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# ASX Appendix 4E Preliminary Final Report

**For the year ended 30 June 2019**  
Provided to the ASX under Listing Rule 4.3A

**Indoor Skydive Australia Group Limited**  
ACN 154 103 607



## Appendix 4E Preliminary Final Report

### RESULTS FOR ANNOUNCEMENT TO THE MARKET

**Reporting Period:** 1 July 2018 to 30 June 2019  
**Prior Reporting Period:** 1 July 2017 to 30 June 2018

#### Financial Results

	30 June 2019	30 June 2018	Change
	\$	\$	%
Revenue from ordinary activities	11,376,877	13,880,529	(18%)
Statutory profit/(loss) from ordinary activities after tax attributable to members	(2,278,875)	(10,140,582)	-
Statutory net profit/(loss) for the period attributable to members	(2,278,875)	(10,140,582)	-
Underlying earnings before interest, tax, depreciation and amortisation <sup>1</sup>	1,253,904	2,293,178	-
Dividends	Nil	Nil	n/a

<sup>1</sup> Underlying earnings before interest, tax, depreciation and amortisation, corporate reduction costs, impairment of China Joint Venture and royalty penalties.

#### Dividends

No dividends have been declared or are payable for the year ended 30 June 2019.

#### Tangible Assets per Ordinary Share

Net tangible assets per share as at 30 June 2019	\$0.15
Net tangible assets per share as at 30 June 2018	\$0.16

#### Commentary

The financial year ended 30 June 2019 was a challenging year for ISA Group with a focus on repairing the company after the costly legal dispute, settled in September 2018. FY2019 results have been affected by the lack of marketing spend due to cashflow restrictions which saw a correlating reduction in sales, distraction due to the legal settlement and costs associated with the restructure of the Company headquarters as part of the Company's cost reduction measures. Subsequent to the resolution of the dispute, the Company has significantly downsized its corporate footprint and ceased all offshore wind tunnel projects (other than its continued management of the Malaysian joint venture operation) and eliminated expenses associated with the offshore expansion strategy, refocusing on optimising its Australian operations.

For the year ended 30 June 2019, ISA Group reported statutory earnings before interest, tax, depreciation and amortisation was \$348,253. The underlying EBITDA (excluding China JV impairment, corporate reduction and royalty penalties) is \$1,253,904. This compares to \$2,293,178 in 2018.

Looking forward the company will continue its strategy of repair, growth and diversification throughout FY2020.

## Appendix 4E Preliminary Final Report

### Subsequent Events

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

### Dividend reinvestment plan

ISA Group does not operate a dividends or distribution reinvestment plan.

### Control gained or lost over entities having a material effect


There were no transactions during the year ended 30 June 2019 having a material effect.

### Accounting standards

The financial information contained in this Appendix 4E has been prepared in accordance with Australian Accounting Standards

### Audit of the Financial Report

This report is based on the consolidated financial statements for the year ended 30 June 2019 which is being audited by Felsers, Chartered Accountants.



**Wayne Jones**  
Chief Executive Officer & Director

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## Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2019

	Note	Consolidated Group	
		2019	2018
		\$	\$
Revenues	2(a)	11,376,877	13,880,529
Cost of Sales		(2,527,951)	(2,575,301)
Gross Profit		<u>8,848,926</u>	<u>11,305,228</u>
Other income	2(a)	337,016	396,753
Selling and marketing expenses	2(b)	(4,513,706)	(5,183,269)
Administration expenses	2(b)	(4,584,982)	(4,602,987)
Impairment of AirRider Brand		-	(2,627,648)
Legal expenses		204,613	(2,520,068)
Dispute settlement costs		-	(3,532,751)
Other expenses		(1,165,147)	(1,560,123)
<b>Loss Before Interest and Tax</b>		<u>(873,280)</u>	<u>(8,324,865)</u>
Finance income		-	615
Finance expense		(1,065,550)	(558,598)
<b>Net financing costs</b>		<u>(1,065,550)</u>	<u>(557,983)</u>
Share of loss of a joint venture entity		(28,897)	(339,583)
<b>Loss Before Tax</b>		<u>(1,967,727)</u>	<u>(9,222,431)</u>
Income tax benefit		(311,148)	(918,151)
<b>Loss After Tax</b>		<u>(2,278,875)</u>	<u>(10,140,582)</u>
<b>Other comprehensive income</b>			
Exchange differences on translation of foreign operations		2,357	805
<b>Other comprehensive income for the period</b>		<u>2,357</u>	<u>805</u>
<b>Total comprehensive income for the period</b>		<u>(2,276,518)</u>	<u>(10,139,777)</u>
<b>Earnings per share</b>			
From continuing operations:			
- Basic earnings per share (cents)			(1.67)
- Diluted earnings per share (cents)			(1.64)

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

## Consolidated Statement of Financial Position

As at 30 June 2019

	Notes	Consolidated Group	
		2019	2018
		\$	\$
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		140,665	953,541
Trade and other receivables		215,254	105,473
Inventories		46,681	83,156
Other financial asset		49,360	130,890
<b>TOTAL CURRENT ASSETS</b>		<b>451,959</b>	<b>1,273,060</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		41,128,256	42,151,324
Investment in joint venture entities	6	153,298	206,329
Intangible asset		-	264,350
Deferred tax asset		938,339	1,249,487
Other financial asset		132,585	197,440
<b>TOTAL NON-CURRENT ASSETS</b>		<b>42,352,478</b>	<b>44,068,930</b>
<b>TOTAL ASSETS</b>		<b>42,804,437</b>	<b>45,341,990</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables		4,128,097	3,997,700
Deferred revenue		1,009,681	1,231,797
Borrowings		1,651,465	1,886,317
Provisions		196,619	425,288
<b>TOTAL CURRENT LIABILITIES</b>		<b>6,985,862</b>	<b>7,541,102</b>
<b>NON-CURRENT LIABILITIES</b>			
Borrowings		9,454,230	9,081,123
Provisions		6,310,776	6,338,337
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>15,765,006</b>	<b>15,419,460</b>
<b>TOTAL LIABILITIES</b>		<b>22,750,868</b>	<b>22,960,562</b>
<b>NET ASSETS</b>		<b>20,053,569</b>	<b>22,381,428</b>
<b>EQUITY</b>			
Share capital		40,810,939	40,810,939
Reserves		9,466	58,450
Accumulated losses		(20,766,836)	(18,487,961)
<b>TOTAL EQUITY</b>		<b>20,053,569</b>	<b>22,381,428</b>

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

## Consolidated Statement of Changes in Equity

For the year ended 30 June 2019

	Issued Capital	Reserves	Retained Earnings	Total
	\$	\$	\$	\$
<b>Balance at 1 July 2018</b>	<b>40,810,939</b>	<b>58,450</b>	<b>(18,487,961)</b>	<b>22,381,428</b>
Employee share based payment performance rights		(51,341)		(51,341)
<b>Comprehensive income</b>				
Loss for the year	-	-	(2,278,875)	(2,278,875)
Other comprehensive income	-	2,357	-	2,357
<b>Total comprehensive loss for the year</b>	<b>-</b>	<b>-</b>	<b>(2,278,875)</b>	<b>(2,276,518)</b>
<b>Balance at 30 June 2019</b>	<b>40,810,939</b>	<b>9,466</b>	<b>(20,766,836)</b>	<b>20,053,569</b>
<b>Balance at 1 July 2017</b>	<b>40,466,917</b>	<b>340,448</b>	<b>(8,347,379)</b>	<b>32,459,986</b>
Share issue on exercise of performance rights	344,022	(344,022)	-	-
Employee share based payment performance rights		3,574	-	3,574
Issue of share options		57,645	-	57,645
<b>Comprehensive income</b>				
Loss for the year	-	-	(10,140,582)	(10,140,582)
Other comprehensive income	-	805	-	805
<b>Total comprehensive loss for the half year</b>	<b>-</b>	<b>805</b>	<b>(10,140,582)</b>	<b>(10,139,777)</b>
<b>Balance at 30 June 2018</b>	<b>40,810,939</b>	<b>58,450</b>	<b>(18,487,961)</b>	<b>22,381,428</b>

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

## Consolidated Statement of Cash Flows

For the year ended 30 June 2019

	Consolidated Group	
	2019	2018
	\$	\$
<b>Cash Flows From Operating Activities</b>		
Receipts from customers	12,376,344	14,087,957
Payments to suppliers and employees	(12,432,960)	(13,508,159)
Grant and Other Operational Income	245,917	858,098
Interest received	-	615
Finance costs	(1,065,550)	(558,598)
<b>Net cash inflows from operating activities</b>	<b>(876,249)</b>	<b>879,913</b>
<b>Cash Flows From Investing Activities</b>		
Purchase of property, plant and equipment	(74,883)	(106,485)
Payments for investment in joint venture	-	(545,107)
Payments for intangibles	-	(1,263,202)
<b>Net cash outflows from investing activities</b>	<b>(74,883)</b>	<b>(1,914,794)</b>
<b>Cash Flows From Financing Activities</b>		
Proceeds from borrowings	1,500,000	1,500,000
Repayment of borrowings	(1,361,744)	(1,218,035)
<b>Net cash inflows from financing activities</b>	<b>138,256</b>	<b>281,965</b>
<b>Net decrease in cash held</b>	<b>(812,876)</b>	<b>(752,916)</b>
Cash and cash equivalents at beginning of year	953,541	1,706,457
<b>Cash and cash equivalents at end of year</b>	<b>140,665</b>	<b>953,541</b>

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

## Additional Information

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Basis of Preparation

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*. Indoor Skydive Australia Group Ltd is the Group's ultimate parent company. Indoor Skydive Australia Group Ltd is a public company listed on the Australian Stock Exchange and domiciled in Australia. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

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

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

#### Basis of Accounting

The Group incurred a loss for the year after tax of \$2,278,875 (2018: loss of \$10,140,582) and has a net current deficiency in assets of \$6,533,903. Included within current liabilities are deferred revenue of \$1,009,681 that will be realised as revenue once the service has been delivered to the customer. Therefore, excluding this balance, the Group has an adjusted current asset deficiency position of \$5,524,222 at 30 June 2019.

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

- i) In August 2019, ISA Group entered into an agreement with SkyVenture to sell the assets of iFLY Perth to SkyVenture in exchange for (amongst other things) the extinguishment of outstanding debt and royalties owed by ISA Group to SkyVenture, a suspension of royalty payments for a period of 4 years for iFLY Downunder (Sydney) and iFLY Gold Coast (which will be recorded in our financial statements as deferred consideration based on forecast royalty payments FY20) and a payment of A\$500,000 from SkyVenture to the Company.
- ii) In August 2019, ISA Group raised \$2m through an entitlement offer and placement. The proceeds will be used to further reduce interest bearing debt and to invest in growth activities to improve operational performance
- iii) In conjunction with the Entitlement Offer, to assist with the Company's strategy of reducing debt and liabilities, Birkdale (an entity associated with Chairman, Steve Baxter) has agreed to convert \$1.2 million of its existing \$3.0 million loan into New Shares at the Offer Price.

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

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

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

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



## Additional Information

### Critical Accounting Estimates and Judgements

#### *i. Useful lives, Residual Values and Classification of Property, Plant and Equipment*

There is a degree of judgement required in estimating the residual values and useful lives of the Property, Plant and Equipment. There is also a degree of judgement required in terms of the classification of such Property, Plant and Equipment. The Group's main assets at present comprise the Vertical Wind Tunnel (VWT) Equipment and its related Building Infrastructure. The construction of these assets are typically foreseen in the lease agreements, however the Board has exercised their judgement in determining that the nature of these assets are that of buildings and equipment, rather than leasehold improvements. To this extent, the Board has confirmed the useful life of the Buildings to be 40 years and VWT equipment to be 20 years and the residual values of both these classes of assets to be nil.

#### *ii. Deferred Tax Asset*

In future years, the Group is expected to generate taxable income that will utilise the deferred tax balance. The directors have recognised a deferred tax asset to the extent of deductible temporary differences. Due to several years of losses, there is some doubt as to whether the tax benefit from unused tax losses will be recouped. The directors have therefore deemed it is prudent not to recognise a deferred tax asset for tax losses. This may be reversed in future years if it becomes probable that sufficient taxable income will be generated.

#### *iii. Gift Card Revenue*

Gift card revenue from the sale of gift cards is recognised when the card is redeemed for the purchase of flight time (Flight Revenue), or when the gift card is no longer expected to be redeemed (Gift Card Revenue). At 30 June 2019, \$664,328 of Gift Card Revenue is recognised (2018: \$797,913). The key assumption in measuring the liability for gift cards and vouchers is the expected redemption rates by customers with a portion recognised upfront, which are reviewed based on historical information. Any reassessment of expected redemption rates in a particular period impacts the revenue recognised from expiry of gift cards and vouchers (either increasing or decreasing). Any foreseeable change in the estimate is unlikely to have a material impact on the financial statements.

#### *v. Site Restoration*

Provisions for site restoration obligations are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

In the current year, the Group has recognised a provision for site restoration for its three tunnels. To this extent, an estimate of the costs to remove the VWT's and its related Building Infrastructure has been determined based on current costs using existing technology at current prices. Management used the services of an expert and determined the cost to restore the sites. These costs were projected forward at a 2.5% inflationary escalation and then discounted back at 12.84% (2018: 8.73%), after consideration of the associated risks. The discount rate reflects the time value of money and risks specific to the operation of the tunnels. The site restoration asset is depreciated over the remainder of each extended lease period being 40 years in the case of each of iFLY Downunder (Penrith), iFLY Gold Coast and iFLY Perth. The accumulative effect of discounting on the site restoration provision is included within finance costs in the statement of comprehensive income.

#### *vi. Capitalisation of Internally Developed Intangible Assets*

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

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

## Additional Information

### NOTE 2: REVENUE AND EXPENSES

	Consolidated Group	
	Year ending 30 June 19	Year ending 30 June 18
<b>a) Revenue</b>	\$	\$
VWT revenue - rendering of services	10,572,949	13,221,607
Other sales	803,928	658,922
	<b>11,376,877</b>	<b>13,880,529</b>
<b>Other Income</b>		
Other	337,016	396,753
	<b>337,016</b>	<b>396,753</b>
<b>b) Selling and Marketing Expenses</b>		
Marketing Expenses	552,773	861,722
Employment Expenses	3,960,933	4,321,547
	<b>4,513,706</b>	<b>5,183,269</b>
<b>Administration Expenses</b>		
Depreciation and Amortisation Expenses	1,250,431	1,937,576
Occupancy Expenses	1,344,585	1,434,800
Employment Expenses	1,751,282	1,047,549
Share Based Payments	-	57,645
Directors' fees	238,684	125,417
	<b>4,584,982</b>	<b>4,602,987</b>

## Additional Information

### NOTE 3: INTEREST IN SUBSIDIARIES

Set out below are the Group's subsidiaries at 30 June 2019. The subsidiaries listed below have share capital consisting solely of ordinary shares, which are held directly by the Group and the proportion of ownership interests held equals the voting rights held by the Group. Each subsidiary's country of incorporation or registration is also its principal country of business.

Subsidiaries	Country of Incorporation	2019 %	2018 %
Indoor Skydiving Penrith Holdings Pty Ltd	Australia	100	100
Indoor Skydiving Penrith Pty Ltd	Australia	100	100
Indoor Skydiving Gold Coast Pty Ltd	Australia	100	100
ISA Flight Club Pty Ltd	Australia	100	100
Indoor Skydiving Perth Pty Ltd	Australia	100	100
ISAG Holdings D Pty Ltd	Australia	100	100
ISAG Café Pty Ltd	Australia	100	100
ISA Asia Holdings Pty Ltd	Australia	100	100
ISA Asia Operations Pty Ltd	Australia	100	100

### NOTE 4: SEGMENT INFORMATION

#### GENERAL INFORMATION

##### *Identification of reportable segments*

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

##### **Types of Products and Services by Segment**

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

## Additional Information

### NOTE 5: EARNINGS PER SHARE

	2019 Cents	2018 Cents
<b>Earnings per share (cents per share)</b>		
From continuing operations:		
- basic earnings per share	(1.67)	(7.42)
- diluted earnings per share	(1.64)	(7.42)
	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
a. Reconciliation of earnings to profit or loss:		
Loss	(2,278,875)	(10,140,582)
Earnings used to calculate basic EPS	(2,278,875)	(10,140,582)
Earnings used in the calculation of dilutive EPS	(2,278,875)	(10,140,582)
	<b>No.</b>	<b>No.</b>
b. Weighted average number of ordinary shares for basic EPS	136,696,514	136,640,752
Weighted average number of ordinary shares for diluted EPS	138,896,514	139,818,500

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

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## Additional Information

### NOTE 6: INTEREST IN JOINT VENTURE ENTITIES

- a) The Group has a 40% interest in LeisureWorld Assets Sdn. Bhd., a joint venture involved in owning an indoor skydive facility in Kuala Lumpur, Malaysia. The Group's interest in LeisureWorld Assets Sdn. Bhd. is accounted for using the equity method.
- b) The Group has a 60% interest in LeisureWorld Escapades Sdn. Bhd., a joint venture operating and managing the indoor skydive facility in Kuala Lumpur, Malaysia officially launched on 24 January 2018. The Group's interest in LeisureWorld Escapades Sdn. Bhd. is accounted for using the equity method.

The following table illustrates the summarised financial information of the Group's 40% investment in LeisureWorld Assets Sdn. Bhd. and 60% investment in LeisureWorld Escapades Sdn. Bhd:

	30 June 2019	
	LeisureWorld Assets Sdn. Bhd	LeisureWorld Escapades Sdn. Bhd
Current assets	1,027,146	102,026
Non-current assets	4,255,698	72,025
Current liabilities	(4,905,494)	-
Non-current liabilities	-	(1,320,171)
<b>Equity</b>	<b>373,350</b>	<b>(1,146,120)</b>
<b>Group's carrying value of the investment</b>	<b>153,298</b>	<b>-</b>
	30 June 2019	
	LeisureWorld Assets Sdn. Bhd	LeisureWorld Escapades Sdn. Bhd
Revenue	1,227,836	(1,035,701)
Cost of sales	(536,464)	(1,630,275)
Administration expenses	(351,796)	(678,425)
Finance costs	(450,580)	-
<b>Profit/Loss before tax</b>	<b>(111,004)</b>	<b>(1,272,999)</b>
Income tax benefit	-	-
<b>Profit/Loss for the year</b>	<b>(111,004)</b>	<b>(1,272,999)</b>
<b>Group's share of the loss for the year</b>	<b>(44,402)</b>	<b>(763,799)</b>

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