ASX Appendix 4E

Preliminary Final Report

For the year ended 30 June 2017

Provided to the ASX under Listing Rule 4.3A

Indoor Skydive Australia Group Limited

ACN 154 103 607

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Reporting Period: 1 July 2016 to 30 June 2017
Prior Reporting Period: 1 July 2015 to 30 June 2016

Financial Results

	30 June 2017 $	30 June 2016 Restated[2] $	Change %
Revenue from ordinary activities	12,271,081	8,155,888	50
Normalised earnings before interest, tax, depreciation and amortisation[1]	1,233,517	(140,409)	978
Statutory profit/(loss) from ordinary activities after tax attributable to members	(891,290)	(1,506,760)	41
Statutory net profit/(loss) for the period attributable to members	(891,290)	(1,506,760)	41
Dividends	Nil	Nil	n/a

[1] Normalised earnings before interest, tax, depreciation and amortisation excludes share based payments and straight line leasing adjustments is not an accepted classification under accounting standards.

[2] The 30 June 2016 comparative figures have been restated. Refer to Note 2 of this Preliminary Final Report.

Dividends

No dividends have been declared or are payable for the year ended 30 June 2017.

Tangible Assets per Ordinary Share

Net tangible assets per share as at 30 June 2017	$0.22
Net tangible assets per share as at 30 June 2016[2]	$0.21

Commentary

ISA Group owns and operates three Indoor Skydiving Facilities in Australia; iFLY Downunder (Penrith NSW), iFLY Gold Coast and iFLY Perth. With the opening of the third facility, iFLY Perth, ISA Group's operations have focussed on group stability and consolidation.

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

For the year ended 30 June 2017, ISA Group reported earnings before interest, tax, depreciation and amortisation of $1,233,517 excluding share based payments and lease straight lining expense. This compares to a loss of $140,409 in 2016. ISA Group reported a statutory net loss after tax of $891,290 (2016: loss of $1,506,760).

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

ISA Group has an agreement for lease for its fourth Australian Indoor Skydiving Facility at Entertainment Quarter, Moore Park Sydney which is currently under review. Further work aimed at understanding construction and lease costs and their impact of the delivery of an acceptable rate of return is a current focus.

Following the execution of binding agreements after the year end, ISA Group is developing its first Indoor Skydiving Facility in South East Asia in partnership with Bandar Utama City Sdn Bhd. Located at 1 Utama Shopping Complex, Kuala Lumpur Malaysia, AirRider 1 Utama is due to open by the end of 2017 and will be operated under our unique international **"**AirRider**"** brand which was developed during the period.

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 2017 having a material effect.

Details of associate and joint venturers

The Group had no investments in associates or joint venturers during the year ended 30 June 2017.

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 Appendix 4E is based on the Annual Financial Report which is in the process of being audited.

Ken Gillespie	**Wayne Jones**
Chairman	**Chief Executive Officer & Director**
23 August 2017	

Consolidated Statement of Profit or Loss and other Comprehensive Income

For the year ended 30 June 2017

	Note	Consolidated Group 2017 $	2016 Restated * $
Revenue		12,271,081	8,155,888
Cost of sales		(2,464,687)	(1,703,943)
Gross Profit		9,806,394	6,451,945
Other Income		45,478	188,389
Selling and marketing expenses		(4,731,189)	(3,115,827)
Administration expenses		(4,354,932)	(4,137,711)
Other expenses		(1,432,046)	(1,047,880)
Earnings Before Interest and Tax		(666,295)	(1,660,784)
Finance Income		7,373	26,255
Finance expense		(383,317)	(124,614)
Loss Before Tax		(1,042,239)	(1,759,143)
Income tax benefit		150,949	252,383
Loss After Tax		(891,290)	(1,506,760)
Other comprehensive income for the year, net of tax		-	-
Total comprehensive loss for the year		(891,290)	(1,506,760)
Earnings per share			
From continuing operations:			
Basic earnings per share (cents)	5	(0.68)	(1.26)
Diluted earnings per share (cents)	5	(0.68)	(1.26)

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

* Certain amounts shown here do not correspond to the 2016 financial statements and reflect adjustments made. Refer to Note 2.

Consolidated Statement of Financial Position

As at 30 June 2017

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

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

* Certain amounts shown here do not correspond to the 2016 financial statements and reflect adjustments made. Refer to Note 2.

Consolidated Statement of Changes in Equity

For the year ended 30 June 2017

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

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

* Certain amounts shown here do not correspond to the 2016 financial statements and reflect adjustments made. Refer to Note 2.

Consolidated Statement of Cash Flows

As at 30 June 2017

		Consolidated Group	
		2017	2016
	Note	$	$
Cash Flows From Operating Activities			
Receipts from customers		14,523,197	8,133,131
Payments to suppliers and employees		(12,023,796)	(7,861,681)
Grant income received		24,875	51,750
Interest received		7,373	26,255
Finance costs		(383,317)	(76,335)
Net cash inflows from operating activities		2,148,332	273,120
Cash Flows From Investing Activities			
Purchase of property, plant and equipment		(9,173,873)	(12,370,007)
Realisation of term deposits		-	1,325,556
Payment for intangible assets		(733,061)	(284,252)
Net cash outflows from investing activities		(9,906,934)	(11,328,703)
Cash Flows From Financing Activities			
Proceeds from issue of securities		5,665,005	-
Proceeds from borrowings		2,493,302	9,147,926
Repayment of borrowings		(901,718)	-
Share issue costs		(342,131)	-
Net cash inflows from financing activities		6,914,458	9,147,926
Net decrease in cash held		(844,144)	(1,907,657)
Cash and cash equivalents at beginning of period		2,550,601	4,321,619
Effects of exchange rate changes		-	136,639
Cash and cash equivalents at end of period		1,706,457	2,550,601

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

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

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

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

Basis of Accounting

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

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

Critical Accounting Estimates and Judgements

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

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

ii. Deferred Tax Asset

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

iii. Exclusive Territory Development Agreement Recognition and Amortisation

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

The term of the agreement is limited, and the asset is therefore classified as a finite life intangible asset. An intangible asset with a finite life is to be amortised over its useful life. The amortisation method selected should reflect the pattern over which the asset's future economic benefit is expected to be consumed. If that pattern cannot be determined reliably, the straight-line method is to be used. The amortisation period and method for an intangible asset with a finite useful life are to be reviewed at least at the end of each annual reporting period. If the expected useful life or expected pattern of consumption of the future economic benefit is different from previous estimates, the period or method is to be revised. As at the reporting date, there is no change to the previous estimates.

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

iv. Gift Card Revenue

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

v. Site Restoration

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

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

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.

NOTE 2 PRIOR PERIOD ADJUSTMENT
Lease Straight lining

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

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

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

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

NOTE 3: INTEREST IN SUBSIDIARIES

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

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

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

NOTE 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.

NOTE 5: EARNINGS PER SHARE

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

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

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

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