</i> .	1 July 2013	None
AASB 119	<i>Employee Benefits</i>	The amendments to this Standard eliminates the option for defined benefit plans to use the corridor approach to defer the recognition of actuarial gains and losses and introduce enhanced disclosures about defined benefit plans. The amendments also incorporate changes to the accounting for termination benefits.	1 January 2013	None
2011-10	<i>Amendments to Australian Accounting Standards arising from AASB 119</i>	Amends AASB 1, 8, 101, 124, 134, 1049, 2011-8 & Interpretation 14 as a result of the issuance of AASB 119 <i>Employee Benefits</i> .	1 January 2013	None
2011-11	<i>Amendments to AASB 119 arising from Reduced Disclosure Requirements</i>	This Standard makes amendments to AASB 119 <i>Employee Benefits</i> , to incorporate reduced disclosure requirements into the Standard for entities applying Tier 2 requirements in preparing general purpose financial statements.	1 July 2013	None
AASB 1053	<i>Application of Tiers of Australian Accounting Standards</i>	This standard establishes a differential financial reporting framework consisting of two Tiers of reporting requirements for preparing general purpose financial statements.	1 July 2013	None
2010-2	<i>Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements</i>	This Standard gives effect to Australian Accounting Standards – Reduced Disclosure Requirements and amends AASB 1, 2, 3, 5, 7, 8, 101, 102, 107, 108, 110, 111, 112, 116, 117, 119, 121, 123, 124, 127, 128, 131, 133, 134, 136, 137, 138, 140, 141, 1050 & 1052 and Interpretations 2, 4, 5, 15, 17, 127, 129 & 1052.	1 July 2013	None
2010-10	<i>Further Amendments to Australian Accounting Standards – Removal of Fixed Dates for First-time Adopters</i>	Amends AASB 1 for first-time adopters	1 January 2013	None

## Indoor Skydive Australia Group Limited & Controlled Entities

ABN 39 154 103 607

2011-2	<i>Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project - Reduced Disclosure Requirement</i>	This Standard makes amendments to AASB 101 & AASB 1054 in relation to the Australian additional disclosures arising from the Trans-Tasman Convergence Project.	1 July 2013	None
2011-4	<i>Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements</i>	This Standard amends AASB 124 <i>Related Party Disclosures</i> to remove all the individual key management personnel (KMP) disclosures contained in Aus paragraphs 29.1 to 29.9.3.	1 July 2013	None
2011-6	<i>Amendments to Australian Accounting Standards – Extending Relief from Consolidation, the Equity Method and Proportionate Consolidation – Reduced Disclosure Requirements</i>	This Standard makes amendments to AASB 127, 128 & 131 to extend the relief from consolidation, the equity method and proportionate consolidation to not for profit entities	1 July 2013	None
IFRIC Interpretation 20	<i>Stripping Costs in the Production Phase of a Surface Mine</i>	This Interpretation clarifies the requirements for accounting for stripping costs in the production phase of a surface mine, such as when such costs can be recognised as an asset and how that asset should be measured, both initially and subsequently.	1 January 2013	None
2011-12	<i>Amendments to Australian Accounting Standards arising from Interpretation 20</i>	This Standard makes amendments to Australian Accounting Standard AASB 1 <i>First-time Adoption of Australian Accounting Standards</i> . These amendments arise from the issuance of IFRIC Interpretation 20 <i>Stripping Costs in the Production Phase of a Surface Mine</i> .	1 January 2013	None
2012-2	<i>Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities</i>	This Standard amends the required disclosures in AASB 7 to include information that will enable users of an entity's financial statements to evaluate the (potential) effect of netting arrangements. It also amends AASB 132 to refer to the additional disclosures added to AASB 7 by this Standard.	1 January 2013	None
2012-3	<i>Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities</i>	This Standard adds application guidance to AASB 132 to address inconsistencies identified in applying some of the offsetting criteria of AASB 132.	1 January 2014	None
2012-4	<i>Amendments to Australian Accounting Standards – Government Loans</i>	This Standard makes amendments to AASB 1 as a consequence of the issuance of IFRS 1.	1 January 2013	None
2012-5	<i>Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle</i>	This Standard makes amendments to AASB 1, 101, 116, 132, 134 & Interpretation 2 as a result from 2009-2011 Annual Improvements Cycle.	1 January 2013	None

## Indoor Skydive Australia Group Limited & Controlled Entities

ABN 39 154 103 607

2012-6	<i>Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures</i>	This Standard amends the mandatory effective date of AASB 9 <i>Financial Instruments</i> so that AASB 9 is required to be applied for annual reporting periods beginning on or after 1 January 2015 instead of 1 January 2013.	1 January 2013	None
2012-7	<i>Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements</i>	This Standard adds to or amends the Australian Accounting Standards – Reduced Disclosure Requirements for AASB 7, 12, 101 and 127.	1 July 2013	None
2012-9	<i>Amendment to AASB 1048 arising from the Withdrawal of Australian Interpretation 1039</i>	This Standard amends AASB 1048 Interpretation of Standards as a consequence of the withdrawal of Australian Interpretation 1039 Substantive Enactment of Major Tax Bills in Australia.	1 January 2013	None
2012-10	<i>Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments</i>	Amends AASB 10, AASB 11 and related Standards with respect to transition guidance to clarify the circumstances in which adjustments to an entity's previous accounting for its involvement with other entities are required and the timing of such adjustments. In addition amends these standards so that they apply mandatorily to not-for-profit entities from 1 January 2014, with early application permitted for not-for-profit entities only from 1 January 2013.	1 January 2013	None
2012-11	<i>Amendments to Australian Accounting Standards – Reduced Disclosure Requirements and Other Amendments</i>	The Standard makes various editorial corrections to Australian Accounting Standards – Reduced Disclosure Requirements (Tier 2).	1 July 2013	None
2013-1	<i>Amendments to AASB 1049 – Relocation of Budgetary Reporting Requirements</i>	This Standard moves the requirements relating to the disclosure of budgetary information from AASB 1049 (without substantive amendment) to a single, topic-based, Standard AASB 1055 <i>Budgetary Reporting</i> .	1 July 2014	None
AASB 1055	<i>Budgetary Reporting</i>	This Standard specifies the nature of budgetary disclosures and the circumstances in which they are to be included in. Furthermore, it requires disclosures about explanations of major variances between actual and budgeted amounts.	1 July 2014	None

# Indoor Skydive Australia Group Limited & Controlled Entities

ABN 39 154 103 607

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

### NOTE 2: PARENT INFORMATION

	2013	2012
	\$	\$
The following information has been extracted from the books and records of the parent and has been prepared in accordance with Australian Accounting Standards.		
<b>Statement of Financial Position</b>		
<b>ASSETS</b>		
Current assets	5,343,056	231,134
Non-current assets	2,857,617	87,639
<b>TOTAL ASSETS</b>	<b>8,200,673</b>	<b>318,773</b>
<b>LIABILITIES</b>		
Current liabilities	346,871	24,889
Non-current liabilities	2,000,000	-
<b>TOTAL LIABILITIES</b>	<b>2,346,871</b>	<b>24,889</b>
<b>EQUITY</b>		
Issued capital	6,974,490	500,000
Retained earnings	(1,120,688)	(206,116)
<b>TOTAL EQUITY</b>	<b>5,853,802</b>	<b>293,884</b>
<b>Statement of Profit or Loss and Other Comprehensive Income</b>		
Total profit	(914,571)	(206,116)
<b>Total comprehensive income</b>	<b>(914,571)</b>	<b>(206,116)</b>

#### Guarantees

The parent entity does not have any guarantees as at 30 June 2013.

#### Contingent liabilities

The parent entity does not have any contingent liabilities as at 30 June 2013.

#### Contractual commitments

The parent entity has a contractual commitment to Rabal constructions as at 30 June 2013 of \$4,715,556.

At 30 June 2013, the parent entity had not entered into any contractual commitments for the acquisition of property, plant and equipment other than as disclosed in Note 14(b).

# Indoor Skydive Australia Group Limited & Controlled Entities

ABN 39 154 103 607

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

### Consolidated Group

#### NOTE 3: LOSS FOR THE YEAR

	2013	2012
	\$	\$

Loss before income tax from continuing operations includes the following specific expenses:

**a Expenses**

Foreign currency translation profit	124,367	
Rental expense on operating leases	(24,117)	-
Share based payments	(42,432)	-
Personnel	(354,474)	-
Finance costs	(173,205)	-
Legal and other professional fees	(312,398)	(166,622)

#### NOTE 4: TAX EXPENSE

A reconciliation of income tax expense applicable to accounting loss before income tax at the statutory income tax rate to income tax expense at the company's effective income tax rate for the period ended 30 June 2013 and 30 June 2012 is as follows:

Accounting loss before tax from continuing operations

Accounting loss before income tax	(914,571)	(206,116)
-----------------------------------	-----------	-----------

At the statutory income tax rate of 30% (2012: 30%)	(274,371)	(61,835)
---	-----------	----------

Permanent differences	-	-
-----------------------	---	---

Temporary differences not previously brought to account	-	-
---	---	---

Tax effect on temporary and timing differences not brought to account	(58,625)	33,863
---	----------	--------

Income tax benefit not brought to account	(332,996)	(27,972)
---	-----------	----------

Deferred tax assets (timing difference) comprises of:

Blackhole expenditure	142,187	-
-----------------------	---------	---

Unrealised Gain and losses	(37,910)	-
----------------------------	----------	---

Provisions and others	7,192	33,863
-----------------------	-------	--------

Potential deferred tax asset (timing difference) not brought to account	111,469	33,863
---	---------	--------

Deferred tax assets (tax losses) comprise of:

Potential deferred tax asset (timing difference) not brought to account	360,968	27,972
---	---------	--------

# Indoor Skydive Australia Group Limited & Controlled Entities

ABN 39 154 103 607

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

### NOTE 5: KEY MANAGEMENT PERSONNEL COMPENSATION

Refer to the remuneration report contained in the directors' report for details of the remuneration paid or payable to each member of the Group's key management personnel (KMP) for the year ended 30 June 2013.

The totals of remuneration paid to KMP of the company and the Group during the year are as follows:

	2013	2012
	\$	\$
Short-term employee benefits	446,460	-
Post-employment benefits	-	-
Other long-term benefits	-	-
Share-based payments	31,500	-
<b>Total KMP compensation</b>	<b>477,960</b>	<b>-</b>

### NOTE 6: CASH AND CASH EQUIVALENTS

	2013	2012
	\$	\$
Cash at bank and on hand	320,611	-
Short-term bank deposits	4,901,890	-
	5,222,501	-

The effective interest rate on short-term bank deposits was 2.35% (2012: N/A).

Included in Cash and Cash Equivalents is US\$1,893,904 the majority of which was purchased in March 2013. The currency has been converted at the spot rate of 1,093 at balance date.

### NOTE 7: TRADE AND OTHER RECEIVABLES

	2013	2012
	\$	\$
<b>CURRENT</b>		
Unpaid share capital *	-	4,105
Other receivables	96,316	11,029
	96,316	15,134

\*The unpaid capital was paid in July 2012

### NOTE 8: PROPERTY, PLANT AND EQUIPMENT

	Consolidated Group	
	2013	2012
	\$	\$
<b>Vertical Wind Tunnel Equipment and Building Infrastructure</b>		
At cost	2,830,917	87,439
Accumulated depreciation	-	-
<b>Total Vertical Wind Tunnel Equipment and Building Infrastructure</b>	<b>2,830,917</b>	<b>87,439</b>

# Indoor Skydive Australia Group Limited & Controlled Entities

ABN 39 154 103 607

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

NOTE 8: PROPERTY, PLANT AND EQUIPMENT (continued)	2013	2012
	\$	\$
<b>Provision for Site Restoration of the Vertical Wind Tunnel Equipment and Building Infrastructure on termination of lease</b>		
At cost	2,144,290	-
Accumulated depreciation	-	-
Total Provision for Site Restoration of the Vertical Wind Tunnel Equipment and Building Infrastructure	2,144,290	-

**a. Movements in Carrying Amounts**

	Vertical Wind Tunnel Equipment Building Infrastructure	Provision for Site Restoration of Vertical Wind Tunnel Equipment and Building Infrastructure	Total
	\$	\$	\$
<b>Consolidated Group:</b>			
Balance at 4 November 2011	-	-	-
Additions	87,439	-	87,439
Balance at 30 June 2012	87,439	-	87,439
Additions	2,743,478	2,144,290	4,887,768
Depreciation expense	-	-	-
Balance at 30 June 2013	2,830,917	2,144,290	4,975,207

The assets are currently under construction and are consequently not currently being depreciated.

**NOTE 9: CONTROLLED ENTITIES**

	Country of Incorporation	2013	2012
<b>Subsidiaries of Indoor Skydive Australia Group</b>			
Indoor Skydiving Penrith Holdings Pty Ltd	Australia	100%	100%
Indoor Skydiving Penrith Pty Ltd	Australia	100%	100%

\*Percentage of voting power is proportional to ownership

# Indoor Skydive Australia Group Limited & Controlled Entities

ABN 39 154 103 607

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

### NOTE 10: OTHER ASSETS

	Consolidated Group	
	2013	2012
	\$	\$
CURRENT		
Prepayments	24,240	216,000
	24,240	216,000

### NOTE 11: TRADE AND OTHER PAYABLES

	Consolidated Group	
	2013	2012
	\$	\$
CURRENT		
Trade payables	67,224	24,689
Other payables	268,736	-
	355,960	24,689

### NOTE 12: CONVERTIBLE NOTE FINANCE FACILITY

The Company entered into a Convertible Note Finance Facility ("Facility") with Birkdale Holdings (Old) Pty Ltd as trustee for the Baxter Family Trust ("Birkdale") by the execution of a Convertible Note Deed on 10 December 2013. Birkdale is a company associated with Stephen Baxter, a Director of the Company. Pursuant to the Facility, Birkdale will provide funding up to \$5,911,000 at 30 day call and acquire from the Company a Convertible Note ("Note"), with any outstanding drawn balance convertible at the lower of \$0.20 or 10% discount to the 30 day VWAP, but not before 18 months from the date of the Note Deed. The Company has the right to repay the Facility before conversion and it is the stated intention of the directors to do so, subject to available alternative funding. The option to convert the Note is not considered by the Board to be material. Interest is payable quarterly at 10% pa on the drawn amount of the Facility and a 2% line fee is payable on the undrawn portion.

The note has been drawn as to \$2,000,000 at the reporting date and the undrawn facility is therefore \$3,911,000. An amount of \$173,206 is included in finance expenses for the period ended 30 June 2013 in relation to this Facility.

# Indoor Skydive Australia Group Limited & Controlled Entities

ABN 39 154 103 607

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

### NOTE 13: ISSUED CAPITAL

	Consolidated Group	
	2013	2012
	\$	\$
58,810,833 (2012: 14,000,000) fully paid ordinary shares	7,433,525	500,000
Share Issue Costs	(459,035)	-
	6,974,490	500,000

	Consolidated Group	
	2013	2012
	No.	No.
<b>a. Ordinary Shares*</b>		
At the beginning of the reporting period:	14,000,000	-
Shares issued during the year		
- 10 January 2012	-	10,838,360
- 30 June 2012	-	3,161,640
- 03 July 2012	4,000,000	-
- 31 July 2012	6,583,333	-
- 23 October 2012	2,500,000	-
- 31 October 2012	1,250,000	-
- 18 January 2013	30,445,000	-
- 31 March 2013	32,500	-
<b>At the end of the reporting period*</b>	58,810,833	14,000,000

Ordinary shares participate in dividends and the proceeds on winding-up of the parent entity in proportion to the number of shares held.

At the shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

#### \*Shares held in Escrow

The following shares are held in escrow until the dates indicated:

- 13 July 2013	1,691,666	-
- 23 October 2013	666,667	-
- 18 January 2015	19,500,000	-
	21,858,333	-

# Indoor Skydive Australia Group Limited & Controlled Entities

ABN 39 154 103 607

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

### NOTE 13: ISSUED CAPITAL (continued)

**b. Options**

(i) There were no options issued, exercised and lapsed during the financial year and no options outstanding.

**c. Capital Management**

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

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

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

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

### NOTE 14: CAPITAL AND LEASING COMMITMENTS

	Consolidated Group	
	2013	2012
	\$	\$
<b>a. Operating Lease Commitments</b>		
Non-cancellable operating leases contracted for but not recognised in the financial statements		
Payable – minimum lease payments:		
– not later than 12 months	60,600	-
– between 12 months and five years	191,065	-
– later than five years	14,294	-
	265,959	-
	265,959	-

	Consolidated Group	
	2013	2012
	\$	\$
<b>b. Capital Commitments</b>		
Capital commitments contracted for but not recognised in the financial statements		
Rabal Constructions (i)	4,715,556	-
Sky Venture (USD 1,650,000) (ii)	1,798,000	-
	6,513,556	-
	6,513,556	-
(i) Parent Company Commitment		
(ii) Subsidiary Company Commitment		

# Indoor Skydive Australia Group Limited & Controlled Entities

ABN 39 154 103 607

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2013

### NOTE 15: CASH FLOW INFORMATION

	Consolidated Group		
	2013	2012	
	\$	\$	
<b>Reconciliation of Cash Flow from Operations with Loss after Income Tax</b>			-
Loss after income tax	(914,571)		
Non-cash flows in loss:			
- Share based payments	49,525		-
Changes in assets and liabilities:			
- (increase)/decrease in trade and term receivables	(84,304)		-
- (increase)/decrease in prepayments	169,365		-
- increase/(decrease) in trade payables and accruals	86,659		-
- increase/(decrease) in provisions	10,911		-
Cash flow used in operations	(682,415)		-

### NOTE 16: RELATED PARTY TRANSACTIONS

#### Related Parties

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

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

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

(ii) *Key management personnel:*

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

For details of disclosures relating to key management personnel, refer to Note 5: Key Management Personnel Compensation.

(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.

- Excalib-Air Pty Ltd is a company jointly controlled by Daniel Hogan and Wayne Jones, the two executive directors on the Company.
- Birkdale Holdings (Qld) Pty Ltd is trustee for the Baxter Family Trust ("Birkdale") which executed a Convertible Note Deed on 10 December 2013. Birkdale is a company associated with Stephen Baxter, a Director of the Company.
- Indoor Skydiving Penrith Holdings Pty Ltd and Indoor Skydiving Penrith Pty Ltd are 100% owned subsidiary companies of the parent entity.

# Indoor Skydive Australia Group Limited & Controlled Entities

ABN 39 154 103 607

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

### NOTE 16: RELATED PARTY TRANSACTIONS (continued)

**b. Transactions with related parties:**

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated. The following transactions occurred with related parties:

		Consolidated Group	
		2013	2012
		\$	\$
<b>(i) Excalib-Air Pty Ltd:</b>			
	Expenses paid on behalf of ISAG Group	-	495,895
	Shares issued in lieu of Loan Repayment	-	500,000
<b>(ii) Birkdale Holdings (Qld) Pty Ltd:</b>			
	Convertible Note Finance Facility		
	Balance at beginning of the year	-	-
	Loans advanced	2,000,000	-
	Finance charges raised	173,206	-
	Finance costs paid	(173,206)	-
	Balance at end of the year	<b>2,000,000</b>	-
<b>(iii) Indoor Skydiving Penrith Holdings Pty Ltd:</b>			
	Balance at beginning of the year	-	-
	Loans advanced	2,743,477	-
	Balance at end of the year	<b>2,743,477</b>	-
	Unsecured, at-call loans are provided by the ultimate parent entity to wholly owned subsidiaries and no interest is charged.		

**c. Amounts payable to related parties:**

There are no amounts payable to related parties, other than as stated above

# Indoor Skydive Australia Group Limited & Controlled Entities

ABN 39 154 103 607

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

### NOTE 17: SHARE BASED PAYMENTS

	2013	2012
	\$	\$
The following Share Based Payments in lieu of fees were made during the period:		
- Whitfield investments Pty Ltd (i)      400,000 fully paid ordinary shares	12,000	-
- LucaPac Consulting Pty Ltd (ii)      400,000 fully paid ordinary shares	12,000	-
- SectorWest Pty Ltd (iii)      250,000 fully paid ordinary shares	7,500	-
- Brett Sheridan (iv)      200,000 fully paid ordinary shares	6,000	-
- Gailyon Investments Pty Ltd (v)      24,375 fully paid ordinary shares	9,019	-
- Bruce McLeary (vi)      8,125 fully paid ordinary shares	3,006	-
1,285,500 fully paid ordinary shares	49,525	-

- (i) A company associated with John Diddams, Director and Company Secretary
- (ii) A company associated with Malcolm Thompson, Alternate Director
- (iii) A company associated with Ken Gillespie, Director and Chairman
- (iv) Chief Marketing Officer
- (v) A company associated with Michael Gordon of Gordon Capital, Financial Advisor
- (vi) Associate of Gordon Capital, Financial Advisor

All the above shares are held in escrow as set out in Note 13 (a)

### NOTE 18: SEGMENT INFORMATION

#### General Information

#### *Identification of reportable segments*

The company is still in the construction phase of the project and is therefore not generating any trading revenue. The group's operations are in one business segment being the construction and operation of indoor skydiving facilities. The group operates in one geographical segment being Australia. All subsidiaries in the group operate within the same segment.

#### Types of products and services by segment

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

#### Basis of accounting for purposes of reporting by operating segments

#### *Accounting policies adopted*

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

The Group's financial instruments consist mainly of deposits with banks, short-term investments, accounts receivable and payable, loans to and from subsidiaries and leases

# Indoor Skydive Australia Group Limited & Controlled Entities

ABN 39 154 103 607

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

### NOTE 19: FINANCIAL RISK MANAGEMENT

The Group's financial instruments consist mainly of deposits with banks, short-term investments, accounts receivable and payable, loans to and from subsidiaries and leases.

The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

	Consolidated Group	
	2013	2012
	\$	\$
<b>Financial assets</b>		
Cash and cash equivalents	5,222,501	-
<b>Total financial assets</b>	5,222,501	-
<b>Financial liabilities</b>		
Financial liabilities at amortised cost:		
- trade and other payables	355,960	24,689
- Convertible note finance facility	2,000,000	-
<b>Total financial liabilities</b>	2,355,960	24,689

### Financial Risk Management Policies

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

The A&RC's overall risk management strategy seeks to assist the consolidated 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 counterparties of contract obligations that could lead to a financial loss to the Group.

Credit risk is minimal at this time as the Group has no credit customers.

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

#### *Credit risk exposures*

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

# Indoor Skydive Australia Group Limited & Controlled Entities

ABN 39 154 103 607

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

### NOTE 19: FINANCIAL RISK MANAGEMENT (continued)

No collateral is held by the Group securing receivables.

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

There are no trade and other receivables that are past due nor impaired as the receivables are not of a trading nature.

Credit risk related to balances with banks and other financial institutions is managed by the A&RC in accordance with approved board policy. Such policy requires that surplus funds are only invested with counterparties with a Standard & Poor's rating of at least AA-. The following table provides information regarding the credit risk relating to cash and money market securities based on Standard & Poor's counterparty credit ratings.

	Note	Consolidated Group	
		2013	2012
		\$	\$
Cash and cash equivalents:			
– AA- rated	6	5,222,501	

#### 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 analyses 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 does not have a policy on maturity of borrowings at this time.

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

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

# Indoor Skydive Australia Group Limited & Controlled Entities

ABN 39 154 103 607

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

### NOTE 19: FINANCIAL RISK MANAGEMENT (continued)

#### *Financial liability and financial asset maturity analysis*

	Within 1 Year		1 to 5 Years		Over 5 Years		Total	
	2013	2012	2013	2012	2013	2012	2013	2012
<b>Consolidated Group</b>	\$	\$	\$	\$	\$	\$	\$	\$
<b>Financial liabilities due for payment</b>								
Convertible Note Finance Facility	-	-	2,000,000	-	-	-	2,000,000	-
Trade and other payables	335,960	-	-	-	-	-	335,960	-
Total contractual outflows	335,960	-	2,000,000	-	-	-	2,335,960	-
Total expected outflows	<b>335,960</b>	<b>-</b>	<b>2,000,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,335,960</b>	<b>-</b>
<b>Financial assets – cash flows realisable</b>								
Cash and cash equivalents	5,222,501	-	-	-	-	-	5,222,501	-
Total anticipated inflows	<b>5,222,501</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,222,501</b>	<b>-</b>
Net inflow on financial instruments	<b>4,886,541</b>	<b>-</b>	<b>2,000,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,886,541</b>	<b>-</b>

#### 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, shares in listed companies and trusts, forward exchange contracts, interest rate swaps, government and fixed interest securities, and cash and cash equivalents.

Interest rate risk is managed using a mix of fixed and floating rate debt, if required. At 30 June 2013 100% of group debt is fixed rate.

##### *Interest rate swaps*

Interest rate swap transactions may be entered into by the Group to exchange variable and fixed interest payment obligations to protect long-term borrowings from the risk of increasing interest rates. The consolidated group currently does not use swap contracts to maintain a designated proportion of fixed to floating debt.

##### (ii) Foreign exchange risk

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.

# Indoor Skydive Australia Group Limited & Controlled Entities

ABN 39 154 103 607

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

### NOTE 19: FINANCIAL RISK MANAGEMENT (continued)

#### *Forward exchange contracts*

The Group does not have any open forward exchange contracts at the end of the reporting period.

#### (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.. 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.

	<b>Consolidated Group</b>	
	<b>Profit</b>	<b>Equity</b>
	<b>\$</b>	<b>\$</b>
<b>Year ended 30 June 2013</b>		
+/-10% in interest rates	<b>52,225</b>	<b>52,225</b>
+/-10% in devaluation of the AUD	<b>207,078</b>	<b>207,078</b>
<b>Year ended 30 June 2012</b>		
+/-10% in interest rates	-	-
+/-10% in devaluation of the AUD	-	-

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

#### **Fair Values**

##### **Fair value estimation**

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

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

Differences between fair values and carrying amounts of financial instruments with fixed interest rates are due to the change in discount rates being applied by the market since their initial recognition by the Group. Most of these instruments, which are carried at amortised cost (ie term receivables, held-to-maturity assets, loan liabilities), are to be held until maturity and therefore the fair value figures calculated bear little relevance to the Group.

# Indoor Skydive Australia Group Limited & Controlled Entities

ABN 39 154 103 607

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

Consolidated Group	Note	2013		2012	
		Carrying Amount	Fair Value	Carrying Amount	Fair Value
		\$	\$	\$	\$
<b>Financial assets</b>					
Cash and cash equivalents	(i)	5,222,501	5,222,501	-	-
Trade and other receivables	(i)	96,316	96,316	15,134	15,134
Other assets	(ii)	24,240	24,240	216,000	216,000
<b>Total financial assets</b>		5,343,057	5,343,057	231,134	231,134
<b>Financial liabilities</b>					
Trade and other payables	(i)	335,960	335,960	24,689	24,689
Conv. Note Finance Facility	(iii)	2,000,000	2,000,000	-	-
<b>Total financial liabilities</b>		2,335,960	2,335,960	24,689	24,689

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

- (i) Cash and cash equivalents, 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) Other assets fair value approximates carrying amount.
- (iii) Conv. Note Finance Facility fair value approximates carrying amount.

### NOTE 20: AUDITORS REMUNERATION

	Consolidated Group	
	2013	2012
	\$	\$
Remuneration of the auditor for:		
- Investigating accounting report	35,000	-
- Audit fees	25,000	9,000
- Half year review	10,000	-
- Other advisory services	18,643	-
	88,643	9,000

# Indoor Skydive Australia Group Limited & Controlled Entities

ABN 39 154 103 607

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

### NOTE 21: EARNINGS PER SHARE

		Consolidated Group	
		2013	2012
		\$	\$
a.	Reconciliation of earnings to profit or loss:		
	Profit	(885,088)	(206,116)
	Earnings used to calculate basic EPS	(885,088)	(206,116)
	Dividends on converting preference shares	-	-
	Earnings used in the calculation of dilutive EPS	(885,088)	(206,116)
		<b>No.</b>	<b>No.</b>
b.	Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	40,136,509	5,107,392
	Weighted average number of dilutive options outstanding	-	-
	Weighted average number of dilutive converting preference shares on issue	-	-
	Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	40,136,509	5,107,392

### NOTE 22: EVENTS AFTER REPORTING DATE

The tender and acceptance of the vertical wind tunnel equipment as contemplated in the agreement with Sky Venture took place on 11 July 2013. Such acceptance triggered an obligation to make the final payment of US\$1,650,000 (equivalent to A\$1,798,000 at payment date), which was paid on that date. The Company had however acquired the required US\$1,650,000 on 8 March 2013 for A\$1,608,000 resulting in a foreign currency gain which was brought to account at the balance date.

Other than the above, 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.

# Indoor Skydive Australia Group Limited & Controlled Entities

ABN 39 154 103 607

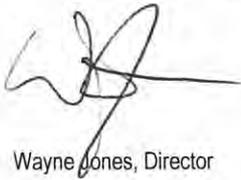
## DIRECTORS' DECLARATION

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

1. The financial statements and notes, as set out on pages 17 to 46, are in accordance with the *Corporations Act 2001* and:
  - a. comply with Australian Accounting Standards, which, as stated in accounting policy Note 1 to the financial statements, constitutes compliance with International Financial Reporting Standards (IFRS); and
  - b. give a true and fair view of the financial position as at 30 June 2013 and of the performance for the year ended on that date of the consolidated group;
2. in the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
3. The directors have been given the declarations required by s 295A of the *Corporations Act 2001* from the Chief Executive Officer and Chief Financial Officer.

The company and two wholly owned subsidiaries, Indoor Skydiving Penrith Holdings Pty Ltd and Indoor Skydiving Penrith Pty Ltd, have each entered into deeds of cross guarantee under which the company and the subsidiaries guarantee the debts of each other.

At the date of this declaration, there are reasonable grounds to believe that the companies which are party to this deed of cross guarantee will be able to meet any obligations or liabilities to which they are, or may become, subject to by virtue of the deed.



Wayne Jones, Director

Dated this 26<sup>th</sup> day of August 2013

## **INDEPENDENT AUDITOR'S REPORT**

### **TO THE MEMBERS OF**

### **INDOOR SKYDIVE AUSTRALIA GROUP LIMITED**

#### **Report on the Financial Report**

We have audited the accompanying financial report of Indoor Skydive Australia Group Limited, which comprises the consolidated statement of financial position as at 30 June 2013, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the period then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the period's end or from time to time during the financial period.

#### *Directors' Responsibility for the Financial Report*

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

#### *Auditor's Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

### *Independence*

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Indoor Skydive Australia Group Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

### *Opinion*

In our opinion:

- (a) the financial report of Indoor Skydive Australia Group Limited is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the period ended on that date; and
  - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

### *Report on the Remuneration Report*

We have audited the Remuneration Report included in pages 8 to 11 of the directors report for the year ended 30 June 2013. The directors of the company are responsible for the preparation and presentation of the remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

### *Opinion*

In our opinion the Remuneration Report on Indoor Skydive Australia Group for the year ended 30 June 2013 complies with section 300A of the *Corporations Act 2001*.

*RSM Bird Cameron Partners*

**RSM BIRD CAMERON PARTNERS**



**G N SHERWOOD**  
Partner

Sydney, NSW

Dated: 26 August 2013

# Indoor Skydive Australia Group Limited & Controlled Entities

ABN 39 154 103 607

## ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

The following information is current as at 15 August 2013:

### 1. Shareholding

#### a. Distribution of Shareholders

Category (size of holding):	Number	Ordinary Shares
1 – 1,000	7	4,744
1,001 – 5,000	42	102,148
5,001 – 10,000	113	1,075,336
10,001 – 100,000	166	5,596,929
100,001 and over	24	31,832,509
	352	38,611,666

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

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

Shareholder:	Number	
	Ordinary	%
EXCALIB-AIR PTY LTD	16,000,000	27.2%
BIRKDALE HOLDINGS (QLD) PTY LTD	15,000,000	25.5%
TRACKCORP HOLDINGS PTY LTD	8,000,000	13.6%
QUAD INVESTMENTS PTY LTD	5,916,667	10.1%

#### d. Voting Rights

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

Ordinary shares

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

Redeemable and converting preference shares

- These shares have no voting rights.

#### e. 20 Largest Shareholders – Ordinary Shares

Name	Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
EXCALIB-AIR PTY LTD	16,000,000	27.2%
BIRKDALE HOLDINGS (QLD) PTY LTD	15,000,000	25.5%
TRACKCORP HOLDINGS PTY LTD	8,000,000	13.6%
QUAD INVESTMENTS PTY LTD	5,916,667	10.1%
SABRE ONE INVESTMENTS PTY LTD	833,333	1.4%
MR DAVID WILLIAM LONCASTY	600,000	1.0%
MR GREGORY KENNETH JACK	500,000	0.8%
R & K HOOD INVESTMENTS PTY LIMITED	500,000	0.8%
WHITFIELD INVESTMENTS PTY LTD	400,000	0.7%

# Indoor Skydive Australia Group Limited & Controlled Entities

ABN 39 154 103 607

## ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

LUCAPAC PTY LTD	400,000	0.7%
MS SARAH BRIDGET COLEMAN	258,250	0.4%
SECTORWEST PTY LTD	250,000	0.4%
MR HUXLEY BASSETT ALLEN	250,000	0.4%
MR SAMUEL BENJAMIN EVANS	250,000	0.4%
JEFFREY ROBERT ILIFFE & LESLEY MARGARET ILIFFE	250,000	0.4%
INVIA CUSTODIAN PTY LIMITED <MALONEY SF A/C>	250,000	0.4%
SHAUNN RICHARD SEGON & TONIA ALYSSA SEGON	250,000	0.4%
QUEK CHIN HUI VERNON	250,000	0.4%
MR MARK BAINTON <THE BAINTON A/C>	200,000	0.3%
NIGEL PATRICK KING <NIGEL KING SMSF>	200,000	0.3%
	<hr/>	
	50,558,250	85.9%

2. The name of the company secretary is John Flower Diddams.
3. The address of the principal registered office in Australia is Level 5, 8 Help Street Chatswood NSW 2067.  
Telephone 02 9325 5900.
4. Registers of securities are held at the following addresses:  
NSW                      Level 7, 207 Kent Street, Sydney NSW 2000
5. **Stock Exchange Listing**  
Quotation has been granted for 38,611,666 of the total 58,843,333 ordinary shares of the company on all Member Exchanges of the Australian Securities Exchange Limited.
6. **Unquoted Securities**  
Ordinary Shares held in escrow:  
20,231,667 ordinary shares on issue are held in escrow at the above date.  
There are no Options over Unissued Shares:
7. **Other Disclosures**  
Nil

# Indoor Skydive Australia Group Limited & Controlled Entities

ABN 39 154 103 607

## CORPORATE DIRECTORY

Directors	Kenneth James GILLESPIE Wayne Peter JONES Daniel Christopher HOGAN John Flower DIDDAMS Stephen BAXTER Malcolm John THOMPSON (alternate for Stephen Baxter)
Company Secretary	John Flower DIDDAMS
Registered Office	Indoor Skydive Australia Group Ltd Level 5, 8 Help Street Chatswood NSW 2067
Principle place of business	Indoor Skydive Australia Group Ltd Level 5, 8 Help Street Chatswood NSW 2067
Share register	Boardroom Pty Limited Level 7, 207 Kent street Sydney NSW 2000
Auditor	RSM Bird Cameron Partners Level 12, 60 Castlereagh St Sydney NSW 2000
Solicitors	Truman Hoyle Level 11, 68 Pitt Street Sydney NSW 2000
Bankers	National Australia Bank
Stock exchange listing code:	IDZ
Website	<a href="http://www.indoorskydiveaustralia.com.au">www.indoorskydiveaustralia.com.au</a>