

# **ASX Appendix 4E**

## **Preliminary Final Report**

**For the year ended 30 June 2020**  
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 2019 to 30 June 2020  
**Prior Reporting Period:** 1 July 2018 to 30 June 2019

#### Financial Results

	30 June 2020 \$	30 June 2019 \$	Change %
Revenue from ordinary activities	5,553,236	7,507,202	(26%)
Statutory profit/(loss) from ordinary activities after tax attributable to members	(5,131,572)	(7,400,998)	-
Statutory net profit/(loss) for the period attributable to members	(5,131,572)	(7,400,998)	-
Underlying earnings before interest, tax, depreciation and amortisation <sup>1</sup>	255,637	1,273,824	-
Dividends	Nil	Nil	n/a

<sup>1</sup> Underlying earnings before interest, tax, depreciation and amortisation, discontinued operations and other non-operational expenses.

#### Dividends

No dividends have been declared or are payable for the year ended 30 June 2020.

#### Tangible Assets per Ordinary Share

Net tangible assets per share as at 30 June 2020	\$0.03
Net tangible assets per share as at 30 June 2019	\$0.15

#### Commentary

The financial year ended 30 June 2020 was a year of consolidation, execution of strategy and the commencement of our diversification plan.

Key activities during the period included the Sale of our Perth indoor skydiving facility in August 2019 with completion in February 2020, the successful implementation of a new booking system and website in November 2019, and the launch of our new consumer virtual reality business, Freak Entertainment in December 2019. The period was severely impacted by the unforeseen closures of all operations throughout the last quarter of the year due to the COVID-19 pandemic.

For the year ended 30 June 2020, ISA Group reported statutory earnings before interest, tax, depreciation and amortisation of (\$1,313,236) this compares to (\$4,753,949) in 2019. This includes losses from discontinuing operations of \$1,042,078, and other non-operating expenses of \$561,834, to show an underlying positive EBITDA of \$255,637. The underlying EBITDA includes \$392,668 of prepaid royalty expenses which is non-cash.

## Appendix 4E Preliminary Final Report

### Subsequent Events

The company has experienced a return to normal levels of occupancy in July in both the Wind Tunnel and Virtual Reality operations post COVID-19 shutdowns.

FREAK Gold Coast, the company's second virtual reality centre, has completed its testing and training phase and has commenced pre-sales. Operations will open to the public on the 2<sup>nd</sup> September 2020.

### Dividend reinvestment plan

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

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

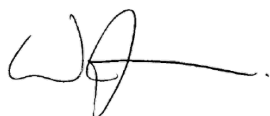
There were no transactions during the year ended 30 June 2020 having a material effect.

### 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 2020, which are being audited currently by Felsers, Chartered Accountants.



**Wayne Jones**  
Chief Executive Officer & Director

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2020

		Consolidated Group	
		2020	2019
	Note	\$	\$
Revenues	2(a)	5,553,236	7,507,202
Cost of Sales		(1,430,154)	(1,682,872)
Gross Profit		<u>4,123,082</u>	<u>5,824,330</u>
Other income	2(a)	491,655	337,016
Selling and marketing expenses	2(b)	(2,904,660)	(3,201,054)
Administration expenses	2(b)	(3,089,670)	(3,349,291)
Legal expenses		(159,213)	-
Other expenses		(357,491)	(790,453)
<b>Loss Before Interest and Tax</b>		<u>(1,896,297)</u>	<u>(1,179,452)</u>
Finance expense		(1,101,560)	(1,060,004)
<b>Net financing costs</b>		<u>(1,101,560)</u>	<u>(1,060,004)</u>
Share of loss of a joint venture entity		(153,298)	(53,031)
<b>Loss before tax from continuing operations</b>		<u>(3,151,155)</u>	<u>(2,292,487)</u>
<b>Loss before tax from discontinuing operations</b>		<u>(1,042,078)</u>	<u>(4,797,363)</u>
<b>Total loss from operations</b>		<u>(4,193,233)</u>	<u>(7,089,850)</u>
Income tax benefit		(938,339)	(311,148)
<b>Loss After Tax</b>		<u>(5,131,572)</u>	<u>(7,400,998)</u>
<b>Other comprehensive income</b>			
Exchange differences on translation of foreign operations		-	2,357
<b>Other comprehensive income for the year</b>		<u>-</u>	<u>2,357</u>
<b>Total comprehensive income for the year</b>		<u>(5,131,572)</u>	<u>(7,398,641)</u>
<b>Earnings per share</b>			
From continuing operations:			
- Basic earnings per share (cents)			(1.66)
- Diluted earnings per share (cents)			(1.65)

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 2020

	Notes	Consolidated Group 2020 \$	2019 \$
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		234,347	140,665
Trade and other receivables		349,240	215,254
Right-of-use asset		361,081	-
Inventories		13,200	30,148
Assets held for disposal		-	9,736,903
Other financial asset		611,808	49,360
<b>TOTAL CURRENT ASSETS</b>		<b>1,569,676</b>	<b>10,172,330</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		24,856,715	26,285,762
Right-of-use asset		10,830,295	-
Investment in a joint venture entity		-	153,298
Deferred tax asset		-	938,339
Other financial asset		1,253,635	132,585
<b>TOTAL NON-CURRENT ASSETS</b>		<b>36,940,645</b>	<b>27,509,984</b>
<b>TOTAL ASSETS</b>		<b>38,510,321</b>	<b>37,682,314</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables		2,799,937	3,334,028
Lease liability		93,367	-
Deferred revenue		866,015	759,681
Borrowings		1,129,500	1,651,465
Liabilities held for disposal		-	6,722,153
Provisions		222,392	196,619
<b>TOTAL CURRENT LIABILITIES</b>		<b>5,111,211</b>	<b>12,663,946</b>
<b>NON-CURRENT LIABILITIES</b>			
Borrowings		9,336,309	9,454,229
Lease liability		11,389,838	-
Provisions		1,170,334	632,692
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>21,896,481</b>	<b>10,086,921</b>
<b>TOTAL LIABILITIES</b>		<b>27,007,692</b>	<b>22,750,867</b>
<b>NET ASSETS</b>		<b>11,502,629</b>	<b>14,931,447</b>
<b>EQUITY</b>			
Share capital		42,513,694	40,810,939
Reserves		9,467	9,467
Accumulated losses		(31,020,532)	(25,888,959)
<b>Equity attributable to equity holders of the parent</b>		<b>11,502,629</b>	<b>14,931,447</b>
Non-controlling interests		-	-
<b>TOTAL EQUITY</b>		<b>11,502,629</b>	<b>14,931,447</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 2020

	Issued Capital	Reserves	Accumulated Losses	Total
	\$	\$	\$	\$
<b>Balance at 1 July 2019</b>	<b>40,810,939</b>	<b>9,467</b>	<b>(25,888,959)</b>	<b>14,931,447</b>
Shares issued during the half year	1,702,755	-	-	1,702,755
<b>Comprehensive income</b>				
Loss for the year	-	-	(5,131,572)	(5,131,572)
<b>Balance at 30 June 2020</b>	<b>42,513,694</b>	<b>9,467</b>	<b>(31,020,532)</b>	<b>11,502,629</b>
<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	-	(51,340)	-	(51,340)
<b>Comprehensive income</b>				
Loss for the year	-	-	(7,400,998)	(7,400,998)
Other comprehensive income	-	2,357	-	2,357
<b>Balance at 30 June 2019</b>	<b>40,810,939</b>	<b>9,467</b>	<b>(25,888,959)</b>	<b>14,931,447</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 2020

	Consolidated Group	
	2020	2019
	\$	\$
<b>Cash Flows From Operating Activities</b>		
Receipts from customers	6,124,077	12,412,011
Payments to suppliers and employees	(6,968,944)	(12,432,960)
Grant and Other Operational Income	(200,693)	210,250
Interest received	-	-
Finance costs	(150,090)	(1,065,550)
<b>Net cash outflows from operating activities</b>	<b>(1,195,651)</b>	<b>(876,249)</b>
<b>Cash Flows From Investing Activities</b>		
Purchase of property, plant and equipment	-	(74,883)
Sale of property, plant and equipment	46,571	-
<b>Net cash inflows/(outflows) from investing activities</b>	<b>46,571</b>	<b>(74,883)</b>
<b>Cash Flows From Financing Activities</b>		
Proceeds from issue of securities	2,000,053	-
Proceeds from borrowings	62,285	1,500,000
Repayment of borrowings	(639,885)	(1,361,744)
Share issue costs	(179,691)	-
<b>Net cash inflows from financing activities</b>	<b>1,242,762</b>	<b>138,256</b>
<b>Net decrease in cash held</b>	<b>93,682</b>	<b>(812,876)</b>
Cash and cash equivalents at beginning of year	140,665	953,541
<b>Cash and cash equivalents at end of year</b>	<b>234,347</b>	<b>140,665</b>

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 \$5,131,572 (2019: loss of \$7,400,998) and has a net current deficiency in assets of \$3,541,535. Included within current liabilities are deferred revenue of \$866,015 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 \$2,675,520 at 30 June 2020.

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) All trade creditors and deferrals from the COVID-19 closures and prior periods are either being paid in accordance with their terms or agreed payment plans or are in positive discussions with management.
- ii) The company's senior financier Westpac remains supportive including to agree a repayment and financial covenant holiday until the 30<sup>th</sup> October 2020
- iii) Birkdale (an entity associated with Chairman, Steve Baxter) remains supportive. As previously announced, Birkdale has agreed to convert \$1.2 million of its existing \$3.0 million loan into New Shares at \$0.01 per share. The conversion is subject to Shareholder approval being obtained for the issue of New Shares.
- iv) Management is closely managing the impact of COVID-19 and return to normalised trade, with the monitoring of detailed cash flow forecasts on an ongoing basis.

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 2020, \$411,273 of Gift Card Revenue is recognised (2019: \$664,328). 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%, 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.

## Additional Information

### NOTE 2: REVENUE AND EXPENSES

		Consolidated Group	
		2020	2019
a)	Revenue	\$	\$
	VWT revenue - rendering of services	4,772,847	6,941,395
	Other sales	780,389	565,807
		<b>5,553,236</b>	<b>7,507,202</b>
	<b>Other Income</b>		
	Grant Income	320,693	210,250
	Other	170,962	126,766
		<b>491,655</b>	<b>337,016</b>
b)	<b>Selling and Marketing Expenses</b>		
	Marketing Expenses	406,016	479,969
	Employment Expenses	2,498,644	2,721,085
		<b>2,904,660</b>	<b>3,201,054</b>
	<b>Administration Expenses</b>		
	Depreciation and Amortisation Expenses	1,743,398	674,735
	Occupancy Expenses	282,679	689,591
	Employment Expenses	1,015,373	1,746,281
	Directors' fees	48,220	238,684
		<b>3,089,670</b>	<b>3,349,291</b>

## Additional Information

### NOTE 3: INTEREST IN SUBSIDIARIES

Set out below are the Group's subsidiaries at 30 June 2020. 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	2020 %	2019 %
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
Freak Entertainment Pty Ltd	Australia	100	N/A

### NOTE 4: SEGMENT INFORMATION

#### GENERAL INFORMATION

##### *Identification of reportable segments*

The Group's operations are in one segment being the operation of training, simulation and leisure facilities. The Group operates in one segment being Australia. All subsidiaries in the Group operate within the same segment. All operations have been aggregated to one operating segment.

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

The products and services include two indoor skydiving facilities in Australia and a joint venture in Malaysia, allowing human flight within a safe environment used by tourists, enthusiasts and military. They also include a Virtual reality business trading under the name FREAK Entertainment with venues in Penrith, the Gold Coast and a home delivery service.

## Additional Information

### NOTE 5: EARNINGS PER SHARE

	2020 Cents	2019 Cents
<b>Earnings per share (cents per share)</b>		
From continuing operations:		
- basic earnings per share	(1.66)	(1.90)
- diluted earnings per share	(1.65)	(1.87)
	<b>2020 \$</b>	<b>2019 \$</b>
a. Reconciliation of earnings to profit or loss:		
Loss	(5,131,572)	(7,400,998)
Earnings used to calculate basic EPS	(5,131,572)	(7,400,998)
Earnings used in the calculation of dilutive EPS	(5,131,572)	(7,400,998)
	<b>No.</b>	<b>No.</b>
b. Weighted average number of ordinary shares for basic EPS	308,754,393	136,696,514
Weighted average number of ordinary shares for diluted EPS	310,954,393	138,896,514