Indoor Skydive Australia Group Limited
ABN: 39 154 103 607


# ANNUAL REPORT

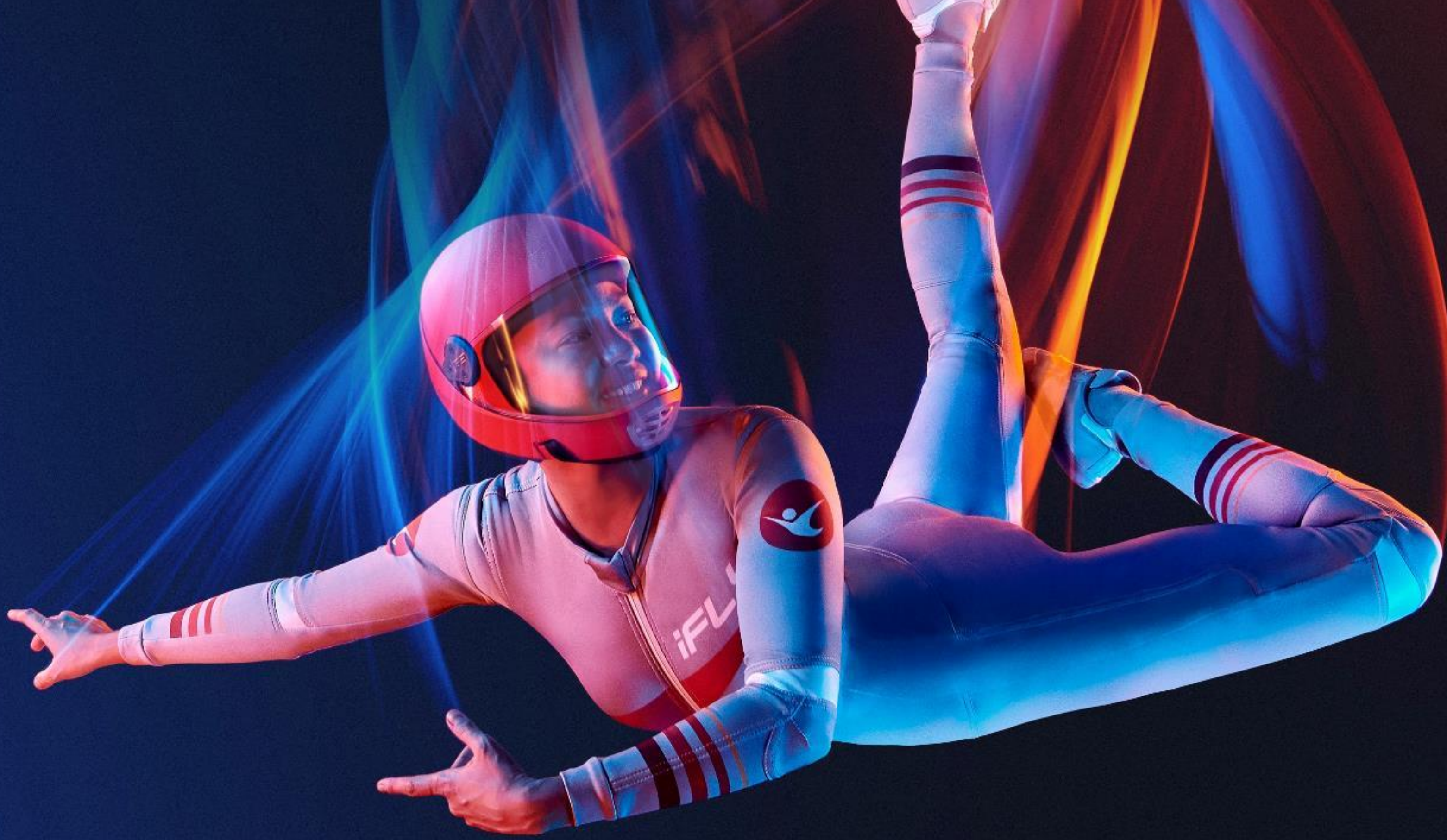
For the year ended 30 June

# 2021

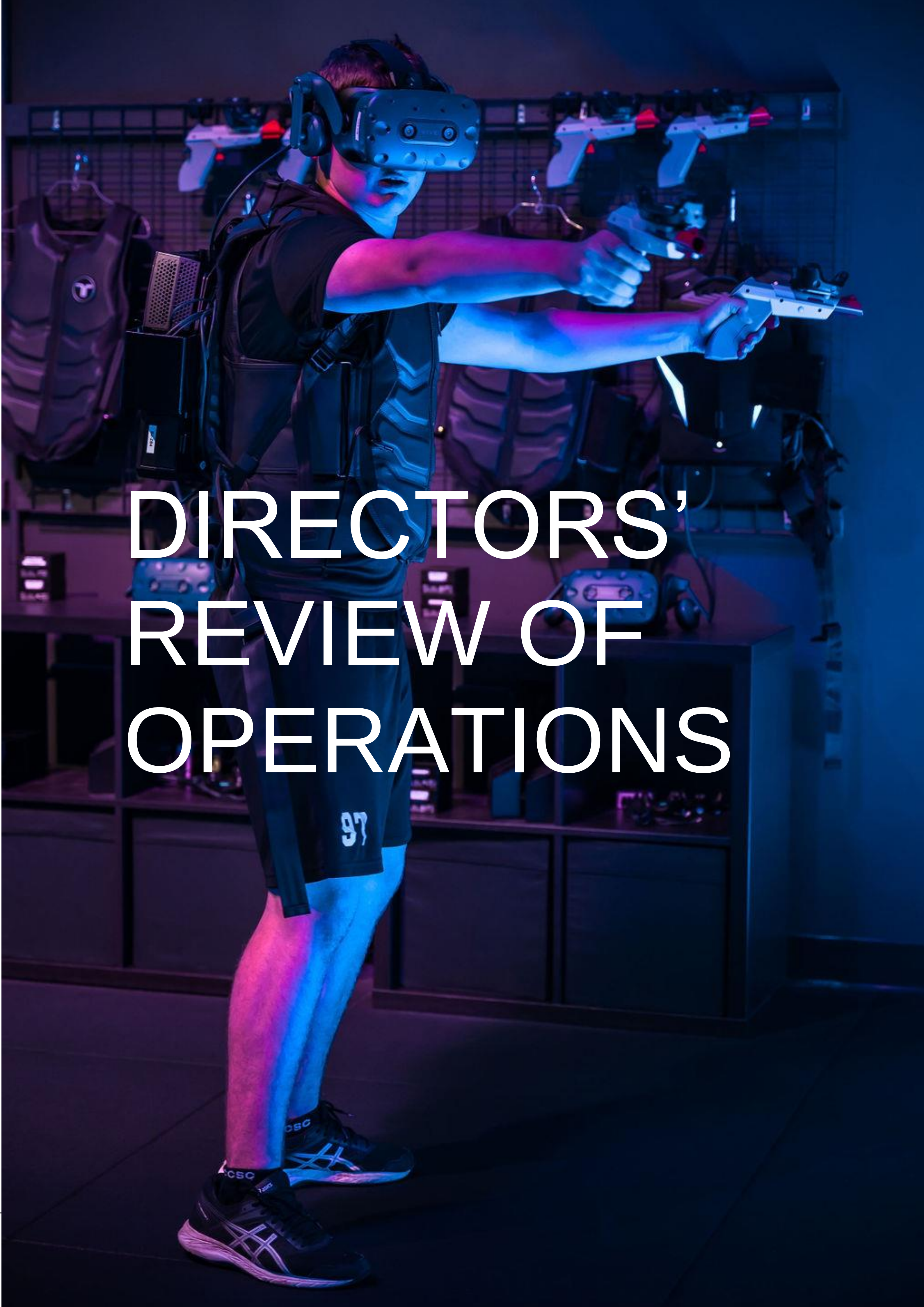
ISA GROUP
INDOOR SKYDIVE AUSTRALIA GROUP

# Corporate Directory

| | |
|---|---|
| **Directors** | Steve BAXTER<br>Danny HOGAN<br>Wayne JONES<br>Kim HOPWOOD |
| **Company Secretary** | Stephen TOFLER |
| **Registered Office** | Indoor Skydive Australia Group Limited<br>123 Mulgoa Road<br>Penrith NSW 2750 |
| **Principal Place of Business** | Indoor Skydive Australia Group Limited<br>123 Mulgoa Road<br>Penrith NSW 2750 |
| **Share Register** | Boardroom Pty Limited<br>Level 12<br>225 George Street<br>Sydney NSW 2000 |
| **Auditor** | Felser Chartered Accountants t/as<br>Accru Felser<br>Level 6<br>1 Chifley Square<br>Sydney NSW 2000 |
| **Bankers** | Westpac Banking Corporation |
| **Stock exchange listing code:** | IDZ |
| **Website** | www.indoorskydive.com.au |



# DIRECTORS' REVIEW OF OPERATIONS



# DIRECTORS' REVIEW OF OPERATIONS

### A Transformational year for ISA Group

FY2021 was a transformational year for ISA Group with a number of successful initiatives significantly improving the company's financial position and operational performance.

The year has ended with key strategic growth projects completed and the launch of a new and diverse business offering.

Achievements included a successful debt restructure with our senior financiers resulting in a 37% improvement in net assets and a substantial increase to the cash position. This change allowed the company to drive its current operations and to expand its consumer Virtual Reality business, FREAK Entertainment.

The company is in a strong position with working capital reserves and operational cashflow to continue with its aggressive growth strategy across consumer and industry markets.

In August 2021, the company announced the acquisition of Red Cartel, virtual reality production studio and content developers. Completion of the acquisition occurred on the 24th of August 2021. The value in the acquisition included a wholly owned military training prototype which is currently being developed into a minimum viable product to be trialled by local and international defence forces later this year.

On the 18th of August the company announced the launch of its new business unit, Operator Tactical Solutions (Operator).

Operator builds training and simulation products for global defence and law enforcement agencies, using Virtual Reality and Augmented Reality technologies.
Operator was created to solve the problem of integrating training with technology, increasing soldier's performance and complementing existing training systems. Operator, a wholly owned subsidiary of ISA Group, has been established to capture Defence and related projects within the company.

On the 18th of August the Company announced the release of its new name, branding and ASX code.

In line with the growth strategy and the broadening of the target market, Indoor Skydive Australia Group will be changing its name to xReality Group Ltd.

XR stands for eXtended Reality, and is a catch-all term for Virtual Reality, Augmented Reality, and Mixed Reality. Extended Reality combines physical and digital simulation for both consumer and enterprise market segments.

Pending shareholder approval, to be obtained at the upcoming AGM, the new name will be in effect and the ASX code will be changed to ASX:XRG.

The change in name and ASX code is a significant milestone for the company and marks the beginning of an exciting journey for the company and its shareholders.

## Growth of FREAK Entertainment

During the year the company opened two new FREAK facilities and have paved the way for further sites throughout NSW and QLD. The company has executed a letter of intent with Scentre Group for further locations within Westfield shopping centres around Australia. The latest site at Macquarie Centre will open to the public in late November 2021. All sites follow the same format of free roam and group activities that cannot be replicated at home.

The company has also commenced discussions with theme park operators and event companies to activate a FREAK lite model to be launched in key locations during high throughput periods. The FREAK lite model will consist of our own experience IP that will be suitable for all age groups and designed for low cost/high throughput.

The company also launched FREAK Education during the period. The pilot program, which will commence early next year, will be tested through four local Sydney schools. The pilot includes packages of virtual reality education hardware, software and teacher lesson plans that are curriculum aligned. FREAK Education is delivered to schools on demand and is administered through FREAK venues.

## Red Cartel Acquisition

Completed on the 24th August 2021, the acquisition included the Red Cartel brand, all intellectual property, working files and hardware. As part of the transaction, key employees, including Red Cartel's founder, became employees of ISA Group.

The incremental value to ISA Group shareholders includes;

- Creation of games for FREAK Entertainment
- Continued development of Defence and Industry capabilities
- Ability to broaden business models and revenue streams through IP ownership

**Creation of games for FREAK**

Red Cartel has previously built a world class Virtual Reality free roam game and will design and create new free roam and arcade style content to suit current and future FREAK venues. FREAK is currently looking at multiple high through-put shorter experiences to suit theme parks, festivals and other high foot traffic areas. The ability to design, build and operate these experiences will increase the current offering under the FREAK brand.

**Defence and Industry Capabilities**

The acquisition also includes a cutting-edge military Virtual Reality training tool which has been custom built by Red Cartel over the past 12 months. The tactical trainer has been developed with current defence requirements in mind and is scheduled for live trials within 6 months of the acquisition. The ability to provide turnkey solutions and support to Global Defence Markets forms part of the simulation training strategy that ISA Group put into motion last year.

**IP ownership and additional revenue streams**

Acquiring inhouse Intellectual Property removes upstream limitations to the FREAK Entertainment rollout, and enables the delivery of Franchise and "Turn Key" system business models. Outside of FREAK, Red Cartel's in-house development capability greatly increases ISA Group's ability to add additional revenue streams such as licencing, support and partnerships with Enterprise markets.

## Debt Restructure

On 17 March 2021 the company achieved a debt restructure which significantly reduced borrowings and increased the company's cash position resulting in an increase in net assets of $4.1m at year end.

The final chapter in the debt restructure was improving the conversion terms to the Birkdale loan facility which was achieved recently, reducing shareholder dilution significantly and greatly improving shareholder value.

The positive result in repairing the balance sheet marked the end of over 2 years of commitment and hard work on behalf of all ISA Group employees, officers and the board of directors.

## Increased iFLY Operations

Financial Year 2021 was a complicated and uncertain time for the entertainment and leisure sector. The company endured the COVID pandemic across Australia with international and state border closures, restrictions intra state, forced business closures and general public concern.

Despite all of this, ISA Group forged an effective and robust business model and marketing strategy. Our professional and sports flyer segments have increased year on year due to a focus on coaching and our Flight Club program. The continued success of our digital marketing strategy and the reduction in the reliance of resellers has resulted in increased revenues and margins across the retail and groups markets.

The financial results for the year reflect a successful business blueprint and are the result of effective and experienced leaders across the company.

## Operator Tactical Solutions

Operator Tactical Solutions is the arm of ISA Group that contains and will develop future training and operational planning simulation capabilities suitable for industry and defence.

The ability to develop capabilities to benefit Defence and Industry is an extension of the training that we have been providing for the past 7 years through our skydiving simulators. Simulation for both training and operational planning will extend beyond training troops from around the region in military freefall. The initial focus will be on developing through collaboration with defence and major prime vendors, a digital augmented environment suitable for training and operations across multiple platforms and weapons systems.

Given the company's deep roots and experience in the Australian Defence force and special operations, we see this as a natural fit and additional offering to our current training relationships.

## 2021 Financial Performance

ISA Group executed a number of successful initiatives significantly improving the company's financial position and operational performance throughout FY2021.

The key financial highlights include:

- Operating revenue of $7.27m up 45% on last year
- Total sales receipts from customers $8.03m up 53% on last year
- Underlying EBITDA excluding non-recurring expenses $1.11m
- Net tangible assets up 37% on last year
- Net cash inflows from operating activities $1.42m
- Cash at 30 June $1.76m
- Net assets per share 4.5c up 37% on last year

### Operating Revenue and Other Income

The Group achieved a total income of $13.62m with an operating revenue of $7.27m, increasing by 45%, generated through a strong COVID recovery and the opening of 2 additional FREAK venues. Other income of $6.36m included $5.86m benefit from the balance sheet consolidation resulting from a debt restructure and $491k in grant income.

### Total Sales

Total sales receipts from customers for the year increased by 53% to $8.03m due to strong existing business performance and the additional FREAK Entertainment sales.

### Underlying EBITDA and non-cash expenses

Reported EBITDA for the period was $6.36m with an underlying EBITDA of $1.11m. The adjustments include removing $5.86m in debt restructure adding back non-cash amortisation of pre-paid royalties of $564k and $50k adjustment of Perth sale price.

### Debt Restructure & NTA Improvement

On 17 March 2021 the company achieved a debt restructure which significantly reduced borrowings and increased the company's cash position resulting in an increase in net assets of $4.1m at year end.

## Looking Forward

Having solidified the strategy for growth and diversification, the company will continue to execute through the rollout of consumer Virtual Reality centres. The pathway for future sites has been established and the company will assess each site with diligence considering current economic environments and external factors brought on by the pandemic.

The scalability of the FREAK Entertainment and Education businesses is exciting, and the company will continue to exploit opportunities in this sector.

The three areas of focus for growth in FY22 include:

### Increasing Capabilities

Building capability in XR games creation and simulation software development to increase company owned IP.

### Enterprise XR Launch

Expansion of our current military training services into XR training and simulation product development.

### FREAK Entertainment Expansion

Continuation of the rollout of FREAK company owned venues and the development of FREAK "Turnkey system" & Franchise model enabled through own game development.

The company will continue to build on the strong foundations set throughout FY2021 and look forward to another successful year ahead under our new name **xReality Group Ltd (ASX:XRG).**

# DIRECTORS' REPORT

## DIRECTORS' REPORT

Your Directors present their report on the consolidated entity (referred to hereafter as **ISA Group**) consisting of Indoor Skydive Australia Group Limited (the **Company**) and the entities it controlled at the end of, or during, the year ended 30 June 2021.

### DIRECTORS

The individuals listed below were Directors of the Company at all times during the year and at the date of this Directors' Report, unless otherwise stated:

**Steve Baxter**
*Chairman – Non-Executive*
Appointed 13 August 2012
*(appointed Chairman 15 July 2019)*

Former Australian Regular Army electronics technician turned successful entrepreneur, Steve is the founder of early Internet Provider SE Net and co-founder of telecommunications infrastructure company, Pipe Networks Ltd. In 2008 he moved to the USA and joined Google Inc deploying high speed telecommunication infrastructure, before returning to Australia.

Steve is known for his entrepreneurial skills and appears on the popular TV show "Shark Tank". He is the founder of Brisbane based not-for-profit River City Labs - an early stage and start-up co-working space for tech and creative companies and Executive Chairman of TEN13, the leading Australian tech startup investment platform. Steve is a former director of Other Levels Limited and Vocus Communications Limited.

**Wayne Jones**
*Director & Chief Executive Officer*
Appointed 4 November 2011

Appointed to the role on the foundation of the company, during this time Wayne has developed and managed multiple business ventures and projects within Australia, S/E Asia and China.

Prior to establishing ISA Group, Wayne was a Commander with the Special Air Service Regiment (SASR) and responsible for the development and performance of teams in complex and challenging environments. His goal focused approach and strategic vision resulted in Wayne being highly decorated throughout his military career.

Wayne holds formal qualifications in Project Management, Business, Security and Risk Management and Financial Management and is a Member of the Australian Institute of Company Directors. He has over 25 years' experience in leading teams and delivering results.

Wayne is an experienced skydiver and maintains his involvement with the Australian Defence Force. Wayne is also the President of the Australian Special Air Service Association (NSW Branch).

**Danny Hogan MG**
*Director – Non-Executive*
Appointed 4 November 2011

Danny enlisted in the Australian Regular Army in 1991, and in 1997 was selected for further service within the Special Air Service Regiment. He has been recognised and awarded for his actions and leadership during his 21 year military career including receiving the Medal for Gallantry. He was selected and completed a two year military exchange in the USA with two of the USA's elite Special Forces Commands. While in the USA he gained his freefall parachuting qualifications and developed a very strong background in the use of vertical wind tunnel simulation training. Danny was a highly qualified senior dive instructor within the Special Air Service Regiment. Danny served as an executive director and the Chief Operations Officer from the foundation of the company until November 2019 at which time he became a non- executive director. Danny is a member of the Australian Institute of Company Directors.

**Kim Hopwood**
*Executive Director*
Appointed 26 May 2021

Kim Hopwood brings over 20 years of experience across technology, media, management and operations. Kim started his career as a network engineer at Cisco Systems where he achieved his CCIE. Kim then co-founded digital agency Pusher in 2004 as Managing Director, which he sold to global communications group Publicis in 2014. Kim remained as Publicis Australia's Managing Director of Digital until late 2017.

Kim started working with ISA Group in 2012 as a supplier, then freelance consultant before joining full time in 2019. Kim now oversees corporate strategy, development of consumer and enterprise virtual reality business units, and oversight of ISA's technology and marketing divisions.

## COMPANY SECRETARY

**Stephen Tofler**
*Chief Financial Officer & Company Secretary*
Appointed 1 February 2019

Stephen was appointed as CFO and Company Secretary in February 2019, with a mandate for change and recovery. He has brought over 20 years' experience as a CFO in Financial Services, Manufacturing and in Public Practice to the role.

Throughout his career, he has successfully structured finance teams and implemented effective financial systems for growth throughout all stages of business development.

Stephen is formally qualified as a CPA, maintains a CPA Public Practice Certificate and has a Bachelor of Business degree.

## DIRECTORS' MEETINGS

The number of Directors' meetings that Directors were eligible to attend and the number of meetings attended by each Director during the year are listed below.

| | Board | |
|---|---|---|
| | Eligible to Attend | Attended |
| Steve Baxter | 14 | 14 |
| Wayne Jones | 14 | 14 |
| Danny Hogan | 14 | 13 |
| Kim Hopwood* | 1 | 1 |

*Appointed 26th May 2021*

## DIRECTORS' SHAREHOLDINGS

The following table sets out each Director's relevant interest in shares and options in shares of ISA Group as at the date of this report.

| Director | Number of Shares and Nature of Interest |
|---|---|
| Steve **Baxter** | Indirect interest in 54,638,163 shares held by Birkdale Holdings (QLD) Pty Ltd. |
| Wayne **Jones** | Indirect interest in 16,060,000 shares held by Excalib-air Pty Ltd, indirect interest in 6,301,190 shares held by Project Flight Pty Ltd ATF Wayne Jones Superannuation Fund, indirect interest in 11,821,415 shares held by Project Gravity Pty Ltd ATF Jones Family Trust, indirect interest in 14,000 shares held by Project Gravity Pty Ltd. |
| Danny **Hogan** | Indirect interest in 16,060,000 shares held by Excalib-air Pty Ltd, indirect interest in 200,000 shares held by Hogan Superannuation Fund, indirect interest in 2,187,833 shares held by Australian Indoor Skydiving Pty Ltd ATF Hogan Family Trust. |
| Kim **Hopwood** | Direct interest in 29,956,983 shares. Direct interest in 4,400,000 options with an exercise price of $0.21 subject to vesting conditions being met, and an expiry date of 31 Jan 2024. |

No Director has any relevant interest in shares or options in shares of a related body corporate of ISA Group as at the date of this report.

## DIVIDENDS

No dividends were declared during the period.

### Principal activities

Indoor Skydive Australia owns and operates a portfolio of companies including Indoor Skydiving facilities, Virtual Reality (VR) and Augmented Reality (AR) entertainment, training, and production.

Throughout the reporting period the company's operations included: iFLY Downunder (Sydney), iFLY Gold Coast (Qld), FREAK Penrith, FREAK Gold Coast (opened in Sep 20) and FREAK Entertainment Bondi (opened in Nov 20).

### Changes in the State of Affairs

The year was marked by the launch of FREAK Gold Coast in September 2020 and FREAK Bondi in November 2020. It was further enhanced with the successful completion of the Debt Restructure in March 21. There were no significant changes in the affairs of the Company during the financial year which have not been disclosed to the market.

### Subsequent events

COVID closures have affected NSW consumer-based operations since the 24th June 21 through to the date of this report. Qld Operations continue to trade.

Indoor Skydive Australia Group Limited is changing to xReality Group Limited (XRG). This change reflects an evolution in company direction from indoor skydiving facilities to building physical and digital simulations.

The company acquired Red Cartel, Virtual Reality production studio in August 21 and launched its Military Development company, Operator Tactical Solutions in August 21. Both companies service the Enterprise market.

## REMUNERATION REPORT (AUDITED)

The Remuneration Report set out from page 14 forms part of this Directors' Report.

### Interests in ISA Group Securities

Details of the ISA Group securities issued during the year, and the number of ISA Group securities on issue as at 30 June 2021 are detailed in Note 12 of the Financial Statements and form part of this Directors' Report.

As at 30 June 2021 ISA Group had 1,100,000 employee and executive director unlisted options on issue with an exercise price of $0.35, tenure based vesting conditions which expired on 23 August 2021.

On the 1st Feb 21, the company resolved to issue employee incentive options as a long term incentive to eligible employees including executive directors. A collective pool of 16,835,005 unlisted options were approved, with an exercise price of $0.021, subject to vesting conditions, with an expiry date of 31 Jan 2024. 8,435,005 of these options are subject to shareholder approval.

### Environmental Regulation

ISA Group is not subject to any significant environment regulation under any law of the Commonwealth or of a State or Territory.

### Directors' and Officers' Insurance

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

The Directors and Company Secretary of ISA Group are also party to a deed of access and indemnity.

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

### Proceedings on behalf of the Company

No person has applied to the court under section 237 of the Corporations Act 2001 for leave to bring, or intervene in, proceedings on behalf of any entity within ISA Group.

### Auditor

Felser Chartered Accountants trading as Accru Felsers was appointed as ISA Group's auditor on 13 June 2018 and continues in office in accordance with section 327 of the Corporations Act 2001.

**Non-audit services**

The Directors have considered and are satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

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

The fees paid or payable to Felser Chartered Accountants for non-audit services provided during the year ended 30 June 2021 were $17,763.

**Auditor's independence declaration**

The Auditor's independence declaration at page 20 forms part of this Directors' Report.

**Rounding of amounts**

ISA Group is not an entity to which ASIC Legislative Instrument 2016/199 applies. Accordingly, amounts in the financial statements and annual reports have been rounded to the nearest dollar not the nearest thousand dollars.

**Buy back**

ISA Group does not currently have any on-market buy-back of shares.

**STATEMENT OF CORPORATE GOVERNANCE**

ISA Group's Statement of Corporate Governance for the year ended 30 June 2021 is available at https://indoorskydiveaustralia.com.au/investors/charters-and-policies/.

This Directors' Report is made in accordance with a resolution of the directors made pursuant to *section 298(2)* of the *Corporations Act*.

On behalf of the Board

**Steve Baxter**
Chairman & Non-Executive Director
29 September 2021
Sydney

**Wayne Jones**
Director & Chief Executive Officer
29 September 2021
Sydney

# REMUNERATION REPORT

## REMUNERATION REPORT

### 1. Introduction

This Remuneration Report for the year ended 30 June 2021 forms part of the ISA Group Directors' Report and has been audited in accordance with the *Corporations Act 2001*.

The Remuneration Report details remuneration information for the KMP of ISA Group comprising the Non-Executive Directors, Executive Directors and the senior executives responsible for planning, directing and controlling the activities of ISA Group.

### 2. Remuneration Governance

ISA Group's remuneration strategy has been designed to promote shareholder growth by setting strategic and operational targets for at risk remuneration while maintaining a base salary that fairly rewards employees.

***Consideration of Remuneration & Nomination Matters***

All remuneration matters across ISA Group are reviewed by a 'one up' manager to ensure that no single individual is determining remuneration. In the case of the Chief Executive Officer and his direct reports all remuneration matters are submitted to the Board for consideration and, if appropriate, approval.

Where appropriate external advice is obtained for the benefit of the Board in considering remuneration matters. This advice can take the form of remuneration benchmarking, remuneration consultancy, tax or financial consultancy services.

The approval of remuneration matters is restricted to non-executive directors only. Throughout FY2021 remuneration matters have been considered by the Board of Directors (Executive Directors excluded) under the auspices of the Remuneration & Nomination Committee Charter which is available at www.indoorskydive.com.au.

***Remuneration Recommendations***

ISA Group engages independent external consultants to provide advice and assistance in relation to remuneration from time to time as required. ISA Group has received preliminary advice on long term incentives to drive performance and maintain key employees. This advice formed the foundation of ISA Group's long-term incentive which utilises premium priced options.

***Hedging of Remuneration***

ISA Group's KMP and their closely related parties are prohibited from hedging or otherwise reducing or eliminating the risk associated with equity-based incentives.

### 3. Key Management Personnel

The KMP for ISA Group for 2021 comprise the Non-Executive Directors, Executive Directors and the senior executives responsible for planning, directing and controlling the activities of ISA Group.

On 26 May 2021, Kim Hopwood was appointed as an Executive Director.

| ***Executive KMP*** | |
|---|---|
| Wayne Jones | Executive Director & Chief Executive Officer |
| Kim Hopwood | Executive Director |
| Stephen Tofler | Chief Financial Officer & Company Secretary |
| ***Non-Executive Directors*** | ***Notes*** |
| Stephen Baxter | Appointed 13 August 2012 (appointed Chairman 15 July 2019) |
| Danny Hogan | Appointed 4 November 2011 |

## 4. Remuneration Principles, Strategy and Outcomes

### *Remuneration principles*

ISA Group's remuneration strategy is based on the following principles:

- *Retain Top Talent* – As ISA Group operates in a unique environment with a limited pool of talent ISA Group seeks to retain the high calibre people it has identified.
- *Align rewards with business performance* – ISA Group seeks to align remuneration rewards with business performance through the use of "at risk" remuneration and the assessment of performance.
- *Support the execution of business strategy* – ISA Group seeks to motivate employees to execute our aggressive growth strategy by setting performance objectives in line with strategic outcomes.
- *Fairness, equity and consistency* – ISA Group implements a consistent, transparent process for remuneration review and structures remuneration to achieve equity for like positions taking into account performance and tenure.

These principles are applied as we assess remuneration in the context of the operational demands of the business, the labour market we operate in, and returns to shareholders.

### *Remuneration Strategy*

ISA Group's remuneration strategy for FY2021 focused on driving and delivering on operations, strategic and growth strategies. As a result of the uncertain COVID environment and its effect on the consumer-based operations, there were no short-term incentives put in place. The company utilised its long-term incentive plan designed to encourage the retention of key employees. The long-term incentives were issued with a 145% premium exercise price set to require an increase in shareholder value before a benefit is received.

*Remuneration Outcomes for Executive KMP*

The remuneration received by Executive KMP in 2021 and 2020 is set out below.

| | | Short Term Benefits | | | Post Employment Benefits | Long Term Benefits | Share Based Payments | |
|---|---|---|---|---|---|---|---|---|
| KMP | Year | Salary | STI | Non-Monetary | Superannuation | Long Service Leave | Options | Total |
| | | $ | $ | $ | $ | $ | $ | $ |
| Wayne Jones CEO | 2021 | 197,187 | - | 6,015 | 18,733 | - | - | 221,936 |
| | 2020 | 187,363 | - | 5,423 | 17,800 | - | - | 210,586 |
| Kim Hopwood Exec | 2021 | 138,824 | - | - | 13,188 | - | - | 152,012 |
| | 2020 | 84,115 | - | - | 7,991 | - | - | 92,106 |
| Stephen Tofler CFO | 2021 | 133,904 | - | - | 12,721 | - | - | 146,625 |
| | 2020 | 126,000 | - | - | 11,970 | - | - | 137,970 |

### *Executive Remuneration Structure*

### *Remuneration Mix*

Fixed annual remuneration provides a "base" level of remuneration. Previously, short and long-term variable incentives ("at risk") were used to reward executives for meeting and exceeding pre-determined targets. The targets for at-risk rewards is linked to clear measurable targets which the Company considers are significant to achieving our strategic plan and delivering shareholder returns. For FY2021 there were no short-term incentives.

***Fixed Remuneration***

Fixed remuneration consists of cash salary, superannuation and other limited non-monetary benefits. The levels are set to attract and retain qualified, skilled and experienced executives and are determined based on comparable market data, the skills and experience of the individual executive and the accountability and responsibility of the role.

***Short Term Incentive Structure***

As a result of the uncertain COVID environment and its effect on the consumer-based operations, there were no short-term incentives put in place***.***

***Long Term Incentive Awards and Outcomes***

During 2021, options were issued under the ISA Group Employee Incentive Option Plan to key employees in the company including its executive directors. Each vested option entitles the holder to purchase one ordinary ISA Group share for the exercise price of $0.021 a premium of 145% at the time of issue.

The table below sets out the details of the options issued to KMP during the year.

| Employee | Options | Exercise Price | Vested | Vesting Date | Expiry Date | Value of Option on Grant Date |
|---|---|---|---|---|---|---|
| Wayne Jones* | 8,435,005 | $0.021 | No | 31 Jan 2022 | 31 Jan 2024 | $0.00 |
| Kim Hopwood | 4,000,000 | $0.021 | No | 31 Jan 2022 | 31 Jan 2024 | $0.00 |
| Stephen Tofler | 1,000,000 | $0.021 | No | 31 Jan 2022 | 31 Jan 2024 | $0.00 |

**Subject to shareholder approval*

***Summary of Executive Contracts***

Executive contracts set out remuneration details and other terms of employment for each individual executive. The key provisions of the KMP contracts relating to terms of employment and notice periods are set out below. Contractual terms vary due to the timing of contracts, individual negotiations and different market conditions.

| | Date of contract | Term of contract | Notice required to be given to the Employee for termination by Company | Termination Payments |
|---|---|---|---|---|
| Wayne Jones<br>Director and CEO | October 2012 | Ongoing | 6 months | 6 months' notice for termination by Employer and legislative entitlements on redundancy. |
| Kim Hopwood<br>Executive Director | October 2019 | Ongoing | 4 weeks | 4 weeks' notice for termination by Employer and legislative entitlements on redundancy. |
| Stephen Tofler<br>Chief Financial Officer & Company Secretary | January 2019 | Ongoing | 3 Months | 3 months' notice for termination by Employer and legislative entitlements on redundancy. |

### 5. Non-Executive Director Remuneration

***Approved Fee Pool***

Non-Executive Director fees are determined within a maximum directors' fee pool limit. The directors' fee pool was set in 2012 as $500,000. No director's fees are paid to Executive Directors Wayne Jones and Kim Hopwood. Total non-executive remuneration paid during 2021 was nil (FY20: $48,220). Note that Steve Baxter forgave directors fees for 2021, and a further $47,576 in director's fees relating to prior years, resulting in a net credit being reported for 2021.

***Approach to setting Non-Executive Director Remuneration***

Non-Executive Directors receive fixed remuneration in the form of a fee. The fee is set taking into account the conditions at the time of the director's appointment, the director's skills and expertise and the role to be performed by the director.

Non-Executive Directors do not receive variable remuneration or other performance-related incentives.

The Non-Executive Director fees were not increased in 2021. The Non-Executive Directors fees for the last two financial years are set out below.

| | Financial Year | Salary and Fees | Bonus | Share based payments | Total |
|---|---|---|---|---|---|
| Stephen Baxter | 2021 | - | - | - | - |
| | 2020* | - | - | - | - |
| Danny Hogan** | 2021 | - | - | - | - |
| | 2020 | - | - | - | - |

**Director's fees were forgiven from December 2018 to May 2021*
***Appointed non-exec director in December 2019*

### 6. Other Statutory Disclosures

***ISA Group's Financial Performance***

The table below sets out ISA Group's earnings and movements in shareholder wealth over the last 5 years.

| | 2017 | 2018 | 2019 | 2020 | 2021 |
|---|---|---|---|---|---|
| Revenue | 12,271,081 | 13,880,529 | 11,376,877 | 5,558,793 | 7,265,175 |
| Net Profit/(Loss) after Tax | (891,290) | (10,140,582) | (7,400,998) | (5,440,247) | 4,062,456 |
| Share price at 30 June | 0.20 | 0.12 | 0.018 | 0.006 | 0.018 |

*Option holdings of KMP*

Details of the option holdings of KMP are set out below.  Non-Executive Directors are not granted options as part of their remuneration:

| | Balance at 1 July 2020 | Granted as remuneration | Rights exercised | Rights lapsed | Rights forfeited | Balance at 30 June 2021 |
|---|---|---|---|---|---|---|
| Wayne Jones | 1,100,000 | - | - | - | - | 1,100,000 |
| Kim Hopwood | - | 4,400,000 | - | - | - | 4,400,000 |
| Stephen Tofler | - | 1,000,000 | - | - | - | 1,100,000 |

A further 8,435,005 options with an exercise price of $0.021, vesting date of 31 January 2022 and an exercise period of 24 months will be issued to Wayne Jones pending shareholder approval.

*Shareholdings of KMP and Board*

The shareholding of the KMP and Board including their associates is as follows:

| KMP | Role | Interest in shares held at 1 July 2020 | Interest in shares acquired /(disposed) during the period | Interest in shares issued on exercise of vested options during the period | Balance at 30 June 2021 |
|---|---|---|---|---|---|
| Steve Baxter | Non-Executive Director | 54,638,163 | - | - | 54,638,163 |
| Wayne Jones | Chief Executive Officer & Director | 31,626,307 | 1,793,141 | - | 33,419,448 |
| Kim Hopwood | Executive Director | 27,956,983 | 1,000,000 | - | 28,956,983 |
| Danny Hogan | Non-Executive Director | 18,447,833 | - | - | 18,447,833 |
| Stephen Tofler | Chief Financial Officer | - | 890,000 | - | 890,000 |

***2020 Annual General Meeting (AGM)***

At the Company's AGM in November 2020, 99.85% of votes received were in favour of adopting the remuneration report.

# AUDITOR'S INDEPEDENCE DECLARATION

Accru+ Felsers

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

In accordance with the requirements of section 307 of the *Corporations Act 2001*, as lead auditor for the audit of Indoor Skydive Australia Group Limited for the year ended 30 June 2021, I declare that, to the best of my knowledge and belief, there have been:

(i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Vindran Vengadasalam
Partner

FELSERS
Chartered Accountants

29 September 2021
Sydney, Australia

# FINANCIAL REPORT

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

For the year ended 30 June 2021

| | Notes | Consolidated Group 2021 $ | 2020 $ |
|---|---|---|---|
| Revenues | 5 | 7,265,175 | 5,002,087 |
| Cost of Sales | | (1,664,555) | (1,283,817) |
| Gross Profit | | 5,600,620 | 3,718,270 |
| Other income | 6 | 6,356,168 | 612,123 |
| Selling and marketing expenses | 7(a) | (3,243,757) | (2,671,050) |
| Administration expenses | 7(b) | (2,362,893) | (2,161,097) |
| Legal expenses | | (15,410) | (159,213) |
| Other expenses | | (993,394) | (1,451,811) |
| **Profit/loss Before Interest and Tax** | | 5,341,334 | (2,112,778) |
| Finance expense | | (1,228,878) | (1,155,903) |
| **Net financing costs** | 7(c) | **(1,228,878)** | **(1,155,903)** |
| Share of loss of a joint venture entity | | - | (153,298) |
| **Profit/loss before tax from continuing operations** | | **4,112,456** | **(3,421,979)** |
| **Profit/loss before tax from discontinuing operations** | 8 | (50,000) | (1,079,929) |
| **Total profit/loss from operations** | | **4,062,456** | **(4,501,908)** |
| Income tax | 9 | - | (938,339) |
| **Profit/Loss After Tax** | | **4,062,456** | **(5,440,247)** |
| **Other comprehensive income** | | | |
| Exchange differences on translation of foreign operations | | - | - |
| **Other comprehensive income for the period** | | - | - |
| **Total comprehensive income for the period** | | **4,062,456** | **(5,440,247)** |
| **Earnings per share** | | | |
| From continuing operations: | | | |
| - Basic earnings per share (cents) | 16 | 1.22 | (1.76) |
| - Diluted earnings per share (cents) | 16 | 1.19 | (1.75) |

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
For the year ended 30 June 2021

| | Notes | Consolidated Group 2021 $ | Consolidated Group 2020 $ |
|---|---|---|---|
| **ASSETS** | | | |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | 10(a) | 1,761,186 | 234,150 |
| Trade and other receivables | 10(b) | 551,363 | 472,542 |
| Inventories | 11(a) | 18,225 | 13,200 |
| Other financial asset | 10(c) | 566,184 | 611,808 |
| TOTAL CURRENT ASSETS | | 2,896,958 | 1,331,700 |
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 11(b) | 24,042,488 | 24,640,953 |
| Right of use over asset | 11(c)(i) | 9,543,523 | 9,698,767 |
| Other financial asset | 10(c) | 1,296,409 | 1,284,761 |
| TOTAL NON-CURRENT ASSETS | | 34,882,420 | 35,624,481 |
| **TOTAL ASSETS** | | 37,779,378 | 36,956,181 |
| **LIABILITIES** | | | |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 10(d) | 1,548,650 | 3,432,258 |
| Lease liability | 11(c)(i) | 178,627 | 59,743 |
| Deferred revenue | 3(n),4(b) | 1,051,843 | 860,458 |
| Borrowings | 10(e) | 225,000 | 1,129,500 |
| Provisions | 11(e) | 200,475 | 136,693 |
| TOTAL CURRENT LIABILITIES | | 3,204,595 | 5,618,652 |
| NON-CURRENT LIABILITIES | | | |
| Trade and other payables | 10(d) | 1,312,542 | 801,508 |
| Lease liability | 11(c)(i) | 9,903,327 | 9,914,040 |
| Borrowings | 10(e) | 7,316,709 | 9,320,457 |
| Provisions | 11(e) | 754,234 | 107,980 |
| TOTAL NON-CURRENT LIABILITIES | | 19,286,812 | 20,143,985 |
| **TOTAL LIABILITIES** | | 22,491,407 | 25,762,637 |
| **NET ASSETS** | | 15,287,971 | 11,193,544 |
| **EQUITY** | | | |
| Share capital | 12 | 42,513,283 | 42,513,283 |
| Reserves | | 41,438 | 9,467 |
| Accumulated losses | | (27,266,750) | (31,329,206) |
| **TOTAL EQUITY** | | 15,287,971 | 11,193,544 |

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 2021

| | Share Capital $ | Reserves $ | Accumulated Losses $ | Total Equity $ |
|---|---|---|---|---|
| **Balance at 1 July 2020** | **42,513,283** | **9,467** | **(31,329,206)** | **11,193,544** |
| Change in share based payment reserve | - | 34,327 | - | 34,327 |
| Foreign currency translation reserve | - | (2,356) | - | (2,356) |
| **Comprehensive income** | | | | |
| Profit for the year | - | - | 4,062,456 | 4,062,456 |
| Other comprehensive income | | | | |
| **Total comprehensive profit for the year** | **-** | **-** | **4,062,456** | **4,062,456** |
| **Balance at 30 June 2021** | **42,513,283** | **41,438** | **(27,266,750)** | **15,287,971** |
| **Balance at 1 July 2019** | **40,810,939** | **9,467** | **(25,888,959)** | **14,931,447** |
| Shares issued during the year | 1,702,344 | - | - | 1,702,344 |
| **Comprehensive income** | | | | |
| Loss for the year | - | - | (5,440,247) | (5,440,247) |
| Other comprehensive income | - | - | - | - |
| **Total comprehensive loss for the year** | **-** | **-** | **(5,440,247)** | **(5,440,247)** |
| **Balance at 30 June 2020** | **42,513,283** | **9,467** | **(31,329,206)** | **11,193,544** |

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 2021

| | Consolidated Group | |
|---|---|---|
| | 2021 $ | 2020 $ |
| **Cash Flows from Operating Activities** | | |
| Receipts from customers | 8,033,643 | 5,245,008 |
| Payments to suppliers and employees | (6,074,609) | (4,253,106) |
| | **1,959,034** | **991,902** |
| Grant and other operational income | 491,493 | 612,123 |
| Transactions costs debt restructure | (340,000) | - |
| Finance costs | (9,444) | (427,105) |
| Payments to suppliers from prior periods | (678,086) | (1,291,589) |
| **Net cash inflows from operating activities** | **1,422,997** | **(114,669)** |
| **Cash Flows from Investing Activities** | | |
| Purchase of property, plant and equipment | (682,476) | (506,707) |
| Sale of property, plant and equipment | 20,000 | 430,000 |
| **Net cash outflows from investing activities** | **(662,476)** | **(76,707)** |
| **Cash Flows from Financing Activities** | | |
| Proceeds from issue of securities | - | 2,000,036 |
| Proceeds from borrowings | 4,000,000 | - |
| Repayment of borrowings | (2,585,693) | (924,497) |
| Share issue costs | - | (297,692) |
| AASB leases repayment | (647,792) | (492,986) |
| **Net cash inflows from financing activities** | **766,515** | **284,861** |
| **Net increase in cash held** | **1,527,036** | **93,485** |
| Cash and cash equivalents at beginning of year | 234,150 | 140,665 |
| **Cash and cash equivalents at end of year** | **1,761,186** | **234,150** |

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

These consolidated financial statements and notes represent those of Indoor Skydive Australia Group Limited and Controlled Entities (the **Consolidated Group** or **Group**).

The separate financial statements of the parent entity, Indoor Skydive Australia Group Limited have not been presented within this financial report as permitted by the *Corporations Act 2001*.

The financial statements were authorised for issue on 29 September 2021 by the directors of the company.

## NOTE 1: SIGNIFICANT CHANGES IN THE CURRENT REPORTING PERIOD

The financial position and performance of the group was particularly affected by the following events and transactions during the reporting period:

- The launch of the FREAK Gold Coast business in the iFLY Gold Coast premises on 5th September 2020.
- The cessation of the JobKeeper supplement eligibility on 27th September 2020.
- The launch of the FREAK Bondi business in Westfield Bondi Junction as the first stand-alone FREAK site on 13th November 2020.
- Completion of the debt restructure of the Group on 17th March 2021

For a detailed discussion of the group's performance and financial position please refer to our Directors' Review of Operations and the Financial Reports.

## NOTE 2: SEGMENT INFORMATION

**General Information**

***Identification of reportable segments***

The Group's operations are in one market segment being the provision of simulated experiences, through indoor skydiving facilities and virtual reality centres. The Group operates in one geographical segment being Australia. All subsidiaries in the Group operate within the same segment. Both the indoor skydiving businesses and the virtual reality businesses have been aggregated to one operating segment.

**Types of Products and Services by Segment**

The products and services provided include a variety of indoor skydiving experiences allowing human flight within a safe environment used by tourists, enthusiasts and military. The virtual reality business provides a variety of simulated experiences and games.

## NOTE 3: 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.

#### a. Going Concern

The Group produced a profit for the year after tax of $4,062,456 (2020: loss of $5,440,247) and has a net current deficiency in assets of $307,637 (2020: $4,286,952). Included within current liabilities are deferred revenue of $1,051,843 that will be realised as revenue once the service has been delivered to the customer. Therefore, excluding this balance, the Group has an adjusted positive current asset position of $744,206 at 30 June 2021.

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 being paid in accordance with their terms.

ii) The Company successfully completed a debt restructure in March 2021 significantly improving the balance sheet.

iii) 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.

iv) The Company has implemented new income streams less influenced by any COVID-19 interruptions.

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 requirements through the normal cyclical nature of receipts and payments.

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

## b. Principles of Consolidation

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

Where controlled entities have entered or left the Group during the year, the financial performance of those entities is included only for the period of the year that they were controlled. A list of controlled entities is contained in Note 17 to the financial statements.

In preparing the consolidated financial statements, all intragroup balances and transactions between entities in the consolidated group have been eliminated in full on consolidation. Non-controlling interests, being the equity in a subsidiary not attributable directly or indirectly to a parent, are reported separately within the equity section of the consolidated statement of financial position and statements showing profit or loss and other comprehensive income. The non-controlling interests in the net assets comprise their interests at the date of the original business combination and their share of changes in equity since that date.

## c. Income Tax

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

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities/(assets) are measured at the amounts expected to be paid to/(recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

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

Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability. With respect to non-depreciable items of property, plant and equipment measured at fair value and items of investment property measured at fair value, the related deferred tax liability or deferred tax asset is measured on the basis that the carrying amount of the asset will be recovered entirely through sale.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (a) a legally enforceable right of set-off exists; and (b) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

***Tax Consolidation - Australia***

The Company and its wholly-owned Australian resident entities have formed a tax consolidated group with effect from 1 November 2011 and will therefore be taxed as a single entity from that date. The Company is the head entity within the tax-consolidated group.

Current tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using a modified stand-alone tax allocation methodology.

Any current tax liabilities (or assets) and deferred tax assets arising from unused tax losses of the controlled entities are assumed by the head entity in the tax-consolidated group and are recognised as amounts payable (receivable) to (from) other entities in the tax-consolidated group in conjunction with any tax funding arrangements.

The Company recognises deferred tax assets arising from unused tax losses of the tax-consolidated group to the extent that it is probable that future taxable profits of the tax-consolidated group will be available against which the asset can be utilised.

Any subsequent period adjustments to deferred tax assets arising from unused tax losses as a result of revised assessments of the probability of recoverability is recognised by the head company only.

### d. Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

***Plant and Equipment***

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

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

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

***Depreciation***

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

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

| Class of Fixed Asset | Useful Life |
|---|---|
| Office equipment | 3 years |
| Furniture and fittings | 5 years |
| IT equipment | 5 years |
| Vertical wind tunnel building infrastructure | 40 years |
| Vertical wind tunnel equipment | 20 years |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are recognised in profit or loss in the period in which they arise. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

**e. Leases**

At inception of a contract, the Company assesses whether a lease exists – ie: does the contract convey the right to control the use of an identified asset for a period of time in exchange for consideration.

This involves an assessment of whether:

- The contract involves the use of an identified asset - this may be explicitly or implicitly identified within the agreement. If the supplier has a substantive substitution right then there is no identified asset.
- The Company has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use.
- The Company has the right to direct the use of the asset ie: decision making rights in relation to changing how and for what purpose the asset is used.

**Lessee accounting**

The non-lease components included in the lease agreement have been separated and are recognised as an expense as incurred.

At the lease commencement, the Company recognises a right-of-use asset and associated lease liability for the lease term. The lease term includes extension periods where the Company believes it is reasonably certain that the option will be exercised.

The right-of-use asset is measured using the cost model where cost on initial recognition comprises of the lease liability, initial direct costs, prepaid lease payments, estimated cost of removal and restoration less any lease incentives received.

The right-of-use asset is depreciated over the lease term on a straight line basis and assessed for impairment in accordance with the impairment of assets accounting policy.

The lease liability is initially measured at the present value of the remaining lease payments at the commencement of the lease. The discount rate is the rate implicit in the lease, however where this cannot be readily determined then the Company's incremental borrowing rate is used.

Subsequent to initial recognition, the lease liability is measured at amortised cost using the effective interest rate method. The lease liability is remeasured whether there is a lease modification, change in estimate of the lease term or index upon which the lease payments are based (eg: CPI) or a change in the Company's assessment of lease term.

Where the lease liability is remeasured, the right-of-use asset is adjusted to reflect the remeasurement or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.
Exceptions to lease accounting

The Company has elected to apply the exceptions to lease accounting for both short-term leases (i.e. leases with a term of less than or equal to 12 months) and leases of low-value assets. The Company recognises the payments associated with these leases as an expense on a straight-line basis over the lease term.

### f. Foreign Currency Transactions and Balances

***Functional and Presentation Currency***

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

***Transactions and Balances***

Exchange differences arising on the translation of monetary items are recognised in profit or loss, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in other comprehensive income to the extent that the underlying gain or loss is recognised in other comprehensive income; otherwise the exchange difference is recognised in profit or loss.

### g. Cash and Cash Equivalents

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

### h. Trade and Other Payables

Trade and other payables represent the liabilities for goods and services received by the entity that remain unpaid at the end of the reporting period. Payables expected to be settled within 12 months of the end of the reporting period are classified as current liabilities. All other liabilities are classified as non-current liabilities.

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

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

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

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

### j. Impairment of Assets

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

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

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

### k. Employee Benefits

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be settled within a year have been measured at the amounts expected to be paid when the liability is settled. Expenses for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable. Liabilities for long service leave are recognised when employees reach a qualifying period of continuous service. Liabilities and expenses for bonuses are recognised where contractually obliged or where there is a past practice that has created a constructive obligation.

### l. Provisions

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

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

Make good provisions are recognised on a systematic basis over the life of the lease, based on the most reliable evidence available at reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be requited in settlement is determined by considering the class of obligations as a whole. The provision is discounted to its present value, where the time value of money is material.

### m. Revenue and Other Income

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. When the inflow of consideration is deferred, it is included in the Statement of Financial Position as a current liability.

Revenue from the sale of goods and services is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership and the cessation of all involvement in those goods and services. For gift card revenue, refer to Note 4(b).

Interest revenue is recognised on an accruals basis using the effective interest method.

### n. Deferred Revenue

Income relating to future periods is initially recorded as deferred revenue, and is then recognised as revenue over the relevant periods of admission or rendering of other services.

### o. Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined using the weighted average cost method, after deducting any purchase settlement discount and including logistics expenses incurred in bringing the inventories to their present location and condition.

### p. Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

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

### q. Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

Where the Group has retrospectively applied an accounting policy, made a retrospective restatement or reclassified items in its financial statements, an additional statement of financial position as at the beginning of the earliest comparative period will be disclosed.

## NOTE 4: CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

### *a. 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.

### *b. 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 2021, $313,003 of Gift Card Revenue is recognised (2020: $482,486). 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.

### c. *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 11.59% (2020: 12.84%), 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.

### d. *COVID-19*

The scale and duration of these developments remain uncertain as at the date of this report, however they will continue to have an impact on earnings, cash flow and financial conditions. It is not possible to estimate the impact of the outbreak's near-term and longer-term effects, and those of the varying efforts of the governments to combat the outbreak and support businesses. This being the case, we do not consider it practicable to provide a quantitative or qualitative estimate of the potential impact on the Company at this time.

## NOTE 5: REVENUE FROM CONTRACTS WITH CUSTOMERS

| | 2021<br>$ | 2020<br>$ |
|---|---|---|
| **Revenue** | | |
| VWT revenue | 6,159,024 | 4,538,728 |
| Freak revenue | 710,935 | 99,727 |
| Other sales* | 395,216 | 363,632 |
| | 7,265,175 | 5,002,087 |

*Other sales revenue relates to food & beverage income, merchandise income and sub-let income.

## NOTE 6: OTHER INCOME

| | 2021<br>$ | 2020<br>$ |
|---|---|---|
| Grant Income | 491,493 | 320,693 |
| Write-down of liabilities with debt restructure* | 5,864,675 | - |
| Other | - | 291,430 |
| | 6,356,168 | 612,123 |

*Write-down of Westpac liability and other creditors with debt restructure

## NOTE 7: OTHER INCOME AND EXPENSE ITEMS

### Other Expenses

| | 2021<br>$ | 2020<br>$ |
|---|---|---|
| **7(a) Selling and Marketing Expenses** | | |
| Marketing expenses | 464,070 | 403,799 |
| Employment expenses | 2,779,687 | 2,267,251 |
| | **3,243,757** | **2,671,050** |
| | | |
| **7(b) Administration Expenses** | | |
| Depreciation and amortisation expenses | 1,280,941 | 1,149,948 |
| Depreciation – AASB16 | 446,477 | 307,964 |
| Occupancy expenses | 126,425 | 179,739 |
| Employment expenses | 556,626 | 783,190 |
| Directors' fees – current year | - | 48,220 |
| Directors' fees – prior year | (47,576)* | - |
| | **2,362,893** | **2,161,097** |

*Note that the Directors' Fees for 2021 was negative $47,576. This is the result of Steve Baxter forgiving Directors' Fees for current and prior years.

| | 2021<br>$ | 2020<br>$ |
|---|---|---|
| **7(c) Finance Expenses** | | |
| Interest expense | 764,149 | 695,865 |
| Interest from AASB16 | 464,729 | 460,038 |
| | **1,228,878** | **1,155,903** |

## NOTE 8: DISCONTINUING OPERATIONS

On 21 August 2019 the company entered into an agreement with SkyVenture International Ltd to sell the assets of the Perth Indoor Skydiving facility, as a part of the realignment of the future direction of the firm. This sale was subject to certain conditions and completion of the sale occurred on 21 February 2020 with payment made to the Company. The final adjustment payment then occurred on the 19 May 2021 resulting in a further loss of $50,000.

## NOTE 9: INCOME TAX

This note provides an analysis of the group's income tax expense, shows what amounts are recognised directly in equity and how the tax expense is affected by non-assessable and non-deductible items. It also explains significant estimates made in relation to the group's tax position.

| | 2021<br>$ | 2020<br>$ |
|---|---|---|
| **Income Tax** | | |
| **Current income tax:** | | |
| Current income tax charge | - | - |
| **Deferred tax:** | | |
| Relating to origination and reversal of temporary differences | - | (938,339) |
| Income Tax | - | (938,339) |

A reconciliation of income tax expense applicable to accounting loss before income tax at the statutory income tax rate to income tax expense at the company's effective income tax rate for the year ended 30 June 2021 is as follows:

| | 2021<br>$ | 2020<br>$ |
|---|---|---|
| Accounting profit/loss before income tax | 4,062,456 | (4,501,908) |
| At the statutory income tax rate of 27.5% | 1,117,175 | (1,238,025) |
| Share of results of joint venture | - | 42,157 |
| Tax losses recognised / not recognised | (1,127,186) | 2,133,937 |
| Non-deductible expenses for tax purposes: | | |
| Entertainment expenses | 571 | 270 |
| Share based payments | 9,440 | - |
| **Income Tax** | - | 938,339 |

The Group has tax losses that arose in Australia for which no deferred tax asset of $18,985,804 is recognised on the Statement of Financial Position. The tax losses are available indefinitely for offsetting against future taxable profits of the Group.

## NOTE 10: FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The Group holds the following financial instruments:

| Financial Assets | Notes | 2021 $ | 2020 $ |
|---|---|---|---|
| *At amortised cost* | | | |
| **Current** | | | |
| Cash and cash equivalents | 10(a) | 1,761,186 | 234,150 |
| Trade receivables | 10(b) | 551,363 | 472,542 |
| Other financial assets | 10(c) | 566,184 | 611,808 |
| **Non-current** | | | |
| Other financial assets | 10(c) | 1,296,409 | 1,284,761 |

| Financial Liabilities | Notes | 2021 $ | 2020 $ |
|---|---|---|---|
| At amortised cost | | | |
| **Current** | | | |
| Trade and other payables | 10(d) | 1,548,650 | 3,432,258 |
| Borrowings | 10(e) | 225,000 | 1,129,500 |
| **Non-current** | | | |
| Trade and other payables | 10(d) | 1,312,543 | 801,508 |
| Borrowings | 10(e) | 7,316,709 | 9,320,457 |

These are detailed below:

**10(a) Cash and cash equivalents**

| | | |
|---|---|---|
| Cash at bank and on hand | 1,761,186 | 234,150 |
| | 1,761,186 | 235,150 |

**10(b) Trade receivables**

| | | |
|---|---|---|
| Trade receivables | 95,973 | 15,736 |
| Other receivables | 385,636 | 445,449 |
| Prepaid expenses | 69,754 | 11,357 |
| | 551,363 | 472,542 |

**10(c) Other Financial Assets**

**Current**

| | | |
|---|---|---|
| Royalty holiday | 566,184 | 566,188 |
| Borrowing costs | - | 45,620 |
| | 566,184 | 611,808 |

| Financial Liabilities (cont) | 2021 $ | 2020 $ |
|---|---|---|
| **Non- current** | | |
| Deposits | 7,417 | - |
| Royalty holiday | 660,563 | 1,226,743 |
| Borrowing costs | | 31,625 |
| Make good | 25,429 | 26,393 |
| Bank guarantee | 603,000 | - |
| | 1,296,409 | 1,284,761 |

Borrowing costs for 2020 include costs associated with the bank loan facility, which in 2021 were fully written down.

**10(d) Trade and other payables**

| | | |
|---|---|---|
| **Current** | | |
| Trade payables | 705,235 | 2,576,157 |
| Other accruals | 843,415 | 856,101 |
| | 1,548,650 | 3,432,258 |
| **Non-Current** | | |
| Other accruals | 1,312,543 | 801,508 |
| | 1,312,543 | 801,508 |

**10(e) Borrowings**

| | | |
|---|---|---|
| **Current** | | |
| Westpac debt facility | - | 1,129,500 |
| Causeway debt facility *(a)* | 225,000 | - |
| | 225,000 | 1,129,500 |
| **Non-Current** | | |
| Westpac debt facility | - | 6,320,457 |
| Causeway debt facility *(a)* | 3,775,000 | - |
| Birkdale Holdings (Qld) Pty Ltd *(b)* | 3,541,709 | 3,000,000 |
| | 7,316,709 | 9,320,457 |

*(a)* The Company has in place a 3 year loan facility of $4,000,000 with Causeway Wholesale Private Debt Income Fund.

Interest is payable to Causeway based on the applicable rates set out in the loan agreement, over a maximum period of 3 years. Security is provided by:

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
- Freak Entertainment Pty Ltd

Supported by a General Security Deed over all existing and future assets and undertakings by:
- Indoor Skydive Australia Group Limited
- Indoor Skydiving Penrith Holdings Pty Ltd
- Indoor Skydiving Penrith Pty Ltd
- Indoor Skydiving Gold Coast Pty Ltd
- Freak Entertainment Pty Ltd

Mortgage over lease by Indoor Skydiving Penrith Holdings Pty Ltd, Indoor Skydiving Gold Coast Pty Ltd, Freak Entertainment Pty Ltd.

*(b)* The company has in place a loan facility of $3,541,709 with Birkdale Holdings (Qld) Pty Ltd, a company associated with Steve Baxter, Director of Indoor Skydive Australia Group Limited, with a maturity date of September 2024.

Interest is payable to Birkdale at the rate set out in the agreement and is capitalised for the term of the loan. Security is provided by:

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
- Freak Entertainment Pty Ltd

Supported by a General Security Deed over all existing and future assets and undertakings by:
- Indoor Skydive Australia Group Limited
- Indoor Skydiving Penrith Holdings Pty Ltd
- Indoor Skydiving Penrith Pty Ltd
- Indoor Skydiving Gold Coast Pty Ltd
- Freak Entertainment Pty Ltd

Mortgage over lease by Indoor Skydiving Penrith Holdings Pty Ltd, Indoor Skydiving Gold Coast Pty Ltd, Freak Entertainment Pty Ltd.

## NOTE 11: NON-FINANCIAL ASSETS AND LIABILITIES

### 11(a): Inventories

| | 2021 $ | 2020 $ |
|---|---|---|
| Goods held for sale | 18,225 | 13,200 |
| | **18,225** | **13,200** |

### 11(b): Property Plant and Equipment

| | 2021 $ | 2020 $ | 2021 $ | 2020 $ | 2021 $ | 2020 $ |
|---|---|---|---|---|---|---|
| | Cost | | Depreciation | | Carrying Value | |
| *Vertical wind tunnel building and equipment* | | | | | | |
| **Balance at Beginning of year** | 28,911,943 | 28,357,363 | (4,934,585) | (2,710,126) | 23,977,358 | 25,647,237 |
| Acquisitions / depreciation | 44,290 | - | (923,868) | (914,159) | (879,578) | (914,159) |
| Disposals / transfers | - | 554,580 | - | (1,310,300) | - | (755,720) |
| **Balance at end of year** | 28,956,233 | 28,911,943 | (5,858,453) | (4,934,585) | 23,097,780 | 23,977,358 |
| *IT Equipment* | | | | | | |
| **Balance at Beginning of year** | 1,336,825 | 849,010 | (677,888) | (427,578) | 658,937 | 421,432 |
| Acquisitions / depreciation | 632,130 | 504,930 | (356,096) | (203,892) | 276,034 | 301,038 |
| Disposals / transfers | - | (17,115) | - | (46,418) | - | (63,533) |
| **Balance at end of year** | 1,968,955 | 1,336,825 | (1,033,984) | (677,888) | 934,971 | 658,937 |
| *Furniture and fittings* | | | | | | |
| **Balance at Beginning of year** | 192,604 | 610,231 | (188,112) | (393,447) | 4,492 | 216,784 |
| Acquisitions / depreciation | 2,923 | 954 | (159) | (30,930) | 2,764 | (29,976) |
| Disposals / transfers | - | (418,581) | - | 236,265 | - | (182,315) |
| **Balance at end of year** | 195,527 | 192,604 | (188,271) | (188,112) | 7,256 | 4,493 |
| *Office Equipment* | | | | | | |
| **Balance at Beginning of year** | 4,123 | 3,300 | (3,958) | (2,990) | 165 | 310 |
| Acquisitions / depreciation | 3,133 | 823 | (818) | (967) | 2,315 | (145) |
| Disposals / transfers | - | - | - | (1) | - | (1) |
| **Balance at end of year** | 7,255 | 4,123 | (4,776) | (3,958) | 2,480 | 164 |
| **Balance at Beginning of year** | 30,445,495 | 29,819,904 | (5,804,542) | (3,534,142) | 24,640,953 | 26,285,762 |
| Acquisitions / depreciation | 682,476 | 506,707 | (1,280,941) | (1,149,948) | (598,465) | (643,241) |
| Disposals / transfers | - | 118,884 | - | (1,120,453) | - | (1,001,569) |
| **Balance at end of year** | 31,127,971 | 30,445,495 | (7,085,483) | (5,804,542) | 24,042,488 | 24,640,953 |

### 11(c): Leases

#### *(i) Amounts recognised in the balance sheet*

The balance sheet shows the following amounts relating to leases:

| | 2021<br>$ | 2020<br>$ |
|---|---|---|
| **Right-of-use assets** | | |
| Buildings | 9,415,903 | 9,618,591 |
| Equipment | 127,620 | 80,176 |
| **Total** | **9,543,523** | **9,698,767** |
| | | |
| **Lease liabilities** | | |
| **Current** | | |
| Buildings | 101,315 | 19,985 |
| Equipment | 77,312 | 39,758 |
| **Total** | **178,627** | **59,743** |
| | | |
| **Non-current** | | |
| Buildings | 9,850,568 | 9,872,399 |
| Equipment | 52,759 | 41,641 |
| **Total** | **9,903,327** | **9,914,040** |

#### *(ii) Amounts recognised in the statement of profit or loss*

| | 2021<br>$ | 2020<br>$ |
|---|---|---|
| **Depreciation charge over right-of-use assets** | | |
| Buildings | 359,788 | 281,238 |
| Equipment | 86,689 | 26,726 |
| **Total** | **446,477** | **307,964** |

**Company as a lessee**

The Group leases real property, retail stores, and equipment. Rental contracts are typically made for fixed periods of 12 months to 20 years but may have extension options as described in below:

- **Gold Coast Wind Tunnel Lease** – commenced 14 October 2014 for a term of 20 years, with two further options of 10 years each. The Group has every expectation of exercising these options.
- **Penrith Wind Tunnel Lease** – commenced 26 April 2014 for a term of 20 years, with two further options of 10 years each. The Group has every expectation of exercising these options.
- **FREAK Entertainment Leases** – there is one short term lease for premises with no renewal option, and two equipment leases with 3 year terms.

Contracts may contain both lease and non-lease components. The group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the group under residual value guarantees
- the exercise price of a purchase option if the group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by Indoor Skydive Australia Group Limited, which does not have recent third-party financing, and
- makes adjustments specific to the lease, eg; term, country, currency and security.

The group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. While the group revalues its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use buildings held by the group.

Payments associated with short-term leases of equipment and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option. Low-value assets comprise IT equipment and small items of office furniture.

Extension and termination options are included in a number of property and equipment leases across the group. These are used to maximise operational flexibility in terms of managing the assets used in the group's operations. The majority of extension and termination options held are exercisable only by the group and not by the respective lessor.

To optimise lease costs during the contract period, the group sometimes provides residual value guarantees in relation to equipment leases.

**11(e): Provisions**

| | 2021<br>$ | 2020<br>$ |
|---|---|---|
| **Current** | | |
| Employee benefit obligations | 200,475 | 136,693 |
| **Total** | **200,475** | **136,693** |
| | | |
| **Non-current** | | |
| Employee benefit obligations | 86,023 | 51,250 |
| Make good provision | 65,211 | 56,730 |
| Bank guarantee | 603,000 | - |
| **Total** | **754,234** | **107,980** |

| | Provision for Employee Benefits<br>$ | Provision for Lease Straight Lining and Bank Guarantee<br>$ | Provision for Site Restoration<br>$ | Total Provisions<br>$ |
|---|---|---|---|---|
| **Carrying amount 1 July 2020** | **187,943** | **-** | **56,730** | **244,673** |
| Additional Provisions | 248,075 | 603,000 | 9,677 | 860,752 |
| Amount Utilised | (149,520) | - | (1,196) | (150,716) |
| **Carrying amount 30 June 2021** | 286,498 | 603,000 | 65,211 | 954,709 |
| **Current** | 200,475 | - | - | 200,475 |
| **Non-current** | 86,023 | 603,000 | 65,211 | 754,234 |
| | | | | |
| **Carrying amount 1 July 2019** | **213,825** | **431,439** | **184,047** | **829,311** |
| Additional Provisions | - | - | 65,989 | 65,989 |
| Amount Utilised | (25,882) | (431,439) | (193,306) | (650,627) |
| **Carrying amount 30 June 2020** | **187,943** | **-** | **56,730** | **244,673** |
| **Current** | **136,693** | **-** | **-** | **136,693** |
| **Non-current** | **51,250** | **-** | **56,730** | **107,980** |

***a) Provisions for Employee Benefits***

The current portion of this provision includes the total amount accrued for annual leave entitlements that have vested due to employees having completed the required period of service.

b) ***Provision for Lease Straight Lining and Bank Guarantee***
Rental lease payments for operating the wind tunnels are expensed on a straight lining basis. All unamortised lease incentives in the form of rent free periods are recognised as provision. This provision is reduced by allocating lease payments between rental expenses and reduction of the provision over the remaining term of the lease. The bank guarantee for the Gold Coast premises in cash backed by a term deposit, however under the terms of the Westpac debt restructure the asset may not be redeemed and a provision is carried accordingly.

c) ***Provision for Site Restoration***
This provision relates to present value of expected site restoration costs for two tunnels. These costs are projected forward to an extended lease period of 40 years using 2.5% inflationary escalation and discounted to present value at 11.59% after consideration of the associated risks.

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**NOTE 12: ISSUED CAPITAL**

| | 2021<br>$ | 2020<br>$ |
|---|---|---|
| 336,700,099 (2020: 336,700,099) fully paid ordinary shares | 44,803,421 | 44,803,421 |
| Share issue costs | (2,290,138) | (2,290,138) |
| | 42,513,283 | 42,513,283 |

| | | |
|---|---|---|
| Ordinary Shares | No. | No. |
| At the beginning of the reporting period | 336,700,099 | 136,696,514 |
| Shares issued | - | 200,003,585 |
| | 336,700,099 | 336,700,099 |

**Capital Management**

The Board controls the capital of the Group in order to generate long-term shareholder value and to ensure that the Group can fund its operations and continue as a going concern. The Board assesses the Group's capital requirements based on the Company's stage of operations, having regard to available debt funding and equity funding and seek to maintain a capital structure based on the lowest cost of capital available to the Group. The Board achieves this through the internal generation of capital and the management of debt levels and, if necessary, share issues.

## NOTE 13: CASH FLOW INFORMATION

| | 2021<br>$ | 2020<br>$ |
|---|---|---|
| **Reconciliation of Cash Flow from Operations with Profit/(Loss) after Income Tax** | | |
| Profit/loss after income tax | 4,062,456 | (5,440,247) |
| Non-cash flows in loss: | | |
| - Write down of liabilities with debt restructure | (5,864,675) | |
| - Loss on disposal of assets held for sale | 50,000 | 1,172,759 |
| - Share of loss from joint venture | - | 153,298 |
| - Unwind of make good discount | (9,443) | (127,318) |
| - Interest expense on lease liability | 464,729 | 460,039 |
| - Interest expense | 754,705 | 268,760 |
| - Depreciation expense – property, plant and equipment | 1,280,941 | 1,205,607 |
| - Depreciation expense – right-of-use asset | 446,477 | 307,964 |
| - Amortisation expense | 113,807 | 334,163 |
| - Loss on disposal of fixed assets | - | 136,477 |
| - Change in reserves | 31,971 | - |
| - Provision for bank guarantee | 603,000 | - |
| Changes in assets and liabilities: | | |
| - (increase)/decrease in other liabilities held for sale | - | (139,719) |
| - (increase)/decrease in trade and term receivables | (78,819) | (187,288) |
| - (increase)/decrease in other financial assets | 33,975 | 242,358 |
| - (increase)/decrease in deferred tax asset | - | 938,339 |
| - increase/(decrease) in trade payables and accruals | (1,372,572) | 899,736 |
| - increase/(decrease) in inventories | (5,025) | 16,948 |
| - increase/(decrease) in unearned revenue | 191,385 | 100,777 |
| - increase/(decrease) in provisions | 710,036 | (457,321) |
| Cash flow provided by operations | 1,422,997 | (114,669) |

## NOTE 14: FINANCIAL RISK MANAGEMENT

### Financial Risk Management Policies

The Board of Directors for, among other issues, manages financial risk exposures of the Group. The Board monitors the Group's financial risk management policies and exposures and approves financial transactions within the scope of its authority. It also reviews the effectiveness of internal controls relating to commodity price risk, counterparty credit risk, currency risk, liquidity risk and interest rate risk. The Board meets on a regular basis.

The Board's overall risk management strategy seeks to assist the Group in meeting its financial targets, while minimising potential adverse effects on financial performance. Its functions include the review of the use of hedging derivative instruments, credit risk policies and future cash flow requirements.

### Specific Financial Risk Exposures and Management

The main risks the Group is exposed to through its financial instruments are credit risk, liquidity risk and market risk consisting of interest rate risk, and other price risk (commodity and equity price risk).

There have been no substantive changes in the types of risks the Group is exposed to, how these risks arise, or the Board's objectives, policies and processes for managing or measuring the risks from the previous period.

### a. Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counter parties of contract obligations that could lead to a financial loss to the Group.

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

*Credit risk exposures*

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

No collateral is held by the Group securing receivables.

The Group only has significant concentrations of credit risk with any single counterparty in the form of its bankers, and therefore significant credit risk exposures to Australia.

There are no trade and other receivables that are past due nor impaired.

Credit risk related to balances with banks and other financial institutions is managed by the Board. which requires that surplus funds are only invested with counterparties with a Standard & Poor's rating of at least AA–.

| | 2021<br>$ | 2020<br>$ |
|---|---|---|
| **Cash and Term Deposits:** | | |
| Cash at bank and on hand | 1,761,186 | 234,150 |
| | 1,761,186 | 234,150 |

**b. Liquidity risk**

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Group manages this risk through the following mechanisms:

- preparing forward-looking cash flow forecasts in relation to its operating, investing and financing activities;
- using derivatives that are only traded in highly liquid markets;
- monitoring undrawn credit facilities;
- obtaining funding from a variety of sources;
- maintaining a reputable credit profile;
- managing credit risk related to financial assets;
- only investing surplus cash with major financial institutions; and
- comparing the maturity profile of financial liabilities with the realisation profile of financial assets.

The Group's policy is to ensure that it will always have sufficient cash to allow it to meet it liabilities when they become due.

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

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

## NOTE 14: FINANCIAL RISK MANAGEMENT (CONT)

*Financial liability and financial asset maturity analysis for the Consolidated Group.*

| | Within 1 Year | | 1 to 5 Years | | Over 5 Years | | Total | |
|---|---|---|---|---|---|---|---|---|
| | 2021 $ | 2020 $ | 2021 $ | 2020 $ | 2021 $ | 2020 $ | 2021 $ | 2020 $ |
| **Financial liabilities due for payment** | | | | | | | | |
| Borrowings | 225,000 | 1,129,500 | 7,316,708 | 9,320,457 | - | - | 7,541,708 | 10,449,957 |
| Trade and other payables | 1,548,651 | 3,432,258 | 1,312,543 | 801,508 | - | - | 2,861,194 | 4,233,766 |
| Total contractual outflows | 1,773,651 | 4,561,758 | 8,629,251 | 10,121,965 | - | - | 10,402,902 | 14,683,723 |
| Total expected outflows | 1,773,651 | 4,561,758 | 8,629,251 | 10,121,965 | - | - | 10,402,902 | 14,683,723 |
| **Financial assets – cash flows realisable** | | | | | | | | |
| Cash and cash equivalents | 1,761,186 | 234,150 | - | - | - | - | 1,761,186 | 234,150 |
| Trade and other receivables | 551,363 | 472,542 | - | - | - | - | 551,363 | 472,542 |
| Total anticipated inflows | 2,312,549 | 706,692 | - | - | - | - | 2,312,549 | 706,692 |
| Net inflow/(outflow) | 538,898 | (3,855,066) | (8,629,251) | (10,121,965) | - | - | (8,090,353) | (13,977,031) |

Refer to Note 3(a) Basis of Accounting for matters that have been considered by the directors in determining the appropriateness of the going concern for the preparation of the financial statements.

**c. Market risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of a change in market prices. Components of market risk to which the consolidated entity are exposed are discussed below:

(i) *Interest rate risk*

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments. The Group is not exposed to earnings volatility on floating rate instruments.

The financial instruments that primarily expose the Group to interest rate risk are borrowings, cash and cash equivalents and term deposits.

Interest rate risk is managed using a mix of fixed and floating rate debt where possible.

(ii) *Foreign exchange risk*

The Group is not exposed to material foreign exchange risk

(iii) *Other price risk*

Other price risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices largely due to demand and supply factors (other than those arising from interest rate risk or currency risk) for commodities.

The Group is not exposed to commodity price risk. The Group is not exposed to securities price risk on investments held for trading over the medium to longer terms.

*Sensitivity analysis*

The following table illustrates sensitivities to the Group's exposures to changes in interest rates, and exchange rates. In respect of the exchange rates, the table summarises the sensitivity of the balance of financial instruments held at the reporting date to movement in the exchange rate of the US dollar to the Australian dollar, with all other variables held constant. The table indicates the impact on how profit and equity values reported at the end of the reporting period would have been affected by changes in the relevant risk variable that management considers to be reasonably possible.

These sensitivities assume that the movement in a particular variable is independent of other variables.

(iv) *Sensitivity analysis*

The following table illustrates sensitivities to the Group's exposures to changes in interest rates, and exchange rates. In respect of the exchange rates, the table summarises the sensitivity of the balance of financial instruments held at the reporting date to movement in the exchange rate of the US dollar to the Australian dollar, with all other variables held constant. The table indicates the impact on how profit and equity values reported at the end of the reporting period would have been affected by changes in the relevant risk variable that management considers to be reasonably possible.

These sensitivities assume that the movement in a particular variable is independent of other variables.

| | Profit<br>$ | Equity<br>$ |
|---|---|---|
| **Year ended 30 June 2021** | | |
| +/–1% in interest rates | 75,417 | 75,417 |
| **Year ended 30 June 2020** | | |
| +/–1% in interest rates | 104,500 | 104,500 |

There have been no changes in any of the methods or assumptions used to prepare the above sensitivity analysis from the prior year. These movements are considered to be reasonably possible based on observation of current market conditions.

(v) *Fair Values*

***Fair value estimation***

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

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

Differences between fair values and carrying amounts of financial instruments with fixed interest rates are due to the change in discount rates being applied by the market since their initial recognition by the Group.

Most of these instruments, which are carried at amortised cost (i.e. term receivables, held-to-maturity assets, loan liabilities), are to be held until maturity and therefore the fair value figures calculated bear little relevance to the Group.

| Consolidated Group | Notes | | 2021 $ | | 2020 $ |
|---|---|---|---|---|---|
| | | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| **Financial assets** | | | | | |
| Cash and cash equivalents | | 1,761,186 | 1,761,186 | 234,150 | 234,150 |
| Trade and other receivables | (i) | 551,363 | 551,363 | 472,542 | 472,542 |
| **Total financial assets** | (i) | **2,312,549** | **2,312,549** | **706,692** | **706,692** |
| **Financial liabilities** | | | | | |
| Trade and other payables | (i) | 2,861,192 | 2,861,192 | 4,233,766 | 4,233,766 |
| Borrowings | (ii) | 7,541,709 | 7,541,709 | 10,449,957 | 10,449,957 |
| **Total financial liabilities** | | **10,402,901** | **10,402,901** | **14,683,723** | **14,683,723** |

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

(i) Cash and cash equivalents, term deposits, trade and other receivables, and trade and other payables are short-term instruments in nature whose carrying amount is equivalent to fair value. Trade and other payables exclude amounts provided for annual leave, which is outside the scope of AASB 139.

(ii) Debt is recorded at the current carrying value which is considered equivalent to fair value.

## NOTE 15: SHARE BASED PAYMENTS

**<u>Year Ended 30 June 2021</u>**

Under the Employee Incentive Options Plan, awards are made to the executives who have an impact on the Group's Performance. Employee Incentive Option awards are delivered in the form of options over shares which vest over a period of two to three years subject to meeting performance measures. The group uses share price as the performance measure.

The fair value of share options granted is estimated at the date of grant using a Black-Scholes valuation model, taking into account the terms and conditions upon which the share option is equal to 145% of the volume weighted average market price on the ASX for up to 5 trading days. The contracted term of the share options is four years and there are no cash settlement alternatives for employees.

The following table illustrates the reconciliation of share options during the year:

| | Number of Share Options |
|---|---|
| Outstanding as at 1 July 2020 | 2,200,000 |
| Granted during the year | 8,400,000 |
| Forfeited during the year | 1,100,000 |
| Outstanding as at 30 June 2021 | 9,500,000 |

The following table lists the inputs to the model used for the Employee Incentive Option Plan for the year ended 30 June 2021:

| 1,100,000 Options expiring on 24th August 2021 | |
|---|---|
| Share Price at balance date (weighted average) | $0.018 |
| Share Price at grant/approval date | $0.02 |
| Exercise Price | $0.35 |
| Expected Volatility | 50% |
| Expected life (weighted average number of days) | 365 |
| Expected dividends | 0% |
| Risk-free rate (weighted average) | 1.49% |

| 8,400,000 Options expiring on 31st January 2024 | |
|---|---|
| Share Price at grant/approval date (weighted average) | $0.018 |
| Share Price at grant/approval date | $0.013 |
| Exercise Price | $0.021 |
| Expected Volatility | 50% |
| Expected life (weighted average number of days) | 365 |
| Expected dividends | 0% |
| Risk-free rate (weighted average) | 1.49% |

**Year Ended 30 June 2020**

Under the Employee Incentive Options Plan, awards are made to the executives who have an impact on the Group's Performance. Employee Incentive Option awards are delivered in the form of options over shares which vest over a period of three years subject to meeting performance measures. The group uses share price as the performance measure.

The fair value of share options granted is estimated at the date of grant using a Black-Scholes valuation model, taking into account the terms and conditions upon which the share option is equal to 145% of the volume weighted average market price on the ASX for up to 5 trading days. The contracted term of the share options is four years and there are no cash settlement alternatives for employees.

The following table illustrates the reconciliation of share options during the year:

| | Number of Share Options |
|---|---|
| Outstanding as at 1 July 2019 | 2,200,000 |
| Granted during the year | - |
| Forfeited during the year | - |
| Outstanding as at 30 June 2020 | 2,200,000 |

The following table lists the inputs to the model used for the Employee Incentive Option Plan for the year ended 30 June 2020:

| 2,200,000 Options expiring on 24th August 2021 | |
|---|---|
| Share Price at balance date (weighted average) | $0.014 |
| Share Price at grant/approval date | $0.02 |
| Exercise Price | $0.35 |
| Expected Volatility | 50% |
| Expected life (weighted average number of days) | 365 |
| Expected dividends | 0% |
| Risk-free rate (weighted average) | 0.66% |

## NOTE 16: EARNINGS PER SHARE

| Earnings per share (cents per share) | 2021 Cents | 2020 Cents |
|---|---|---|
| From continuing operations: | | |
| - basic earnings per share | 1.22 | (1.76) |
| - diluted earnings per share | 1.19 | (1.75) |

| | 2021 $ | 2020 $ |
|---|---|---|
| a. Reconciliation of earnings to profit or loss: | | |
| Profit/Loss | 4,062,456 | (5,440,247) |
| Earnings used to calculate basic EPS – continuing operations | 4,112,456 | (4,360,618) |
| Earnings used to calculate basic EPS – discontinuing operations | (50,000) | (1,079,929) |

## NOTE 16: EARNINGS PER SHARE (CONT)

| | 2021<br>$ | 2020<br>$ |
|---|---|---|
| Earnings used in the calculation of dilutive EPS – continuing operations | 4,112,456 | (4,360,618) |
| Earnings used in the calculation of dilutive EPS – discontinuing operations | (50,000) | (1,079,929) |
| | **No.** | **No.** |
| b. Weighted average number of ordinary shares for basic EPS | 336,700,099 | 308,754,393 |
| Weighted average number of ordinary shares for diluted EPS | 346,200,099 | 310,954,393 |

All performance rights on issue at 30 June 2021 are anti-dilutive.

## NOTE 17: INTEREST IN SUBSIDIARIES

Set out below are the Group's subsidiaries at 30 June 2021. 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 | 2021<br>% | 2020<br>% |
|---|---|---|---|
| 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 | 100 |
| Operator TS Pty Ltd | Australia | 100 | N/A |

## NOTE 18: RELATED PARTY TRANSACTIONS

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

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

The ultimate parent entity is Indoor Skydive Australia Group Ltd.

(ii) *Key management personnel:*

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

For details of disclosures relating to key management personnel, refer to the Remuneration Report.

(iii) *Entities subject to significant influence by the Group:*

An entity that has the power to participate in the financial and operating policy decisions of an entity, but does not have control over those policies, is an entity which holds significant influence. Significant influence may be gained by share ownership, statute or agreement. There are no such entities in the Group.

(iv) *Other related parties:*

Other related parties include entities controlled by the ultimate parent entity and entities over which key management personnel have joint control.

The entities disclosed in Note 17 are 100% owned subsidiary companies of the parent entity.

**b. Transactions with related parties:**

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this Note.

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

**c. Key Management Personnel Compensation**

The Key Management Personnel compensation included in employment expenses is as follows:

| | Consolidated Entity | | Company | |
|---|---|---|---|---|
| | 2021 $ | 2020 $ | 2021 $ | 2020 $ |
| Short term employee benefits | 428,355 | 640,125 | 428,355 | 640,125 |
| Post employment benefits | 44,642 | 44,904 | 44,642 | 44,904 |
| | 472,997 | 685,029 | 472,997 | 685,029 |

## NOTE 19: PARENT ENTITY FINANCIAL INFORMATION

The following information has been extracted from the books and records of the parent and has been prepared in accordance with Australian Accounting Standards.

| | 2021 $ | 2020 $ |
|---|---|---|
| **Statement of Financial Position** | | |
| **Assets** | | |
| Current assets | 799,328 | 672,855 |
| Non-current assets | 33,822,767 | 32,249,111 |
| **Total Assets** | 34,622,095 | 32,921,966 |
| | | |
| **Liabilities** | | |
| Current liabilities | 2,017,066 | 4,532,027 |
| Non-current liabilities | 8,822,398 | 9,797,538 |
| **Total Liabilities** | 10,839,464 | 14,329,565 |
| | | |
| **Equity** | | |
| Issued capital | 42,513,283 | 42,513,283 |
| Share based payments reserve | 41,437 | 9,466 |
| Retained earnings | (18,772,090) | (23,930,348) |
| **Total Equity** | 23,782,630 | 18,592,401 |
| | | |
| **Statement of Profit or Loss and Other Comprehensive Income** | | |
| Total comprehensive profit/loss for the year | 5,158,258 | (4,974,257) |
| | 5,158,258 | (4,947,257) |

### Contingent liabilities

The parent entity does not have any contingent liabilities as at 30 June 2021.

### Contractual commitments

Other than amounts disclosed in the financial statements, the parent entity has no additional contractual commitments as at 30 June 2021.

## NOTE 20: AUDITOR'S REMUNERATION

| | | 2021 $ | 2020 $ |
|---|---|---|---|
| (i) | Remuneration of the auditor for: | | |
| - | Audit fees | 55,000 | 55,000 |
| - | Half year review | 20,174 | 20,140 |
| | | 75,174 | 75,140 |

The auditor for financial year 2020 and 2021 was Felsers, Chartered Accountants.

| | | 2021 $ | 2020 $ |
|---|---|---|---|
| (i) | Non-Auditor fees | | |
| - | Taxation compliance | 14,610 | 13,312 |
| - | Other Advisory services | 3,153 | 1,176 |
| | | 17,763 | 14,488 |

The non-auditor services were provided by Accru Felsers Pty Ltd.

## NOTE 21: CONTINGENT LIABILITIES

The Group does not have any contingent liabilities at the reporting date.

## NOTE 22: EVENTS AFTER REPORTING DATE

The financial statements have been prepared based on the conditions existing at 30 June 2021 and considering those events occurring subsequent to that date. As the measures implemented in response to the COVID-19 pandemic are ongoing and dynamic, its ongoing impact is considered an event that arose after the reporting period and no adjustments have been made to the financial statements as at 30 June 2021. Management continues to take an agile approach to the situation as it develops.

Other events since balance date are the acquisition of the Red Cartel Virtual Reality Production Studio, the launch of the new business military unit Operator Tactical Solutions, and the announcement of the intention to seek shareholder approval to change the name of the group to xReality Group.

## Directors' Declaration

For the year ended 30 June 2021

In the opinion of the Directors of Indoor Skydive Australia Group Limited:

a. the financial statements and notes, as set out on pages 22 to 56, are in accordance with the *Corporations Act 2001*, including:

- i. giving a true and fair view of the financial position as at 30 June 2021 and of its performance for the financial year ended on that date; and

- ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

b. There are reasonable grounds to believe that Indoor Skydive Australia Group Limited will be able to pay its debts as and when they become due and payable.

Note 3 includes a statement that the financial statements also comply with International Financial Reporting Standards.

The Directors have been given the declarations required by Section 295A of the *Corporations Act 2001* from the Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2021.

This declaration is made in accordance with a resolution of the Directors.

For and on behalf of the Board

**Wayne Jones**
Director and Chief Executive Officer
29 September 2021
Sydney

# INDEPENDENT AUDITOR’S REPORT

Accru+ Felsers

## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Audit of the Financial Report

#### Opinion

We have audited the 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 30 June 2021, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the Corporations Act 2001, including:

(I) giving a true and fair view of the Group's financial position as at 30 June 2021 and of its financial performance for the year then ended; and

(ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

#### Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report.

We are independent of the Group in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Material Uncertainty Related to Going Concern

In forming our opinion on the Group financial report, which is not modified, we have considered the adequacy of the disclosure made in Note 3(a) to the financial statements concerning the Group's ability to continue as a going concern. The Group's ability to continue as a going concern for at least the next 12 months is dependent on the Company being able to continue to generate funds as required to meet ongoing expense, working capital and repay debt. These conditions, as explained in Note 3(a) to the financial statements, indicate the existence of a material uncertainty which may cast doubt about the Group's ability to continue as a going concern. The Group financial statements do not include any adjustments that would result if the Group were unable to continue as a going concern.

## Key Audit Matters

In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Revenue – Note 5** | |
| The group recognised revenue derived from the sales of goods and services as well as the sale of prepaid gift cards.<br><br>Total revenue from both the wind tunnels and FREAK Entertainment for the year ended 30 June 2021 was $7,265,175. It was noted that the point-of-sale systems used to record and track revenue receipts from the original point of sale (Fusemetrix) was not integrated with general ledger. We therefore considered revenue to be a key audit matter given the potential for revenue to be materially misstated when posted via manual general ledger journal entries based off the monthly summary extracted from either Fusemetrix. Our procedures were designed to corroborate our assessment that revenue should be closely aligned to actual cash banked and identify manual adjustments made to revenue for additional testing.<br><br>A portion of the revenue attributable to gift card sales is recognised upfront using management's internal estimates of the historical redemption rates of the gift cards. As at 30 June 2021, gift card revenue or 'breakage' of $313,003 was recognised along with a corresponding deferred revenue balance of $1,051,843. Given the management judgement and inherent subjectivity in the development and application of appropriate accounting policies in compliance with Australian Accounting Standards as well as adherence to proper cut-off procedures as to the timing of the revenue, we believe this constitutes a key audit matter. | Our audit procedures included, among others:<br><br>+ Assessing whether the Group's revenue recognition policies were in compliance with Australian Accounting Standards;<br><br>+ Evaluating the operating effectiveness of revenue recognition;<br><br>+ Testing the appropriateness and accuracy of general ledger revenue journals;<br><br>+ Reviewing the mathematical accuracy of management's calculation of the gift card revenue recognised and tracing a sample of general journals posted to supporting documentation;<br><br>+ Evaluating the reasonableness of management's estimates relating to gift card breakage rates including corroborating management's assertions to historical redemption rates; and<br><br>+ Performing testing on a sample of sales at year end to determine that the revenues recorded relate to the appropriate period. |

## Impairment of non-current assets – Note 11(b), 11(c)(i)

As at 30 June 2021, the carrying amount of the Group's property, plant and equipment totaled $24,042,488. In addition, the carrying amount of the Group's right-of-use asset totaled $9,543,523.

The Group performs an impairment assessment on both the carrying amount of property, plant and equipment and the right-of-use asset on an annual basis and when there is an impairment indicator present.

The impairment assessment involves a degree of complexity and judgement including modelling a range of assumptions and estimates which are in turn impacted by future performance and market conditions. The inherent subjectivity surrounding assumptions in relation to cash flow forecasts, growth rates, discount rates and the duration of the terminal growth phase means that the impairment of non-current assets was a key audit matter.

We further considered impairment of non-current assets a key audit matter due to the significant uncertainty that continues to surround the COVID-19 pandemic. Cash flow forecasts and assumptions may change materially and dynamically, with sudden and unexpected movements in relation to the actions of governments to control future outbreaks through social distancing or venue capacity restrictions.

Our audit procedures included, among others:

+ Obtained an understanding of the entity and its environment focusing specifically on changes to that may impact accounting estimates such as impairment;
+ Identified and assessed the risk of material misstatement separately assessing inherent risk and control risk and concluding that impairment represented a significant risk;
+ Agreeing key assumptions such as discount rates and revenue growth to supporting documentation and reasonableness when compared with industry averages and trends;
+ Performed tests on the operating effectiveness of controls in relation to the completeness and accuracy of system generated data included in the Group's impairment calculation;
+ Performed sensitivity analysis based on modifications to the discount rate, projected growth rates and terminal growth assumptions that underlay the Group's impairment model;
+ Assessed the reasonableness of the Group's impairment model when compared with our point range estimate in order to determine whether sufficient evidence of impairment existed in line with AASB 136.

| Group's ability to continue as a Going Concern – Note 3(a) | |
|---|---|
| In accordance with the Australian Accounting Standards, when assessing whether the going concern assumption is appropriate, management is required to consider all information about the future encompassing at the least twelve months from the end of the reporting period. The assessment is largely based on the assumptions made by directors in formulating cash flow forecasts, with key assumptions including the timing of the future cash flows, operating results, capital raising activities, any potential sale of assets and any capital commitments.<br><br>As per the disclosure in Note 3(a), there is significant uncertainty as at 30 June 2021 in relation to the continued impact of the COVID-19 pandemic, due to the potential scale and duration of developments to combat future outbreaks and provide continual support to businesses. The basis of accounting in relation to the year-ended 30 June 2021 thus constitutes a key audit matter. | Our audit procedures included, among others:<br>+ Evaluation of the underlying data used as the basis of cash flow projections prepared by management and those charged with governance;<br>+ Analysing the impact of potential changes in projected cash flows and their timing, to the projected periodic cash positions;<br>+ Assessing the resulting impact on the ability of the Group to pay debts as and when they fall due and the Group's ability to continue as a going concern;<br>+ Obtaining and reviewing correspondence between existing financiers and the Group to determine the options available to the Group inclusive of variable debt facilities;<br>+ Evaluating the Group's disclosures in the financial report by comparing them to our understanding of the matter, the events or conditions incorporated into the cash flow projection assessment, the Group's plans, and accounting standard requirements. |

### Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2021 but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

**Auditor's Responsibilities for the Audit of the Financial Report**

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

+ Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
+ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
+ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
+ Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
+ Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

## Report on the Remuneration Report

*Opinion on the Remuneration Report*

We have audited the Remuneration Report included on pages 14 to 18 of the directors' report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of Indoor Skydive Australia Group Limited, for the year ended 30 June 2021, complies with section 300A of the Corporations Act 2001.

*Responsibilities*

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

FELSERS
Chartered Accountants

Vindran Vengadasalam
Partner

FELSERS
Chartered Accountants

29 September 2021
Sydney, Australia

# SHAREHOLDER INFORMATION

## SHAREHOLDER INFORMATION

The following information is current as at 19 August 2021:

### 1. Shareholder Information

| Distribution of Shareholders | Number | Ordinary Shares |
|---|---|---|
| Category (size of holding): | | |
| 1 – 1,000 | 44 | 17,283 |
| 1,001 – 5,000 | 66 | 166,775 |
| 5,001 – 10,000 | 56 | 490,543 |
| 10,001 – 100,000 | 363 | 16,687,921 |
| 100,001 and over | 255 | 319,337,577 |
| | 784 | 336,700,099 |

The number of shareholdings held in less than marketable parcels is 25.

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

| Shareholder: | Number of Shares | % of Issued Capital |
|---|---|---|
| BIRKDALE HOLDINGS (QLD) PTY LTD | 54,638,163 | 16.228 |
| MR KIM HOPWOOD | 28,956,983 | 8.600 |

### Voting Rights

ISA Group has 336,700,099 ordinary shares on issue which are listed on the ASX. The voting rights attached to each ordinary share is one vote per share when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

### 20 Largest Shareholders – Ordinary Shares

| Name | Number of Ordinary Fully Paid Shares Held | % Held of Issued Ordinary Capital |
|---|---|---|
| BIRKDALE HOLDINGS (QLD) PTY LTD | 54,638,163 | 16.228% |
| MR KIM HOPWOOD | 28,956,983 | 8.600% |
| EXCALIB-AIR PTY LTD <EXCALIB-AIR UNIT ACCOUNT> | 16,060,000 | 4.770% |
| MR ALEXANDER DAMIEN BEARD & MRS PASCALE MARIE BEARD <AD & MP BEARD SUPERFUND A/C> | 15,228,274 | 4.523% |
| BNP PARIBAS NOMS (NZ) LTD <DRP> | 13,787,704 | 4.095% |
| QUAD INVESTMENTS PTY LTD | 11,916,667 | 3.539% |
| PROJECT GRAVITY PTY LTD <THE JONES FAMILY A/C> | 11,044,258 | 3.280% |
| HOWARD-WILLIS LIMITED | 7,593,759 | 2.255% |
| PROJECT FLIGHT PTY LTD <WAYNE JONES SUPER FUND A/C> | 5,825,000 | 1.730% |
| DRILL INVESTMENTS PTY LTD | 5,000,000 | 1.485% |
| WYNDLEY PTY LTD <WYNDLEY SMSF A/C> | 4,714,800 | 1.400% |
| RICKTARR PTY LTD <SG & F SUPER FUND A/C> | 4,000,000 | 1.188% |
| MR MARK JASON BAINTON | 3,743,000 | 1.112% |
| MR ALEXANDER BEARD & MRS PASCALE BEARD <AD & MP BEARD SUPER FUND A/C> | 3,435,000 | 1.020% |
| MR DAVID LEYLAND | 2,800,000 | 0.832% |
| MR MAHDI SHAHMORADI | 2,796,600 | 0.831% |
| SUPERHERO NOMINEES PTY LTD | 2,775,251 | 0.824% |
| GALDARN PTY LTD | 2,570,000 | 0.763% |
| LYNDCOTE SUPER PTY LTD <LYNDCOTE SUPER FUND A/C> | 2,521,667 | 0.749% |
| IFLY AUSTRALIA PTY LTD | 2,500,000 | 0.743% |
| MR PATRICK THOMAS INSKIP | 2,500,000 | 0.743% |
| | **204,407,126** | **60.709%** |

**2.** The name of the company secretary is Stephen Tofler.

**3.** The address of the principal registered office in Australia is 123 Mulgoa Road, Penrith NSW 2750

**4.** The Register of Securities is held at Grosvenor Place, Level 12, 225 George Street, Sydney NSW 2000.

**5. Stock Exchange Listing**

Quotation has been granted for all 336,700,099 ordinary shares of ISA Group on all Member Exchanges of the Australian Securities Exchange Limited.

**6. Unquoted Securities**

ISA Group has 8,400,000 incentive options on issue to 1 eligible executive director and 5 senior management personnel. The incentive options have a vesting date of 31st January 2022, have an exercise price of $0.021 and expire on 31 January 2024.

ISA GROUP
INDOOR SKYDIVE AUSTRALIA GROUP