

Appendix 4D

Indoor Skydive Australia Group Limited Half Year Report Period ended 31 December 2017

Results for Announcement to the Market

Details of Reporting Periods	
Current:	1 July 2017 to 31 December 2017
Comparative:	1 July 2016 to 31 December 2016

Financial Results	Half year to 31/12/17	Half year to 31/12/16	Change %	Change \$
	\$	\$		
Total revenue ("revenue from ordinary activities")	7,068,056	5,130,316	38%	1,937,740
Net operating loss ("loss from ordinary activities after tax attributable to members")	(287,548)	(760,285)	62%	472,737
Total comprehensive loss for the period ("net loss for the period attributable to members")	(271,191)	(760,285)	64%	489,094

Commentary on results

Please refer to the attached Interim Financial Report and Financial Statements for further explanation of the results.

Dividends

	Half year to 31/12/17	Half year to 31/12/16
Interim Dividend	n/a	n/a
Record date for determining entitlement to dividend	n/a	n/a

No dividends have been paid or declared during the period. There are no dividend reinvestment plans.

	Half year to 31/12/17	Half year to 31/12/16
Net tangible assets per share	\$0.24	\$0.24

Financial Report

The Company's independent auditor, Grant Thornton Audit Pty Ltd, has completed a review of the Group's 31 December 2017 Interim Financial Report on which this report is based and has provided an unqualified Review Report. A copy of the Indoor Skydive Australia Group Limited Interim Financial Report and Financial Statements, inclusive of the Review Report is attached.

**Indoor Skydive Australia Group Limited
and Controlled Entities**

ABN 39 154 103 607

Interim Financial Report
For the half year ended 31 December 2017

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DIRECTORS' REPORT

Your directors submit the interim financial report of the consolidated group consisting of Indoor Skydive Australia Group Limited (**the Company** or **ISA Group**) and its controlled entities (**the Group**) during the half-year ended 31 December 2017.

DIRECTORS

The following persons were directors who held office during the half-year and up to the date of this report, unless otherwise stated:

Stephen BAXTER

Kenneth James GILLESPIE, AC

Daniel Christopher HOGAN, MG

Wayne Peter JONES

COMPANY SECRETARY

Fiona Louise YIEND

REVIEW OF OPERATIONS

The principal activities of ISA Group are to own and/or operate Indoor Skydiving Facilities across Australia and South East Asia. It operates three Skydiving Facilities in Australia; iFLY Downunder (Penrith NSW), iFLY Gold Coast and iFLY Perth. ISA Group has an agreement for lease for its fourth Australian Indoor Skydiving Facility at Entertainment Quarter, Moore Park Sydney.

During the half year, ISA Group has developed its first Indoor Skydiving Facility in South East Asia, located at 1 Utama, Kuala Lumpur Malaysia. With a local joint venture partner, ISAG Group has commenced operations in January 2018 under our unique international "AirRider" brand.

For the half-year ended 31 December 2017, ISA Group reported Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) profit of \$1,016,732 (2016: loss of \$218,052) and a net loss after tax of \$287,549 (2016: \$760,285). The half year results were impacted by \$404,811 of legal fees incurred as a result of a dispute with Sky Venture (refer to ASX announcement dated 26 February 2018). The arbitration of the dispute is scheduled for May 2018. The company anticipates that further legal fees will be incurred in the second half of the year.

EBITDA is not an accepted classification under the accounting standards, however, the Directors consider it a useful measure when considering the performance of VWT operations.

The following table summarises key reconciling items between statutory profit after tax attributable to the shareholders of the consolidated entity and EBITDA.

	December 2017 \$	December 2016 \$
EBITDA	1,016,732	(218,052)
Less: Depreciation and amortisation	(1,100,183)	(713,679)
Less: Finance cost	(289,676)	(194,540)
Add: Interest income	<u>615</u>	<u>4,788</u>
Loss before income tax benefit	(372,511)	(1,121,483)
Income tax benefit	<u>84,963</u>	<u>374,872</u>
Loss after income tax	<u><u>(287,549)</u></u>	<u><u>(760,285)</u></u>

AUDITOR’S INDEPENDENCE DECLARATION

The lead auditor’s independence declaration under s 307C of the *Corporations Act 2001* is set out on page 4 of the interim financial report.

This directors’ report is signed in accordance with a resolution of the Board of Directors.

On behalf of the Directors



Kenneth James Gillespie, AC
Chairman

Dated: 26 February 2018



Wayne Peter Jones
Director & Chief Executive Officer

AUDITOR'S INDEPENDENCE DECLARATION



Level 17, 383 Kent Street
Sydney NSW 2000

Correspondence to:
Locked Bag Q800
QVB Post Office
Sydney NSW 1230

T +61 2 8297 2400
F +61 2 9299 4445
E info.nsw@au.gt.com
W www.grantthornton.com.au

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

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the review of Indoor Skydive Australia Group Limited for the half-year ended 31 December 2017. I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b no contraventions of any applicable code of professional conduct in relation to the review.

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

P J Woodley
Partner – Audit & Assurance

Sydney, 26 February 2018

Grant Thornton Audit Pty Ltd ACN 130 913 594
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**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 31 DECEMBER 2017**

	Note	Consolidated Group	
		Half Year ending 31 Dec 17	Half Year ending 31 Dec 16
		\$	\$
Revenues	2(a)	7,068,056	5,130,316
Cost of Sales		(1,330,010)	(1,091,437)
Gross Profit		5,738,046	4,038,879
Other income	2(a)	435,087	24,875
Selling and marketing expenses	2(b)	2,647,184	2,215,563
Administration expenses	2(b)	2,854,984	2,226,534
Other operating expenses		738,255	567,062
Loss Before Interest and Tax		(67,289)	(945,405)
Finance income		615	4,788
Finance expense		(289,676)	(194,540)
Net financing costs		(289,060)	(189,752)
Share of loss of a joint venture entity		(16,161)	-
Loss Before Tax		(372,511)	(1,135,157)
Income tax benefit		84,963	374,872
Loss After Tax		(287,548)	(760,285)
Attributable to:			
Equity holders of the parent		(209,853)	(760,285)
Non-controlling interests		(77,695)	-
		(287,548)	(760,285)
Earnings per share			
From continuing operations:			
- Basic earnings per share (cents)		(0.21)	(0.62)
- Diluted earnings per share (cents)		(0.21)	(0.62)
Other comprehensive income			
Exchange differences on translation of foreign operations		16,357	-
Other comprehensive income for the period		16,357	-
Total comprehensive income for the period		(271,191)	(760,285)
Attributable to:			
Equity holders of the parent		(195,196)	(760,285)
Non-controlling interests		(75,995)	-
		(271,191)	(760,285)

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 31 DECEMBER 2017

		Consolidated Group	
		As at 31 Dec 2017	As at 30 Jun 2017
Notes		\$	\$
ASSETS			
CURRENT ASSETS			
		363,566	1,706,457
		1,120,091	917,777
		154,917	74,105
		68,430	42,489
		1,707,005	2,740,828
NON-CURRENT ASSETS			
	13	43,250,298	43,965,692
	16	259,480	-
	14	1,245,797	773,304
		2,252,601	2,167,638
		164,811	209,245
		47,172,988	47,115,879
		48,879,992	49,856,707
LIABILITIES			
CURRENT LIABILITIES			
	3	4,045,005	3,655,064
	4	1,900,096	1,907,300
	5	1,275,982	472,312
		282,688	276,558
		7,503,771	6,311,234
NON-CURRENT LIABILITIES			
	5	8,296,447	10,267,198
		810,602	818,289
		9,107,049	11,085,487
		16,610,820	17,396,721
		32,269,172	32,459,986
EQUITY			
	7	40,810,939	40,466,917
		49,657	340,448
		(8,557,232)	(8,347,379)
		32,303,363	32,459,986
		(34,191)	-
		32,269,172	32,459,986

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 HALF YEAR ENDED 31 DECEMBER 2017

	Attributable to the equity/holders of the parent			Non-controlling		Total equity
	Issued Capital	Reserves	Retained Earnings	Total	interests	
Balance at 1 July 2017	\$ 40,466,917	\$ 340,448	\$ (8,347,379)	\$ 32,459,986	-	\$ 32,459,986
Share issue on exercise of performance rights	344,022	(344,022)	-	-	-	-
Employee share based payment performance	-	3,574	-	3,574	-	3,574
Issue of share options	-	35,000	-	35,000	-	35,000
Acquisition of a subsidiary	-	-	-	-	41,804	41,804
Comprehensive income						
Loss for the half year	-	-	(209,853)	(209,853)	(77,695)	(287,548)
Other comprehensive income	-	14,657	-	14,657	1,700	16,357
Total comprehensive loss for the half year	-	14,657	(209,853)	(195,196)	(75,995)	(271,191)
Balance at 31 December 2017	40,810,939	49,657	(8,557,232)	32,303,364	(34,191)	32,269,172
Balance at 1 July 2016	34,648,455	658,164	(7,053,529)	28,253,090	-	28,253,090
Adjustment			133,041	133,041	-	133,041
Shares issued during the half year	5,665,000	-	-	5,665,000	-	5,665,000
Share issue costs	(325,932)	-	-	(325,932)	-	(325,932)
Share issue on exercise of performance rights	486,646	(486,646)	-	-	-	-
Employee share based payment performance	-	160,164	-	160,164	-	160,164
Comprehensive income						
Loss for the half year	-	-	(760,285)	(760,285)	-	(760,285)
Total comprehensive loss for the half year	-	-	(760,285)	(760,285)	-	(760,285)
Balance at 31 December 2016	40,474,169	331,682	(7,680,772)	33,125,079	-	33,125,079

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 HALF YEAR ENDED 31 DECEMBER 2017

	Consolidated Group	
	Half Year ending 31 Dec 17	Half Year ending 31 Dec 16
	\$	\$
Cash Flows From Operating Activities		
Receipts from customers	8,091,368	6,827,308
Payments to suppliers and employees	(6,899,794)	(5,762,233)
Grant income received	-	24,875
Interest received	615	4,788
Finance costs	(279,957)	(176,707)
Net cash inflows from operating activities	912,233	918,031
Cash Flows From Investing Activities		
Purchase of property, plant and equipment	(300,156)	(9,043,897)
Payments for investment in joint venture	(264,229)	-
Payments for intangibles	(523,659)	-
Net cash outflows from investing activities	(1,088,043)	(9,043,897)
Cash Flows From Financing Activities		
Proceeds from issue of securities	-	5,665,000
Proceeds from borrowings	-	2,084,119
Repayment of borrowings	(1,167,080)	-
Share issue costs	-	(325,932)
Net cash inflows from financing activities	(1,167,080)	7,423,187
Net decrease in cash held	(1,342,891)	(702,679)
Cash and cash equivalents at beginning of period	1,706,457	2,550,602
Effects of exchange rate changes	-	(9,783)
Cash and cash equivalents at end of period	363,566	1,838,140

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2017**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. General information and basis of preparation

The condensed interim consolidated financial statements ('the interim financial statements') of ISA Group are for the six (6) months ended 31 December 2017 and are presented in Australian Dollar (\$AUD), which is the functional currency of the Parent Company. These general purpose interim financial statements have been prepared in accordance with the requirements of the Corporations Act 2001 and AASB 134 Interim Financial Reporting. They do not include all of the information required in annual financial statements in accordance with Australian Accounting Standards, and should be read in conjunction with the consolidated financial statements of ISA Group for the year ended 30 June 2017 and any public announcements made by ISA Group during the half-year in accordance with continuous disclosure requirements arising under the Australian Securities Exchange Listing Rules and the Corporations Act 2001.

The interim financial statements have been approved and authorised for issue by the Board of Directors on 26 February 2018.

b. Significant accounting policies

The interim financial statements have been prepared in accordance with the same accounting policies adopted in ISA Group's last annual financial statements for the year ended 30 June 2017.

The comparative statement of profit or loss for the half-year period ended 31 December 2016 has been updated to reflect the prior period error reported in the full year financial statements ended 30 June 2017. The effect of the prior period error on the comparative half year was to decrease expense by \$190,059, which in turn impacted the statement of changes in equity for the prior period comparative by the same amount less tax.

The accounting policies have been applied consistently throughout ISA Group for the purposes of preparation of these interim financial statements.

c. Estimates

When preparing the interim financial statements, management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results.

The judgements, estimates and assumptions applied in the interim financial statements, including the key sources of estimation uncertainty were the same as those applied in ISA Group's last annual financial statements for the year ended 30 June 2017.

d. Going Concern

The Group incurred a loss for the half year after tax of \$287,548 (2016: loss of \$760,285) and, as at 31 December 2017, had a net current deficiency in assets of \$5,796,766. The Group generated positive cash flows from operations during the half year of \$912,233 (2016: \$918,031). Future expected cash flows are not taken into account in determining the current assets position. Included within current liabilities are deferred revenue of \$1,900,096 that will be realised as revenue once the service has been delivered to the customer. Also included as a current liability 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. Furthermore, the Group has unused debt facilities of \$1,389,949 at 31 December 2017.

Management has prepared detailed cash flow forecasts that are monitored on an ongoing basis that indicate the positive cash flows generated from operations are sufficient to reverse the above net current deficiency and meet the Group's obligations moving forward. Furthermore, the Group has received a confirmed offer letter from its financier for further financing of \$1,200,000.

Therefore, given the current level of cash reserves, unused debt facilities and the forecasted positive cash flows from operations, the Directors are of the view that the Group is a going concern. Therefore, the Group will be able to meet its debts as they fall due and accordingly the financial statements have been prepared on a going concern basis.

NOTE 2: REVENUE AND EXPENSES

	Consolidated Group	
	Half Year ending 31 Dec 17	Half Year ending 31 Dec 16
a) Revenue	\$	\$
VWT revenue - rendering of services	6,728,616	4,533,902
Other sales	339,440	596,414
	7,068,056	5,130,316
Other Income		
Grant Income	-	24,875
Other	435,087	-
	435,087	24,875
b) Selling and Marketing Expenses		
Marketing Expenses	496,941	445,081
Employment Expenses	2,150,243	1,770,482
	2,647,184	2,215,563
Administration Expenses		
Depreciation and Amortisation Expenses	1,100,183	713,679
Occupancy Expenses	610,447	382,426
Employment Expenses	664,148	853,155
Share Based Payments	3,574	160,164
Legal Fees	410,383	-
Directors' fees	66,250	117,110
	2,854,984	2,226,534

NOTE 3: TRADE AND OTHER PAYABLES

	As at	As at
	31 December 2017	30 June 2017
	\$	\$
Trade payables	893,093	407,894
Other accruals	1,151,912	1,247,170
Other payables	2,000,000	2,000,000
	4,045,005	3,655,064

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

NOTE 4: DEFERRED REVENUE

	As at 31 December 2017 \$	As at 30 June 2017 \$
Deferred revenue	1,900,096	1,907,300
	<u>1,900,096</u>	<u>1,907,300</u>

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

NOTE 5: BORROWINGS

	As at 31 December 2017 \$	As at 30 June 2017 \$
Current Liabilities		
Westpac debt facility	1,275,982	472,312
	<u>1,275,982</u>	<u>472,312</u>
Non - Current Liabilities		
Westpac debt facility	8,296,447	10,267,198
	<u>8,296,447</u>	<u>10,267,198</u>

The Company has in place a secured debt facility of \$10.9M with Westpac Banking Corporation with an undrawn amount of \$1.4M at reporting date. Interest payable on each component is based on current market rates, over a maximum 5 year term. Security provided is:

Fully Interlocking Guarantee and Indemnity by:

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

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

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

Mortgage over lease by Indoor Skydiving Penrith Holdings Pty Ltd.

NOTE 6: SEGMENT INFORMATION

For management purposes, the Group is organised into geographical areas based on the location of its operations and has two reportable segments as follows:

- Australian operations, which constructs, owns and operates vertical wind tunnel operations of indoor skydiving facilities in Australia
- South East Asia, which constructs, owns and operates vertical wind tunnel operations of indoor skydiving facilities in Kuala Lumpur, Malaysia.

Each of these operating segments is managed separately as each geographical area operates in a different customer market as well as different marketing approaches. These operating segments are monitored separately for the purpose of making decisions about resource allocation and performance assessment.

Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the consolidated financial statements. However, the performance of LeisureWorld Escapades Sdn. Bhd., the Group's joint venture is evaluated using proportionate consolidation.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third party. No operating segments have been aggregated to form the above reportable operating segments.

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

The following tables present revenue and profit/loss information for the Group's operating segments for the six months ended 31 December 2017 and 2016, respectively.

Half Year ended 31 December	Australia	South East Asia	Adjustments & Eliminations	Consolidated
2017				
Revenue	\$	\$	\$	\$
External customer	7,055,961	12,095	-	7,068,056
Inter-segment	1,893	-	(1,893)	-
Total revenue	7,057,854	12,095	(1,893)	7,068,056
Results				
Segment profit / (loss)	125,921	(209,372)	(289,060)	(372,511)
Half Year ended 31 December				
2016				
Revenue				
External customer	5,130,316	-	-	5,130,316
Inter-segment	-	-	-	-
Total revenue	5,130,316	-	-	5,130,316
Results				
Segment loss	(945,405)	-	(189,752)	(1,135,157)

The following table presents assets and liabilities information for the Group's operating segments as at 31 December 2017 and 30 June 2017, respectively.

	Australia	South East Asia	Adjustments & Eliminations	Consolidated
Assets	\$	\$	\$	\$
31 December 2017	48,461,081	420,804	(1,893)	48,879,992
30 June 2017	49,856,707	-	-	49,856,707
Liabilities				
31 December 2017	16,364,017	246,803	-	16,610,820
30 June 2017	17,396,721	-	-	17,396,721

	For half year ended 31 December	
	2017	2016
Reconciliation of loss		
Segment loss	\$ (83,451)	\$ (945,405)
Finance income	615	4,788
Finance costs	(289,676)	(194,540)
Loss before tax	(372,511)	(1,135,157)

NOTE 7: ISSUED CAPITAL

	As at 31 December 2017 \$	As at 30 June 2017 \$
136,696,514 (30 June 2017: 135,884,625) fully paid ordinary shares	42,803,385	42,459,363
Share issue costs	(1,992,446)	(1,992,446)
	40,810,939	40,466,917
	No.	No.
Ordinary Shares		
At the beginning of the reporting period	135,884,625	120,193,004
• Shares issued during the period	811,889	14,907,909.00
• Performance rights exercised	-	783,712
	136,696,514	135,884,625

NOTE 8: DIVIDENDS

No dividends have been paid or declared during the period.

NOTE 9: CAPITAL AND LEASING COMMITMENTS

	As at 31 December 2017 \$	As at 30 June 2017 \$
a. Operating Lease Commitments		
Non-cancellable operating leases contracted for but not recognised in the financial statements		
Payable – minimum lease payments:		
- Not later than 12 months	859,684	857,821
- Between 12 months and five years	3,121,723	3,170,156
- Later than five years	24,441,605	24,856,067
	28,423,012	28,884,044

b. Capital Commitments

The Group does not have any capital commitments at half year reporting date.

NOTE 10: EVENTS AFTER THE END OF THE INTERIM PERIOD

On 22 January 2018, the “AirRider” brand was officially launched at the opening of the Vertical Wind Tunnel at 1 Utama, Kuala Lumpur, Malaysia.

On 23 February 2018, the Group received a confirmed offer letter from its financier for an additional finance facility of \$1.2M with a term of 5 years.

NOTE 11: INTEREST IN SUBSIDIARIES

Set out below are the Group’s subsidiaries at 31 December 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.

		As at 31 December 2017	As at 30 June 2017
Subsidiaries	Country of incorporation		
		%	%
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 Operations Pty Ltd	Australia	100	100
ISA Asia Holdings Pty Ltd	Australia	100	100
LeisureWorld Escapades Sdn. Bhd.	Malaysia	60%	-

*Percentage of voting power is proportional to ownership

NOTE 12: EARNINGS PER SHARE

	As at 31 December 2017 Cents	As at 30 June 2017 Cents
Earnings per share (cents per share)		
From continuing operations:		
- basic earnings per share	(0.21)	(0.68)
- diluted earnings per share	(0.21)	(0.68)
 a. Reconciliation of earnings to profit or loss:		
 Earnings used to calculate basic EPS	(287,548)	(891,290)
Earnings used in the calculation of dilutive EPS	(287,548)	(891,290)
 b.	No.	No.
Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	136,585,600	131,633,571
Average number of dilutive performance rights outstanding	4,150,000	-
Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	140,735,600	136,633,571

NOTE 13: PROPERTY, PLANT AND EQUIPMENT

	As at 31 December	As at 30 June
	2017 \$	2017 \$
VWT building infrastructure		
At cost	32,367,054	32,338,525
Accumulated depreciation	(2,036,581)	(1,354,288)
	30,330,473	30,984,237
VWT equipment		
At cost	12,763,735	12,763,735
Accumulated depreciation	(1,350,555)	(1,058,479)
	11,413,180	11,705,256
IT equipment		
At cost	682,595	666,502
Accumulated depreciation	(234,298)	(222,694)
	448,297	443,808
Furniture and fittings		
At cost	631,043	598,281
Accumulated depreciation	(254,280)	(227,723)
	376,762	370,558
Office Equipment		
At cost	27,462	21,268
Accumulated depreciation	(7,053)	(4,034)
	20,409	17,234
Capital Work in Progress		
At cost	661,177	444,599
Total		
At cost	47,133,066	46,832,910
Accumulated depreciation	(3,882,768)	(2,867,218)
	43,250,298	43,965,692

Movements in Carrying Value	VWT Equipment Building Infrastructure	VWT Equipment	IT Equipment	Furniture & Fittings	Office Equipment	Capital WIP	Total
Consolidated Group:							
Balance at 1 July 2016	21,863,540	6,936,986	397,127	342,515	274	8,529,771	38,070,213
Additions	8,262,704	193,085	173,611	294,490	20,967	444,599	9,389,456
Disposals / transfers	1,444,775	5,169,613	1,625	(100,641)	-	(8,529,771)	(2,014,399)
Depreciation expense	(586,782)	(594,428)	(128,555)	(165,806)	(4,007)	-	(1,479,578)
Balance at 30 June 2017	30,984,237	11,705,256	443,808	370,558	17,234	444,599	43,965,692
Additions	28,529	-	16,093	32,762	6,194	216,578	300,156
Depreciation expense	(682,293)	(292,076)	(11,604)	(26,557)	(3,019)	-	(1,015,550)
Balance at 31 December 2017	30,330,473	11,413,180	448,297	376,762	20,409	661,177	43,250,298

NOTE 14: INTANGIBLE ASSET

	Development Costs	Trademark	Exclusive Territory Development Agreement	Total
Movements in Carrying Value				
Consolidated Group:				
Balance at 1 July 2016	-	-	426,378	426,378
Additions	425,251	92,226	-	517,477
Amortisation expenses	-	-	(170,551)	(170,551)
Balance at 30 June 2017	425,251	92,226	255,827	773,304
Additions	495,148	28,511	-	523,659
Amortisation expenses	-	-	(51,166)	(51,166)
Balance at 31 December 2017	920,399	120,737	204,661	1,245,797

NOTE 15: SIGNIFICANT EVENTS DURING THE PERIOD

The half year results were impacted by \$404,811 of legal fees incurred as a result of a dispute with Sky Venture as per the ASX announcement dated 21 September 2017. The Group received a formal notice from SkyVenture International Limited (SkyVenture), that it considers that ISA Group is required to use SkyVenture vertical wind tunnel equipment in any indoor facility associated with ISA Group regardless of the location of the facility. The Group denies any such obligation and is vigorously defending its position. An arbitrator of the dispute has been appointed and a hearing scheduled for May 2018. The company anticipates that further legal fees will be incurred in the second half of the year which will further impact the result.

NOTE 16: INTEREST IN A JOINT VENTURE

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 and the following table illustrates the summarised financial information of the Group's investment.

	31 December 2017
	\$
Current assets	302,142
Non-current assets	3,353,983
Current liabilities	(3,007,425)
Non-current liabilities	-
Equity	648,700
Group's carrying amount of the investment	259,480

	31 December 2017
	\$
Revenue	1,640
Cost of sales	(9,660)
Administration expenses	(22,706)
Finance costs	(23,146)
Loss before tax	(53,872)
Income tax benefit	13,468
Loss for the half year	(40,404)
Group's share of the loss for the half year	(16,161)

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 5 to 18 are in accordance with the *Corporations Act 2001*, including:
 - A. complying with Accounting Standard AASB 134: Interim Financial Reporting; and
 - B. giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the half-year ended on that date.
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.



Kenneth James Gillespie, AC
Chairman

Dated: 26 February 2018



Wayne Peter Jones
Director & Chief Executive Officer

INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF INDOOR SKYDIVE AUSTRALIA GROUP
LIMITED



Level 17, 363 Kent Street
Sydney NSW 2000

Correspondence to:
Locked Bag 0800
QVB Post Office
Sydney NSW 1230

T +61 2 8297 2400
F +61 2 9299 4445
E info.nsw@au.gt.com
W www.granthornton.com.au

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

Report on the Half Year Financial Report

Conclusion

We have reviewed the accompanying half year financial report of Indoor Skydive Australia Group Limited (the "Company") and its subsidiaries (the "Group"), which comprises the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half year ended on that date, a description of accounting policies, other selected explanatory notes, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half year financial report of Indoor Skydive Australia Group Limited does not give a true and fair view of the financial position of the Group any as at 31 December 2017, and of its financial performance and its cash flows for the half year ended on that date, in accordance with the *Corporations Act 2001*, including complying with Accounting Standard AASB 134 *Interim Financial Reporting*.

Directors Responsibility for the Half Year Financial Report

The Directors of the Group are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2017 and its performance for the half year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Indoor Skydive Australia Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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A review of a half year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

A handwritten signature in blue ink, appearing to read "P J Woodley".

P J Woodley
Partner - Audit & Assurance

Sydney, 26 February 2018