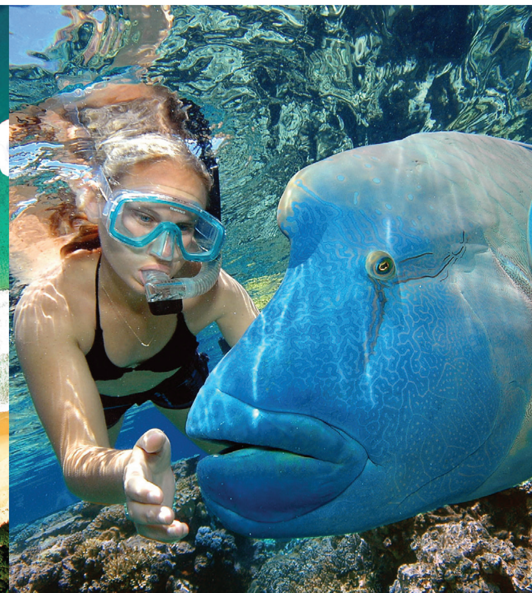
Skydive the Beach

GROUP LIMITED

ACN 167 320 470


ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2017

LISTED ON AUSTRALIAN STOCK EXCHANGE

Skydive the Beach Group Limited and Controlled Entities
ACN: 167 320 470

Annual Report
For The Year Ended 30 June 2017

Contents

Chairman's Letter	1
Joint MD/CEO Letter	2
Director's Report	3
Auditor's Independence Declaration	10
Consolidated Statement of Profit or Loss and Other Comprehensive Income	11
Consolidated Statement of Financial Position	12
Consolidated Statement of Changes in Equity	13
Consolidated Statement of Cash Flows	14
Notes to The Financial Statements	15
Director's Declaration	47
Independent Auditor's Report	48
Additional Information for Listed Public Companies	55
Corporate Directory	57

Skydive the Beach Group Limited and Controlled Entities
ACN: 167 320 470
Chairman's Letter

Dear shareholders,

On behalf of the Board of Directors of Skydive the Beach Group Limited, I am delighted to present Skydive the Beach Group Limited's ("**Group**") Annual Report for the 12 months ending 30 June 2017.

The Group achieved significant progress, and revenue and profit growth, both organically and through major acquisitions:

- Revenue of $**89.566M**, an increase of 53% over the prior year.
- Net Profit after tax of **$9.482M**, an increase of 33% over the prior year.
- Earnings before interest, taxes, depreciation and amortisation of **$20.988M** an increase of 55.6% over the prior year.
- Acquisition of Skydive Wanaka Limited, bringing the number of drop zones in New Zealand to three.
- Acquisition of Performance Aviation Limited in New Zealand, allowing the Group to bring in-house all its Group aircraft maintenance in New Zealand.
- Two major acquisitions in Far North Queensland: Raging Thunder Pty Ltd and Reef Magic Cruises Pty Ltd, together adding white water rafting, hot air ballooning, canyoning, sea kayaking, Great Barrier Reef cruises and associated reef activities to the Group's growing suite of tourism adventure activities.
- Completion of an over-subscribed capital raising of $19.6M.
- Execution of a Banking Facility Agreement with National Australia Bank Limited.
- Payment of a fully franked dividend of $0.01 per share (totalling $3.963M) for the year ending 30 June 2016 and declaration of a dividend of $0.01 per share (totalling $4.348M) for the year ending 30 June 2017.

Skydive's achievements are a result of the commitment and enthusiasm of our wonderful staff and our partnerships with our trading partners.

The significant expansion of the Group's adventure tourism activities is to be recognised in the proposed change of the listed company's name to Experience Co. Limited (ASX: EXP).

We remain grateful to all our shareholders for their continued support and look forward to a continuation of the Group's success in FY2018.

Yours sincerely

William J Beerworth
Chairman

Skydive the Beach Group Limited and Controlled Entities
ACN: 167 320 470
Joint MD and CEO Letter

Dear shareholders,

FY2017 was a very exciting year, not just because of the Group's outstanding financial success, but because we have made a substantial strategic move beyond tandem skydiving into adventure tourism through the acquisition of Raging Thunder Adventures and Reef Magic Cruises in Cairns. This followed the Group's continued expansion into the New Zealand adventure tourism market with the acquisition of Skydive Wanaka.

It has always been our ambition to capture a significant proportion of the domestic and international adventure tourism market in Australia, New Zealand and beyond.

Our four key strategic priorities to drive future growth were and remain:

- Acquisitions
- Diversification
- Synergy and Efficiency
- Start-Ups

In addition to our financial success in FY2017, we are now well positioned in the adventure tourism segment, and this will continue to be a major focus of our activities.

During the year, we also focussed on our internal organisation and human capital, and we now have an effective and efficient group of executives, staff and partners committed to the next stage of our growth.

We recommend the adoption of the listed company's proposed new name of **Experience Co. Limited** because it encapsulates what the Group now provides our customers.

We are sincerely grateful to the large dedicated team of individuals in our organisation who have made the Group such a financial and operational success this year.

We are also most grateful to our shareholders who provide the support and capital to propel our growth and momentum.

Yours sincerely

Anthony Boucaut
Managing Director

Anthony Ritter
Chief Executive Officer

Your directors present their report on the consolidated entity (referred to herein as the Group) consisting of Skydive the Beach Group Limited and its controlled entities for the financial year ended 30 June 2017.

General Information

Directors

The following persons were directors of Skydive the Beach Group Limited during or since the end of the financial year up to the date of this report:

William Beerworth
Anthony Boucaut
Anthony Ritter
John Diddams
Colin Hughes

Particulars of each Director's experience and qualifications are set out later in this report.

Principal Activities

The principal activities of the Group during the period was the provision of adventure tourism and leisure experiences to the public, predominantly tandem skydiving.

On 31 October 2016 the Group acquired Raging Thunder Adventures*, an adventure eco-tourism company, located in Far North Queensland, adding white water rafting, hot air ballooning, canyoning, sea kayaking and tours to the Great Barrier Reef to the company's adventure tourism portfolio.

On 1 May 2017 the Group acquired Reef Magic Cruises Pty Ltd, an adventure eco-tourism company, located in Far North Queensland, adding outer Great Barrier Reef experience, including snorkelling, diving, reef scenic helicopter flights, remedial massages, whale watching, glass bottom boat and semi-submersible tours, to the company's adventure tourism portfolio.

There were no other significant changes in the nature of the consolidated group's principal activities during the financial year, other than as stated above.

* "Raging Thunder Adventures" is Raging Thunder Pty Ltd and its controlled entities.

Operating Results and Review of Operations

As at 30 June 2017, Skydive the Beach Group Limited operated 18 skydiving drop zones in Australia and 3 in New Zealand. In Australia, the skydiving drop zones are across New South Wales, Queensland, Victoria and Western Australia. The three New Zealand skydiving drop zones are located in Queenstown, Glenorchy and Wanaka.

	Year ended 30-Jun-17 $'000	Year ended 30-Jun-16 $'000
Earnings before interest, taxes, depreciation and amortisation (EBITDA) *	20,988	13,457
Less: Depreciation and amortisation	(6,165)	(3,599)
Less: Finance costs	(1,255)	(669)
Profit before tax	13,568	9,189
Income tax expense	(4,086)	(2,031)
Net profit for the year after tax	9,482	7,158

* EBITDA is a financial measure which is not prescribed by Australian Accounting Standards ("AAS") and represents the profit under AAS adjusted for specific non-cash and significant items. The directors consider EBITDA to reflect the core earnings of the consolidated entity. A reconciliation between EBITDA and profit after income tax for the financial year ended 30 June 2017 is included above.

The EBITDA for the year ended 30 June 2017 increased by 56.0% when compared to the year ended 30 June 2016. When comparing the EBITDA for the 12 months to 30 June 2017 set out below is the number of months trading from major acquisitions year on year:

	30-Jun-17	30-Jun-16
Skydive Queenstown Limited and its associated entities purchased on 30 October 2015	12 months	8 months
Skydive Wanaka Limited purchased on 01 July 2016	12 months	NIL
Raging Thunder Adventures purchased on 31 October 2016	8 months	NIL
Reef Magic Cruises Pty Ltd purchased on 1 May 2017	2 months	NIL

Significant Changes in State of Affairs

On 1 July 2016, the Group completed the acquisition of Skydive Wanaka Limited, being a skydiving operation in Wanaka, New Zealand. Consideration for the acquisition was NZ$10.4 million (of which AUD 9.948M was paid as a deposit with the company's solicitors prior to 30 June 2016).

On 28 September 2016 the Group announced a fully underwritten accelerated non renounceable entitlement offer to raise $19.6M. As a result of this capital raise 37,742,986 shares were issued at $0.52 each on the basis of 2 shares for every 21 shares held.

On 3 October 2016, the Group acquired Performance Aviation Limited, an aircraft and helicopter maintenance business, based in Wanaka New Zealand. Consideration for the acquisition was NZ$500,000.

On 31 October 2016 the Group acquired Raging Thunder Pty Ltd (and its associated subsidiaries), an adventure eco-tourism company, located in Far North Queensland, adding white water rafting, hot air ballooning, canyoning, sea kayaking and tours to the Great Barrier Reef to the company's adventure tourism portfolio. Consideration for the acquisition was $15.4M.

On 1 May 2017 National Australia Bank Limited ("NAB") executed with the Group a Banking Facility Agreement. NAB has made available to the Group a $20 million Cash Advance Facility, a $20 million Master Asset Finance Facility, a $240,000 Bank Guarantee Facility, a $500,000 Business Card facility, and a $3 million Foreign Exchange & Commodity Hedging Facility.

On 1 May 2017 the Group acquired Reef Magic Cruises Pty Ltd, an adventure eco-tourism company, located in Far North Queensland, adding snorkelling, diving, reef scenic helicopter flights, remedial massages, whale watching, glass bottom boat and semi-submersible tours of the Great Barrier Reef, to the company's adventure tourism portfolio. Consideration for the acquisition was $15M and $14.5M was funded through NAB.

On 1 May 2017 the Group acquired ILB Pty Ltd, an information technology implementation, maintenance and support business, which has provided services to the Group for more than 10 years. Consideration for the acquisition was $850,000 and was paid through a combination of cash and scrip (833,333 shares were issued as part consideration).

Dividends Paid or Recommended

Dividends paid or declared for payment during the financial year are as follows:

- On 30 September 2016, a fully franked dividend of $0.01 per share was paid out of retained profits at 30 June 2016, amounting to $3,963,014.
- The Directors have declared a final and fully franked dividend of $0.01 per share, amounting to $4,348,777, payable on 29 September 2017 out of retained profits at 30 June 2017. For the purposes of determining any entitlement to the dividend, the record date has been set as 18 September 2017.

Information relating to Directors and Company Secretary

William Beerworth	—	Independent Non-Executive Director and Chairman
Qualifications	—	BA LLB (Sydney), LLM SJD (Virginia), MCOM (NSW), MBA (Macquarie), member of the NSW Law Society, FAICD, FCPA and CTA
Experience	—	An investment banker and corporate solicitor, Bill was educated in Australia and the United States and has a career spanning more than 40 years. Bill held a number of senior positions before establishing Beerworth+Partners Limited, a corporate advisory firm specialising in corporate strategy, M&A, and foreign investment.
Interest in Options	—	500,000 options
Special Responsibilities	—	Chairman of the Remuneration and Nomination Committee, member of the Audit and Risk Committee.
Directorships held in other listed entities during the three years prior to the current year	—	Redhill Education Limited (Chairman).
Anthony Boucaut	—	Founder, Executive Director, Managing Director
Qualifications	—	BSC, MAICD, APF
Experience	—	Anthony has over 20 years' experience in the skydiving industry and over 25 years' experience in aviation. Anthony's aviation experience during his time in the military and his passion for skydiving played a critical role in the establishment of the Skydive the Beach business in 1999. As a qualified pilot, Anthony not only oversees and guides the business generally, but also overseas the aircraft and aircraft maintenance division within the business.
Interest in Shares	—	179,924,273 ordinary shares
Interest in Options	—	3,000,000 options
Anthony Ritter	—	Executive Director and Chief Executive Officer
Qualifications	—	BCOM, CA, MAICD
Experience	—	Anthony has over 20 years of financial, management and corporate governance experience in various senior management roles in both private and not-for-profit entities. He has been involved with the Skydive the Beach business since 2011 and has demonstrated strong strategic planning, analytical, leadership and financial management skills. He has also played an integral part in the successful growth of the Group by way of listing on the ASX, acquisitions of additonal businesses, and in the organic growth of the underlying business.
Interest in Shares	—	3,383,970 ordinary shares
Interest in Options	—	2,500,000 options
Special Responsibilities	—	Joint Company Secretary.

Information relating to Directors and Company Secretary (continued)

John Diddams	—	Independent Non-Executive Director
Qualifications	—	BCOM, FCPA, FAICD
Experience	—	John has over 30 years of financial and management experience in various senior management positions in both private and public companies. John is the principal of a CPA firm that provides corporate advisory services to SME and mid-cap companies, including management of the process to raise equity capital, and the IPO due diligence process.
Interest in Shares	—	3,090,545 ordinary shares
Interest in Options	—	1,500,000 options
Special Responsibilities	—	Joint Company Secretary, Chairman of the Audit and Risk Committee, member of the Remuneration and Nomination Committee.
Directorships held in other listed entities during the three years prior to the current year	—	Volpara Health Technologies Limited (ASX:VHT), Olivers Real Food Limited (ASX:OLI), Martin Aircraft Company Limited (resigned 03/03/2016), Indoor Skydive Australia Group Limited (resigned 30/10/2014).
Colin Hughes	—	Non-Executive Director
Qualifications	—	MAICD
Experience	—	Colin has more than 45 years of experience in Aviation, Tourism and Hospitality, having held Executive Management positions at Cathay Pacific Airways in Hong Kong, Continental Airlines, Northwest Airlines and QANTAS, lastly as Group GM International Operations. His current roles include independent director of BWA (Best Western Hotels Australasia), director of AAoA (Accommodation Association of Australia), Director Aviation online, and director of international call centre group, Centrecom.
Interest in Shares and Options	—	Nil
Special Responsibilities	—	Member of the Audit and Risk Committee and member of the Remuneration and Nomination Committee.

Company Secretary

The following persons held the position of company secretary at the end of the financial year:
- John Diddams, appointed 19 December 2013; and
- Anthony Ritter, appointed 17 November 2014

Meetings of Directors

During the financial year, 12 meetings of directors (including committees of directors) were held.
Attendances by each director during the year were as follows:

	Directors' Meetings		Audit and Risk		Remuneration & Nomination	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
William Beerworth	12	8	3	3	3	3
Anthony Boucaut	12	9	-	-	-	-
Anthony Ritter	12	11	-	-	-	-
John Diddams	12	11	3	3	3	3
Colin Hughes	12	10	3	2	3	3

Options

At the date of this report, the unissued ordinary shares of Skydive the Beach Group Limited under option are as follows

Grant Date	Date of vesting	Date of expiry	Exercise price	Number under option
30 January 2015	29 January 2016	29 January 2025	$0.25	2,000,000
30 January 2015	29 January 2016	29 January 2025	$0.25	2,666,666
30 January 2015	30 January 2017	29 January 2025	$0.25	2,666,666
30 January 2015	30 January 2018	29 January 2025	$0.25	2,666,668
02 February 2015	29 January 2016	29 January 2025	$0.25	300,000
				10,300,000

Option holders do not have any rights to participate in any issues of shares or other interests in the company or any other entity.

There have been no options granted over unissued shares or interests of any controlled entity within the Group during or since the end of the reporting period.

For details of options issued to directors and executives as remuneration, refer to the Remuneration Report.

No person entitled to exercise the option had or has any right by virtue of the option to participate in any share issue of any other body corporate.

Events after the Reporting Period

On 2 August 2017, the Group acquired all the share capital and assets of Byron Bay Ballooning. Consideration for this acquisition was $800,000 ($80,000 of which was paid as a deposit prior to 30 June 2017).

Environmental Issues

The Group's operations are not subject to significant environmental regulation under the law of the Commonwealth and State. The Group has established procedures whereby compliance with existing environmental regulations and new regulations are monitored annually. This process includes procedures to be followed should an incident adversely impact the environment. The directors are not aware of any breaches during the period covered by this report.

Corporate Governance Statement

A copy of the Group's corporate governance statement can be found on the website www.skydive.com.au/investors in accordance with ASX Listing Rule 4.10.3.

Indemnifying Officers or Auditor

The company has paid premiums to insure all past, present and future directors against liabilities for costs and expenses incurred by them in defending legal proceedings arising from their conduct while acting in the capacity of directors of the company, other than conduct involving a wilful breach of duty in relation to the company. The contract of insurance prohibits disclosure of the nature of liability and the amount of the premium.

Proceedings on Behalf of Company

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

The company was not a party to any such proceedings during the year.

Non-Audit Services

The Board of Directors, in accordance with advice from the audit committee, 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 audit committee 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 following fees were paid or payable to RSM Australia for non-audit services provided during the year ended 30 June 2017:

	$
Taxation services	311,615
Due diligence investigations on acquisitions	147,061
	458,676

The tax services comprised mainly tax compliance, due diligence on acquisitions, an Office of State Revenue review, and advisory services in relation to the tax consolidation.

Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2017 has been received and can be found on page 10 of the financial report.

Rounding of Amounts

The company is of a kind referred to in Corporations Instruments 2016/191 issued by ASIC, relating to (rounding off). Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

REMUNERATION REPORT

Remuneration policy

The remuneration policy of Skydive the Beach Group Limited has been designed to align key management personnel (KMP) objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific short-term and long-term incentives based on key performance areas affecting the consolidated group's financial results. The board of Skydive the Beach Group Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the high-quality KMP to run and manage the consolidated group, as well as create goal congruence between directors, executives and shareholders.

The Board's policy for determining the nature and amount of remuneration for KMP of the consolidated group is as follows:

- The remuneration policy is to be developed by the Remuneration and Nomination Committee and approved by the Board after professional advice is sought from independent external consultants.
- All KMP receive a base salary which is based on factors such as length of service, experience and level of involvement in the business.
- Executive directors are also entitled to receive superannuation, fringe benefits, and performance incentives.
- Performance incentives are generally only paid once predetermined key performance indicators (KPIs) have been met.
- Incentives paid in the form of options are intended to align the interests of the directors and company with those of the shareholders. In this regard, KMP are prohibited from limiting risk attached to those instruments by use of derivatives or other means.
- The Remuneration and Nomination Committee reviews KMP packages annually by reference to the consolidated group's performance, executive performance and comparable information from industry sectors.

The performance of KMP is measured against criteria agreed annually with each executive and is based predominantly on the forecast growth of the consolidated group's profits and shareholders' value. All bonuses and incentives must be linked to predetermined performance criteria. The Board may, however, exercise its discretion in relation to approving incentives, bonuses and options, and can recommend changes to the committee's recommendations. Any change must be justified by reference to measurable performance criteria. The policy is designed to attract the highest calibre of executives and reward them for performance results leading to long-term growth in shareholder wealth.

Executive directors receive a superannuation guarantee contribution required by the government, which is currently 9.5% and do not receive any other retirement benefits. Individuals may choose to sacrifice part of their salary to increase payments towards superannuation.

All remuneration paid to KMP is valued at the cost to the company and expensed.

The Board's policy is to remunerate non-executive directors at market rates for time, commitment and responsibilities. The Remuneration and Nomination Committee determines payments to non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice was sought during the period. Fees for non-executive directors are not linked to the performance of the consolidated group. The maximum aggregate amount of fees that can be paid to non-executive directors must not exceed $750,000 per annum as per the company's constitution and as approved at the 2016 Annual General Meeting (AGM) held on 4 November 2016. This limit may be increased from time to time subject to approval by shareholders at a general meeting.

REMUNERATION REPORT (continued)

Options granted under the Board's remuneration policy do not carry dividend or voting rights. Each option is entitled to be converted into one ordinary share once the interim or final financial report has been disclosed to the public and is measured using the Binomial Approximation Option Pricing methodology.

KMP or closely related parties of KMP are prohibited from entering into hedge arrangements that would have the effect of limiting the risk exposure relating to their remuneration.

In addition, the Board's remuneration policy prohibits directors and KMP from using Skydive the Beach Group Limited shares as collateral in any financial transaction, including margin loan arrangements.

Engagement of Remuneration Consultants

Crichton and Associates Pty Ltd was engaged as a remuneration consultant during the financial year.

Performance-based Remuneration

As part of the remuneration package of each of the executive directors, there is a performance-based component based on key performance indicators (KPI's) which are set annually. The intention of this program is to facilitate goal congruence between key management personnel with that of the business and shareholders. The measures are specifically tailored to the area each individual is involved in and has a level of control over. The KPIs target areas the Board believes hold greater potential for group expansion and profit, covering financial and non-financial as well as short and long-term goals. The level set for each KPI is based on budgeted figures for the Group and respective industry standards.

Performance in relation to the KPIs is assessed annually, with bonuses being awarded depending on the number and deemed difficulty of the KPIs achieved. Following the assessment, the KPIs are reviewed by the Remuneration and Nomination Committee in light of the desired and actual outcomes, and their efficiency is assessed in relation to the Group's goals and shareholder wealth, before the KPIs are set for the following year.

In determining whether or not a KPI has been achieved, Skydive the Beach Group Limited bases the assessment on audited figures, including EBITDA.

Relationship between Remuneration Policy and Company Performance

The remuneration policy has been tailored to increase goal congruence between shareholders, directors and executives. Two methods have been applied to achieve this aim, the first being a performance-based bonus based on KPI, and the second being the issue of options to the majority of directors and executives to encourage the alignment of personal and shareholder interests. The company believes this policy will be effective in increasing shareholder wealth into the future.

The following table shows the gross revenue, EBITDA, profits and dividends for the last three years for the listed entity, as well as the market capitalisation, share prices at the end of the respective financial years. Information is not available prior to the group's inception on 1 July 2014. Analysis of the actual figures shows an increase in profits year on year as well as the payment of dividends paid to shareholders. The improvement in the company's performance over the last two years has been reflected in the company's share price with an increase this year. The Board is of the opinion that these results can be attributed, in part, to the previously described remuneration policy and is satisfied with the overall upwards trend in shareholder wealth over the past three years.

	2017	2016	2015
Sales revenue ($'000)	89,566	58,473	26,320
EBITDA ($'000)	20,988	13,457	6,025
Net profit for the year ($'000)	9,482	7,158	2,468
Market capitalisation ($'000)	287,019	202,114	91,056
Dividends paid ($'000)	3,963	2,937	-
Earnings per share (cents)	2.24	2.10	1.13
Share price at financial year end ($)	0.66	0.51	0.31
Dividends paid (cents per share)	0.01	0.01	-

Performance Conditions Linked to Remuneration

The Group seeks to emphasise reward incentives for results and continued commitment to the Group through the provision of various short term and long term incentive plans, specifically the incorporation of incentive payments based on the achievement of revenue targets, return on equity ratios, and continued employment with the Group. The objective of the schemes is to both reinforce the short and long-term goals of the Group and provide a common interest between management and shareholders.

The performance related proportions of remuneration based on these targets are included in the following table. The objective of the reward schemes is to both reinforce the short and long-term goals of the Group and provide a common interest between management and shareholders. There has been no alteration to the terms of the bonuses paid since grant date.

The satisfaction of the performance conditions is based on a review of the audited financial statements of the Group and publicly available market indices, as such figures reduce any risk of contention relating to payment eligibility. The Board does not believe that performance conditions should include a comparison with any other measures or factors external to the Group at this time.

Employment Details of Members of Key Management Personnel

The following table provides employment details of persons who were, during the financial year, members of KMP of the consolidated group. The table also illustrates the proportion of remuneration that was performance and non-performance based and the proportion of remuneration received in the form of options.

Position Held as at 30 June 2017 and any change during the year		Contract details (duration & termination)
Group KMP		
William Beerworth	Independent Non-Executive Director and Chairman	Duration and termination unspecified.
Anthony Boucaut	Executive Director, Managing Director	Duration unspecified. Termination requires 3 months written notice.
Anthony Ritter	Executive Director, Chief Executive Officer	Duration unspecified. Termination requires 3 months written notice.
John Diddams	Independent Non-Executive Director	Duration and termination unspecified.
Colin Hughes	Independent Non-Executive Director	Duration and termination unspecified.
Phillip Turner	Chief Financial Officer	Duration unspecified. Termination requires 3 months written notice.

REMUNERATION REPORT (continued)

Employment Details of Members of Key Management Personnel (continued)

	Proportions of Performance-related remuneration			Portion of Non-performance	
	Non-salary cash-based incentives %	Shares/ Units %	Options %	Fixed Salary/Fees %	Total %
Group KMP					
William Beerworth	-	-	-	100%	100%
Anthony Boucaut	44%	-	-	56%	100%
Anthony Ritter	42%	-	-	58%	100%
John Diddams	-	-	-	100%	100%
Colin Hughes	-	-	-	100%	100%
Phillip Turner	10%	-	-	90%	100%

The employment terms and conditions of all KMP are formalised in contracts of employment.

Terms of employment for executive directors require a minimum of 3 months notice prior to termination of contract. Termination payments are payable in accordance with relevant laws and regulations based on benefits accrued at the date of termination. Additional termination payments can be made at the discretion of the Board.

Changes in Directors and Executives Subsequent to Year-end

There have been no changes in directors or executives since 30 June 2017.

Remuneration Expense Details for the Years ended 2017 and 30 June 2016

The following table of benefits and payments represents the components of the current year and comparative year remuneration expenses for each member of KMP of the consolidated group. Such amounts have been calculated in accordance with Australian Accounting Standards:

Table of Benefits and Payments for the Years ended 30 June 2017 and 30 June 2016

	Short-term benefits				**Post**	**Long-term**	**Equity-settled**	
FY 2017	Salary, Fees and Leave $	Profit Share and bonuses $	Non-monetary $	Other $	Pension and superannuation $	LSL $	Options/Rights $	**Total** **$**
Group KMP								
William Beerworth	165,000	-	-	-	-	-	-	165,000
Anthony Boucaut	250,000	250,000	21,151	17,876	23,750	-	-	562,777
Anthony Ritter	200,000	185,000	18,054	17,876	19,000	-	-	439,930
John Diddams *	161,000	-	-	-	-	-	-	161,000
Colin Hughes	88,654	-	-	-	8,422	-	-	97,076
Phillip Turner **	159,561	10,000		1,400	16,108			187,069
	1,024,215	445,000	39,205	37,152	67,280	-	-	1,612,852

* For John Diddams, $161,000 includes $36,000 for Company Secretarial services.
** Phillip Turner commenced 25 July 2016.

	Short-term benefits				**Post Employment**	**Long-term benefits**	**Equity-settled share-based**	
FY 2016	Salary, Fees and Leave $	Profit Share and bonuses $	Non-monetary $	Other $	Pension and superannuation $	LSL $	Options/Rights $	**Total** **$**
Group KMP								
William Beerworth	165,000	-	-	105,000	-	-	-	270,000
Anthony Boucaut	239,582	125,000	31,726	-	34,635	-	-	430,943
Anthony Ritter	191,666	100,000	18,084	-	27,708	-	-	337,458
John Diddams	156,000	-	-	63,000	-	-	-	219,000
Dr. Nigel Finch*	62,500	-	-	-	-	-	-	62,500
Timothy Radford**	193,786	100,000	10,046	-	27,524	-	-	331,356
Colin Hughes	-	-	-	-	-	-	-	-
	1,008,534	325,000	59,856	168,000	89,867	-	-	1,651,257

* Resigned as a Director on 31 January 2016.
** Resigned as a Director on 09 June 2016.

Securities Received that are not Performance Related

No members of KMP are entitled to receive securities that are not performance-based as part of their remuneration package.

Cash Bonuses, Performance-Related Bonuses and Share-based Payments

There were no share-based payments granted as remuneration during the year.

Bonuses included in the table of benefits and payments above were paid to executive directors during the year as a reward for meeting KPI's set out by the Board.

REMUNERATION REPORT (continued)

Options Granted to Key Management Personnel

	Opening balance	Granted during the year	Exercised during the year	Closing balance	Date of expiry	Total Exercisable
William Beerworth	500,000	-	-	500,000	29/01/2025	500,000
Anthony Boucaut	3,000,000	-	-	3,000,000	29/01/2025	2,000,000
Anthony Ritter	2,500,000	-	-	2,500,000	29/01/2025	1,666,666
John Diddams	1,500,000	-	-	1,500,000	29/01/2025	1,500,000
Dr. Nigel Finch (Resigned as Director 31 January 2016)	300,000	-	-	300,000	29/01/2025	300,000
Timothy Radford (Resigned as Director 9 June 2016)	2,500,000	-	-	2,500,000	29/01/2025	1,666,666
	10,300,000	-	-	10,300,000		7,633,332

Note 1 The fair value of options granted as remuneration and as shown in the above table has been determined in accordance with Australian accounting standards and will be recognised as an expense over the relevant vesting period to the extent that conditions necessary for vesting are satisfied.

Note 2 There were no options exercised during the year.

KMP Shareholdings

The number of ordinary shares in Skydive the Beach Group Limited held by each KMP of the Group at the end of the financial year is as follows:

	Balance at Beginning of Year	Granted as Remuneration during the Year	Issued on Exercise of Options during the Year	Other Changes during the Year	Balance at End of Year
William Beerworth	-	-	-	-	-
Anthony Boucaut	179,924,273	-	-	-	179,924,273
Anthony Ritter	3,383,970	-	-	-	3,383,970
John Diddams	3,250,545	-	-	(160,000)	3,090,545
Colin Hughes	-	-		-	-
Phillip Turner	-	-	-	-	-
	186,558,788	-	-	(160,000)	186,398,788

Other Equity-related KMP Transactions

There have been no other transactions involving equity instruments apart from those described in the tables above relating to options, rights and shareholdings.

Loans to KMP

The Group has unsecured loans to Boucaut Enterprises Pty Limited, a related entity associated with Anthony Boucaut for a total of $1,453,126 which expire on 28 February 2021 and 30 June 2023, details of which can be found at note 30(c).

	$'000
Balance at beginning of the year	1,783
Loans advanced	64
Loan repayment received	(457)
Interest charged	63
Balance at end of the year	1,453

Other transactions with KMP and/or their related parties

There were no other transactions conducted between the Group and KMP or their related parties, apart from those disclosed above relating to equity, compensation and loans, that were conducted other than in accordance with normal employee, customer or supplier relationships on terms no more favourable than those reasonably expected under arm's length dealings with unrelated persons.

END OF REMUNERATION REPORT

This Directors' Report, incorporating the Remuneration Report, is signed in accordance with a resolution of the Board of Directors.

Anthony Boucaut
Managing Director

Anthony Ritter
Chief Executive Officer

Dated: 4 September 2017

RSM Australia Partners

Level 13, 60 Castlereagh Street Sydney NSW 2000
GPO Box 5138 Sydney NSW 2001

T +61 (0) 2 8226 4500
F +61 (0) 2 8226 4501

www.rsm.com.au

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Skydive the Beach Group Limited and controlled entities for the year ended 30 June 2017, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

RSM

RSM AUSTRALIA PARTNERS

GNS

G N SHERWOOD
Partner

Sydney, NSW
Dated: 4 September 2017

Skydive the Beach Group Limited and Controlled Entities
ACN: 167 320 470
Consolidated Statement of Profit or Loss and Other Comprehensive Income
for the year ended 30 June 2017

		Consolidated Group	
	Note	2017 $000	2016 $000
Sales revenue	4	89,566	58,473
Cost of sales		(51,469)	(31,739)
Gross profit		38,097	26,734
Other income	4	1,021	1,262
Administrative and corporate expenses		(13,330)	(11,295)
Occupancy expenses		(2,365)	(1,692)
Depreciation and amortisation expenses		(6,165)	(3,599)
Marketing, advertising and agents commission		(1,858)	(1,347)
Repairs and maintenance expenses		(573)	(176)
Finance costs		(1,255)	(669)
Other expenses		(4)	(29)
Profit before income tax	5	13,568	9,189
Tax expense	6	(4,086)	(2,031)
Net profit for the year		9,482	7,158
Other comprehensive income:			
Items that will not be reclassified subsequently to profit or loss:			
Revaluation of property, plant and equipment, net of tax	6c	-	(458)
Items that will be reclassified subsequently to profit or loss when specific conditions are met:			
Exchange differences on translating foreign operations, net of tax	6c	(166)	(101)
Other comprehensive income for the year		(166)	(559)
Total comprehensive income for the year		9,316	6,599
Earnings per share			
From continuing operations:			
Basic earnings per share (cents)	10	2.24	2.10
Diluted earnings per share (cents)	10	2.18	2.04

The accompanying notes form part of these financial statements.

Skydive the Beach Group Limited and Controlled Entities
ACN: 167 320 470
Consolidated Statement of Financial Position
as at 30 June 2017

	Note	Consolidated Group 2017 $000	2016 $000
ASSETS			
Current assets			
Cash and cash equivalents	11	9,490	12,819
Trade and other receivables	12	4,340	2,483
Inventories	13	2,525	1,486
Other assets	14	3,705	11,999
Total current assets		20,060	28,787
Non-current assets			
Trade and other receivables	12	1,153	1,495
Other financial assets	15	38	27
Property, plant and equipment	17	70,370	39,503
Intangible assets	18	47,959	17,996
Total non-current assets		119,520	59,021
Total assets		139,580	87,808
LIABILITIES			
Current liabilities			
Trade and other payables	19	6,596	2,662
Borrowings	21	5,692	2,049
Current tax liabilities	22	1,338	3,078
Provisions	23	1,490	606
Deferred revenue	20	891	202
Total current liabilities		16,007	8,597
Non-current liabilities			
Borrowings	21	23,932	8,297
Deferred tax liabilities	22	4,962	793
Provisions	23	183	74
Total non-current liabilities		29,077	9,164
Total liabilities		45,084	17,761
Net assets		94,496	70,047
EQUITY			
Issued capital	24	84,321	65,231
Retained earnings		12,208	6,689
Reserves	25	(2,033)	(1,873)
Total equity		94,496	70,047

The accompanying notes form part of these financial statements.

Skydive the Beach Group Limited and Controlled Entities
ACN: 167 320 470
Consolidated Statement of Changes in Equity
for the year ended 30 June 2017

	Note	Issued Capital	Retained Earnings	Asset Revaluation Reserve	Common Control Reserve	Share Option Reserve	Foreign Currency Translation Reserve	Total
		$000	$000	$000	$000	$000	$000	$000
Consolidated Group								
Balance at 1 July 2015		32,039	2,468	2,844	(4,171)	5	-	33,185
Comprehensive income								
Profit for the year		-	7,158	-	-	-	-	7,158
Other comprehensive income for the year	25(e)	-	-	(458)	-	-	(101)	(559)
Total comprehensive income for the year		-	7,158	(458)	-	-	(101)	6,599
Transactions with owners, in their capacity as								
Shares issued during the year		35,058			-	-	-	35,058
Transaction costs		(1,866)			-	-	-	(1,866)
Dividends recognised for the year		-	(2,937)		-		-	(2,937)
Employee share options issued		-			-	8	-	8
Total transactions with owners and other transfers		33,192	(2,937)	-	-	8	-	30,263
Balance at 30 June 2016		65,231	6,689	2,386	(4,171)	13	(101)	70,047
Balance at 1 July 2016		65,231	6,689	2,386	(4,171)	13	(101)	70,047
Comprehensive income								
Profit for the year		-	9,482	-	-	-	-	9,482
Other comprehensive income for the year	25(e)	-	-	-	-	-	(165)	(165)
Total comprehensive income for the year		-	9,482	-	-	-	(165)	9,317
Transactions with owners, in their capacity as owners, and other transfers								
Shares issued during the year		20,126	-	-	-	-	-	20,126
Transaction costs		(1,036)	-	-	-	-	-	(1,036)
Dividends recognised for the year	9	-	(3,963)	-	-	-	-	(3,963)
Employee share options issued		-	-	-	-	5	-	5
Total transactions with owners and other transfers		19,090	(3,963)	-	-	5	-	15,132
Balance at 30 June 2017		84,321	12,208	2,386	(4,171)	18	(266)	94,496

The accompanying notes form part of these financial statements.

Skydive the Beach Group Limited and Controlled Entities
ACN: 167 320 470
Consolidated Statement of Cash Flows
for the year ended 30 June 2017

	Note	Consolidated Group 2017 $000	2016 $000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		89,865	59,219
Payments to suppliers and employees		(70,524)	(48,268)
Finance costs		(1,255)	(669)
Income tax paid		(5,446)	(853)
Net cash provided by operating activities	27(a)	12,640	9,429
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		-	1060
Purchase of property, plant and equipment		(18,754)	(12,288)
Purchase of other non-current assets		(1,259)	-
Payments for investments in subsidiaries	16 (c) & 27 (b)	(31,539)	(25,620)
Cash acquired in business acquisitions		845	243
Net cash used in investing activities		(50,707)	(36,605)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		20,126	34,522
Transaction costs associated with share issue		(1,036)	(1,803)
Proceeds from borrowings		20,791	2,335
Repayment of borrowings		(1,510)	(1,609)
Dividends paid by parent entity		(3,963)	(2,937)
Loans to related parties		(127)	(255)
Loan repayments from related parties		457	507
Net cash provided by financing activities		34,738	30,760
Net increase in cash held		(3,329)	3,584
Cash and cash equivalents at beginning of financial year		12,819	9,235
Cash and cash equivalents at end of financial year	11	9,490	12,819

The accompanying notes form part of these financial statements.

These consolidated financial statements and notes represent those of Skydive the Beach Group Limited and Controlled Entities (the "consolidated group" or "group"). The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The financial statements were authorised for issue on 4 September 2017 by the directors of the company.

Note 1 Summary of Significant Accounting Policies

Basis of Preparation

These general purpose financial statements have been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board and International Financial Reporting Standards as issued by the International Accounting Standards Board. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

Historical Cost Convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of available-for-sale financial assets, financial assets and liabilities at fair value through profit or loss, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

Critical Accounting Estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 2.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in Note 3.

(a) Principles of Consolidation

The consolidated financial statements incorporate all of the assets, liabilities and results of the Skydive the Beach Group Limited and all of the subsidiaries (including any structured entities). Subsidiaries are entities the parent company controls. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. A list of the subsidiaries is provided in Note 16(a).

The assets, liabilities and results of all subsidiaries are fully consolidated into the financial statements of the Group from the date on which control is obtained by the Group. The consolidation of a subsidiary is discontinued from the date that control ceases. Inter-company transactions, balances and unrealised gains or losses on transactions between Group entities are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group.

Equity interests in a subsidiary not attributable, directly or indirectly, to the Group are presented as 'Non-controlling Interests'. The Group initially recognises non-controlling interests that are present ownership interests in subsidiaries and are entitled to a proportionate share of the subsidiary's net assets on liquidation at either fair value or at the non-controlling interests' proportionate share of the subsidiary's net assets. Subsequent to initial recognition, non-controlling interests are attributed their share of profit or loss and each component of other comprehensive income. Non-controlling interests are shown separately within the equity section of the statement of financial position and statement of comprehensive income.

Business Combinations

Business combinations occur where an acquirer obtains control over one or more businesses.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The business combination will be accounted for from the date that control is obtained, whereby the fair value of the identifiable assets acquired and liabilities (including contingent liabilities) assumed is recognised (subject to certain limited exemptions).

When measuring the consideration transferred in the business combination, any asset or liability resulting from a contingent consideration arrangement is also included. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability is remeasured each reporting period to fair value, recognising any change to fair value in profit or loss, unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to business combinations, other than those associated with the issue of a financial instrument, are recognised as expenses in profit or loss when incurred.

The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase.

Common Control Transaction "Pooling of Interest Method"

Where the combining entities are ultimately controlled by the same party both before and after the combination, the transaction is a "common control" transaction, outside the scope of AASB 3 Business Combinations. Such a transaction is accounted for using the "pooling of interests" method resulting in the continuation of existing accounting values that would have occurred if the assets and liabilities had already been part of the group.

It has been determined that the group reorganisation disclosed in note 25(c) was a common control transaction as the companies which formed part of the group following the reorganisation were substantially owned by interests associated with the founder, Anthony Boucaut. As a result the accounting treatment under the "pooling of interest method" has historically been applied as follows:

- the assets and liabilities of the combining entities are reflected at their carrying amounts;
- no "new" goodwill or other intangible assets are recognised as a result of the combination; and
- the income statement reflects the results of the combining entities for the full period, irrespective of when the combination took place; and
- the excess of the fair value of the purchase consideration over the carrying value of the assets and liabilities has been recorded as a "common control reserve".

Note 1 Summary of Significant Accounting Policies (continued)

(a) Principles of Consolidation (continued)

Goodwill

Goodwill is carried at cost less any accumulated impairment losses. Goodwill is calculated as the excess of the sum of:
(i) the consideration transferred;
(ii) any non-controlling interest (determined under either the full goodwill or proportionate interest method); and
(iii) the acquisition date fair value of any previously held equity interest;

over the acquisition date fair value of net identifiable assets acquired.

The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity interest shall form the cost of the investment in the separate financial statements.

Fair value remeasurements in any pre-existing equity holdings are recognised in profit or loss in the period in which they arise. Where changes in the value of such equity holdings had previously been recognised in other comprehensive income, such amounts are recycled to profit or loss.

The amount of goodwill recognised on acquisition of each subsidiary in which the Group holds less than 100% interest will depend on the method adopted in measuring the non-controlling interest. The Group can elect in most circumstances to measure the non-controlling interest in the acquiree either at fair value (full goodwill method) or at the non-controlling interest's proportionate share of the subsidiary's identifiable net assets (proportionate interest method). In such circumstances, the Group determines which method to adopt for each acquisition and this is stated in the respective notes to these financial statements disclosing the business combination.

Under the full goodwill method, the fair value of the non-controlling interest is determined using valuation techniques which make the maximum use of market information where available. Under this method, goodwill attributable to the non-controlling interest is recognised in the consolidated financial statements.

Refer to Note 18 for information on the goodwill policy adopted by the Group for acquisitions.

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates.

Goodwill is tested for impairment annually and is allocated to the Group's cash-generating units or groups of cash-generating units, representing the lowest level at which goodwill is monitored and not larger than an operating segment. Gains and losses on the disposal of an entity include the carrying amount of goodwill related to the entity disposed of.

Changes in the ownership interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions and do not affect the carrying amounts of goodwill.

(b) Income Tax

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

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 (income) 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.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

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

Skydive the Beach Group Limited and its Australian wholly-owned subsidiaries have formed an income tax consolidated group under tax consolidation legislation. Each entity within the group recognises its own current and deferred tax assets and liabilities. Such taxes are measured using the 'stand-alone taxpayer' approach to allocation. Current tax liabilities/(assets) and deferred tax assets arising from unused tax losses and tax credits in the subsidiaries are immediately transferred to the head entity.

The Group notified the Australian Taxation Office (ATO) that it had formed an income tax consolidated group to apply from 1 July 2014. The tax consolidated group has also entered into a tax funding arrangement whereby each company in the Group contributes to the income tax payable by the Group in proportion to their contribution to the Group's taxable income. Differences between amounts of net assets and liabilities derecognised and the net amounts recognised pursuant to their funding arrangement are recognised as either a contribution by, or distribution to the head entity.

Note 1 Summary of Significant Accounting Policies (continued)

(b) Income Tax (continued)

Tax Consolidation - New Zealand

Skydive (New Zealand) Limited and its New Zealand wholly-owned subsidiaries have formed an income tax consolidated group under tax consolidation legislation. Each entity within the group recognises its own current and deferred tax assets and liabilities. Such taxes are measured using the 'stand-alone taxpayer' approach to allocation. Current tax liabilities/(assets) and deferred tax assets arising from unused tax losses and tax credits in the subsidiaries are immediately transferred to the head entity.

The New Zealand group of companies notified the Inland Revenue Department (IRD) that it had formed an income tax consolidated group to apply from 30 October 2015. The New Zealand tax consolidated group has also entered into a tax funding arrangement whereby each company in the Group contributes to the income tax payable by the Group in proportion to their contribution to the Group's taxable income. Differences between amounts of net assets and liabilities derecognised and the net amounts recognised pursuant to their funding arrangement are recognised as either a contribution by, or distribution to the head entity.

(c) Revenue and Other Income

Revenue is measured at the fair value of the consideration received or receivable.

Revenue from the sale of goods is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement in those goods.

Interest revenue is recognised using the effective interest method.

Revenue recognition relating to the provision of services is determined with reference to the stage of completion of the transaction at the end of the reporting period where outcome of the contract can be estimated reliably. Stage of completion is determined with reference to the services performed to date as a percentage of total anticipated services to be performed. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent that related expenditure is recoverable. The group charges an initial administration fee at the time a booking is made, or a gift card is sold. Revenue in respect of this administration fee is recognised at the time the booking is made, and the jump/activity revenue is recognised at the time the jump/activity is performed.

Rental income is recognised on a straight-line basis over the period of the lease term so as to reflect a constant periodic rate of return on the net investment.

All revenue is stated net of the amount of goods and services tax.

(d) 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.

(e) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits available on demand with banks, other short-term highly liquid investments with original maturities of 30 days or less.

(f) Trade and Other Receivables

Trade and other receivables include amounts due from customers for goods sold and services performed in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Refer to Note 1(j) for further discussion on the determination of impairment losses.

(g) Inventories

Inventories are measured at the lower of cost and net realisable value. Costs are assigned on a weighted or specific item basis.

(h) 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.

Property

Freehold land and buildings are carried at their fair value (being the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction), based on periodic, but at least triennial, valuations by external independent valuers, less accumulated depreciation for buildings.

Increases in the carrying amount arising on revaluation of land and buildings are credited to a revaluation surplus in equity. Decreases that offset previous increases of the same asset are recognised against revaluation surplus directly in equity; all other decreases are recognised in profit or loss.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Note 1 Summary of Significant Accounting Policies (continued)

(h) Property, Plant and Equipment (continued)

Plant and equipment

Recognition and measurement

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Items of property, plant and equipment are initially recorded at cost, being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition.

The cost of acquired assets includes the initial estimate at the time of installation of the costs of dismantling and removing the items and restoring the site on which they are located, and changes in the measurement of existing liabilities recognised for these costs resulting from changes in the timing or outflow of resources required to settle the obligation or from changes in the discount rate. The unwinding of the discount is treated as a finance charge.

Borrowing costs associated with the acquisition, construction or production of qualifying assets are recognised as part of the cost of the asset to which they relate.

Subsequent expenditure

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

Depreciation

Depreciation is provided on a straight-line basis on all items of property, plant and equipment. The depreciation rates of owned assets are calculated so as to allocate the cost or valuation of an asset, less any estimated residual value, over the asset's estimated useful life to the Group. Assets are depreciated from the date of acquisition or, with respect to internally constructed assets, from the time an asset is completed and available for use. The costs of improvements to assets are depreciated over the remaining useful life of the asset or the estimated useful life of the improvement, whichever is the shorter. Assets under finance lease are depreciated over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset.

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

Class of Fixed Asset	**Depreciation Rate**	**Residual Value (%)**
Aircraft frames	2.5% - 5%	20-40%
Aircraft engines	Engine hours *	20-40%
Motor vehicles	10.0%	0%
Leasehold improvements	2.5%	0%
Office equipment	25.0%	0%
Plant and equipment	25.0%	0%
Buildings	2.5%	0%
Vessel hulls and fixtures	10-15%	18-28%
Vessel Engines	20.0%	0%
Floating Docks	14.5%	30%

* Engine hours vary depending on the type of engine, but useful lives are generally between 3600 to 7000 hours.

Useful lives and residual values are reviewed annually and reassessed having regard to commercial and technological developments, the estimated useful life of assets to the Group.

The total estimated residual value for aircraft is estimated at $11.3 million and the total depreciation expense in future periods will therefore be reduced by the same amount over the useful life of the aircraft. Similarly the total estimated residual values of the vessels and floating docks are $2.4M.

Maintenance and overhaul costs

An element of the cost of an acquired aircraft (owned and finance-leased aircraft) is attributed to its service potential, reflecting the maintenance condition of its engines and airframe. This cost is depreciated over the shorter of the period to the remaining life of the asset.

The costs of subsequent major cyclical maintenance checks for owned aircraft are recognised and depreciated over the shorter of the remaining life of the aircraft or lease term (as appropriate).

All other maintenance costs are expensed as incurred.

Modifications that enhance the operating performance or extend the useful lives of aircraft are capitalised and depreciated over the remaining estimated useful life of the asset or remaining lease term (as appropriate). Labour costs in relation to employees who are dedicated to major modifications to aircraft are capitalised as part of the cost of the modification to which they relate.

(i) Intangibles Other than Goodwill

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Note 1 Summary of Significant Accounting Policies (continued)

(i) Intangibles Other than Goodwill (continued)

Patents and trademarks

Patents and trademarks are recognised at cost of acquisition. They have a finite life and are carried at cost less any accumulated amortisation and any impairment losses. Patents and trademarks are amortised over their useful lives.

Trade names

Trade names acquired in a business combination are initially measured at their fair value at the date of acquisition and have an indefinite useful life.

Customer relationships

Customer relationships acquired in a business combination are amortised on a straight-line basis over the period of their expected benefit, being their finite life of 10-20 years.

Leases and Licences

Leases and Licences relate to right to use intangible assets acquired in business combinations and are amoritised over the period of the lease or licence term.

Software

Significant costs associated with software are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 3 to 5 years.

(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, including dividends received from subsidiaries, associates or joint ventures deemed to be out of pre-acquisition profits. 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 of disposal 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 (eg 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 goodwill, intangible assets with indefinite lives and intangible assets not yet available for use.

(k) Investments in Associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the entity but is not control or joint control of those policies. Investments in associates are accounted for in the consolidated financial statements by applying the equity method of accounting, whereby the investment is initially recognised at cost (including transaction costs) and adjusted thereafter for the post-acquisition change in the Group's share of net assets of the associate. In addition, the Group's share of the profit or loss of the associate is included in the Group's profit or loss.

The carrying amount of the investment includes, when applicable, goodwill relating to the associate. Any discount on acquisition, whereby the Group's share of the net fair value of the associate exceeds the cost of investment, is recognised in profit or loss in the period in which the investment is acquired.

Profits and losses resulting from transactions between the Group and the associate are eliminated to the extent of the Group's interest in the associate.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group discontinues recognising its share of further losses unless it has incurred legal or constructive obligations or made payments on behalf of the associate. When the associate subsequently makes profits, the Group will resume recognising its share of those profits once its share of the profits equals the share of the losses not recognised.

(l) 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. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

(m) Employee Benefits

Short-term employee benefits

Provision is made for the Group's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

The Group's obligations for short-term employee benefits such as wages, salaries and sick leave are recognised as part of current trade and other payables in the statement of financial position. The Group's obligations for employees' annual leave and long service leave entitlements are recognised as provisions in the statement of financial position.

Other long-term employee benefits

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees.

Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Any remeasurements for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the changes occur.

The Group's obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the Group does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

Note 1 Summary of Significant Accounting Policies (continued)

(m) Employee Benefits (continued)

Defined contribution superannuation benefits

All employees of the Group other than those that receive defined benefit entitlements receive defined contribution superannuation entitlements, for which the Group pays the fixed superannuation guarantee contribution (currently 9.5% of the employee's average ordinary salary) to the employee's superannuation fund of choice. All contributions in respect of employees' defined contribution entitlements are recognised as an expense when they become payable. The Group's obligation with respect to employees' defined contribution entitlements is limited to its obligation for any unpaid superannuation guarantee contributions at the end of the reporting period. All obligations for unpaid superannuation guarantee contributions are measured at the (undiscounted) amounts expected to be paid when the obligation is settled and are presented as current liabilities in the Group's statement of financial position.

Termination benefits

When applicable, the Group recognises a liability and expense for termination benefits at the earlier of: (a) the date when the Group can no longer withdraw the offer for termination benefits; and (b) when the Group recognises costs for restructuring pursuant to AASB 137: Provisions, Contingent Liabilities and Contingent Assets and the costs include termination benefits. In either case, unless the number of employees affected is known, the obligation for termination benefits is measured on the basis of the number of employees expected to be affected. Termination benefits that are expected to be settled wholly before 12 months after the annual reporting period in which the benefits are recognised are measured at the (undiscounted) amounts expected to be paid. All other termination benefits are accounted for on the same basis as other long-term employee benefits.

Equity-settled compensation

The Group operates an employee option plan. Share-based payments to employees are measured at the fair value of the instruments issued and amortised over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the option reserve. The fair value of options is determined using the Black–Scholes pricing model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognised for services received as consideration for the equity instruments granted is based on the number of equity instruments that eventually vest.

(n) 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.

(o) Deferred Revenue

Income relating to future periods is initially recorded as deferred revenue, and is then recognised as revenue at the time the service is rendered. Deferred revenue primarily represents prepaid sales in respect of tandem skydives purchased in advance. Included in all sales is a $100 (excluding GST) non-refundable administration fee which is recognised at the time the booking is made. The sales excluding the $100 (excluding GST) booking fee are then released into revenue at the time the services are rendered other than breakage which is recognised as per Note 2(h).

(p) Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

(q) Leases

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset (but not the legal ownership) are transferred to entities in the consolidated group, are classified as finance leases.

Finance leases are capitalised by recognising an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as expenses in the periods in which they are incurred. The group has considered any provisions for make good in respect of leases and determined them to be negligible and consequently, no provisions have been raised.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the lease term.

(r) Issued Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Note 1 Summary of Significant Accounting Policies (continued)

(s) Dividends

Dividends are recognised when paid during the financial year and no longer at the discretion of the company.

(t) 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.

Transaction and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

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 the profit or loss.

Group companies

The financial results and position of foreign operations whose functional currency is different from the group's presentation currency are translated as follows:

— assets and liabilities are translated at exchange rates prevailing at the end of the reporting period;
— income and expenses are translated at average exchange rates for the period; and
— retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations with functional currencies other than Australian dollars are recognised in other comprehensive income and included in the foreign currency translation reserve in the statement of financial position. The cumulative amount of these differences is reclassified into profit or loss in the period in which the operation is disposed of.

(u) Fair Value of Assets and Liabilities

The Group measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable accounting standard.

Fair value is the price the Group would receive to sell an asset or would have to pay to transfer a liability in an orderly (i.e. unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (i.e. the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (i.e. the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

The fair value of liabilities and the entity's own equity instruments (excluding those related to share-based payment arrangements) may be valued, where there is no observable market price in relation to the transfer of such financial instruments, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted and, where significant, are detailed in the respective note to the financial statements.

(v) Financial Instruments

Recognition and Initial Measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the entity commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transactions costs except where the instrument is classified 'at fair value through profit or loss' in which case transaction costs are expensed to profit or loss immediately.

Note 1 Summary of Significant Accounting Policies (continued)

(v) Financial Instruments (continued)

Classification and Subsequent Measurement

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest method, or cost.

Amortised cost is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the "effective interest method".

The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) over the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying amount with a consequential recognition of an income or expense item in profit or loss.

The Group does not designate any interests in subsidiaries, associates or joint ventures as being subject to the requirements of Accounting Standards specifically applicable to financial instruments.

(i) Financial assets at fair value through profit or loss

Financial assets are classified at “fair value through profit or loss” when they are held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying amount being included in profit or loss.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Group’s intention to hold these investments to maturity. They are subsequently measured at amortised cost.

Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

(iv) Available-for-sale investments

Available-for-sale investments are non-derivative financial assets that are either not capable of being classified into other categories of financial assets due to their nature or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

They are subsequently measured at fair value with any remeasurements other than impairment losses and foreign exchange gains and losses recognised in other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss pertaining to that asset previously recognised in other comprehensive income is reclassified into profit or loss.

Available-for-sale financial assets are classified as non-current assets when they are not expected to be sold within 12 months after the end of the reporting period. All other available-for-sale financial assets are classified as current assets.

Note 1 Summary of Significant Accounting Policies (continued)

(v) Financial Liabilities

Non-derivative financial liabilities other than financial guarantees are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

Derivative instruments

The Group designates certain derivatives as either:
(i) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or
(ii) hedges of highly probable forecast transactions (cash flow hedge).

At the inception of the transaction the relationship between hedging instruments and hedged items, as well as the group's risk management objective and strategy for undertaking various hedge transactions is documented.

Assessments, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items are also documented.

(i) *Fair value hedge*
Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in profit or loss, together with any changes in the fair value of hedged assets or liabilities that are attributable to the hedged risk.

(ii) *Cash flow hedge*
The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is deferred to a hedge reserve in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Amounts accumulated in the hedge reserve in equity are transferred to profit or loss in the periods when the hedged item affects profit or loss.

Impairment

A financial asset (or a group of financial assets) is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a "loss event") having occurred, which has an impact on the estimated future cash flows of the financial asset(s).

In the case of available-for-sale financial assets, a significant or prolonged decline in the market value of the instrument is considered to constitute a loss event. Impairment losses are recognised in profit or loss immediately. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified into profit or loss at this point.

In the case of financial assets carried at amortised cost, loss events may include: indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments; indications that they will enter bankruptcy or other financial reorganisation; and changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost (including loans and receivables), a separate allowance account is used to reduce the carrying amount of financial assets impaired by credit losses. After having taken all possible measures of recovery, if management establishes that the carrying amount cannot be recovered by any means, at that point the written-off amounts are charged to the allowance account or the carrying amount of impaired financial assets is reduced directly if no impairment amount was previously recognised in the allowance account.

When the terms of financial assets that would otherwise have been past due or impaired have been renegotiated, the Group recognises the impairment for such financial assets by taking into account the original terms as if the terms have not been renegotiated so that the loss events that have occurred are duly considered.

Financial Guarantees

Where material, financial guarantees issued that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due are recognised as a financial liability at fair value on initial recognition.

The fair value of financial guarantee contracts has been assessed using a probability-weighted discounted cash flow approach. The probability has been based on:
– the likelihood of the guaranteed party defaulting during the next reporting period;
– the proportion of the exposure that is not expected to be recovered due to the guaranteed party defaulting; and
– the maximum loss exposure if the guaranteed party were to default.

Financial guarantees are subsequently measured at the higher of the best estimate of the obligation in accordance with AASB 137: Provisions, Contingent Liabilities and Contingent Assets and the amount initially recognised less, when appropriate, cumulative amortisation in accordance with AASB 118: Revenue. Where the entity gives guarantees in exchange for a fee, revenue is recognised in accordance with AASB 118.

Derecognition

Financial assets are derecognised when the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised when the related obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

Note 1 Summary of Significant Accounting Policies (continued)

(w) Earnings Per Share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of Skydive the Beach Group Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(x) 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 relevant tax authority.

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 relevant tax authority 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 relevant tax authority are presented as operating cash flows included in receipts from customers or payments to suppliers.

(y) Operating Segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

(z) 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 retrospectively applies an accounting policy, makes a retrospective restatement or reclassifies items in its financial statements, an additional (third) statement of financial position as at the beginning of the preceding period in addition to the minimum comparative financial statement is presented.

(aa) Rounding of Amounts

The company is of a kind referred to in Corporations Instruments 2016/191 issued by ASIC, relating to (rounding off). Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

(ab) New Accounting Standards for Application in Future Periods

Accounting Standards issued by the AASB that are not yet mandatorily applicable to the Group, together with an assessment of the potential impact of such pronouncements on the Group when adopted in future periods, are discussed below:

— AASB 9: *Financial Instruments* and associated Amending Standards (applicable to annual reporting periods beginning on or after 1 January 2018).

The Standard will be applicable retrospectively (subject to the provisions on hedge accounting outlined below) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

The key changes that may affect the Group on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, upfront accounting for expected credit loss, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. AASB 9 also introduces a new model for hedge accounting that will allow greater flexibility in the ability to hedge risk, particularly with respect to hedges of non-financial items. Should the entity elect to change its hedge policies in line with the new hedge accounting requirements of the Standard, the application of such accounting would be largely prospective.

Although the directors anticipate that the adoption of AASB 9 may have an impact on the Group's financial instruments, including hedging activity, it is impracticable at this stage to provide a reasonable estimate of such impact however it is unlikely the adoption of this standard will have a material impact on the financial statements.

— AASB 15: *Revenue from Contracts with Customers* (applicable to annual reporting periods beginning on or after 1 January 2018, as deferred by AASB 2015-8: *Amendments to Australian Accounting Standards – Effective Date of AASB 15*).

When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. Except for a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers. The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provides the following five-step process:

- identify the contract(s) with a customer;
- identify the performance obligations in the contract(s);
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract(s); and
- recognise revenue when (or as) the performance obligations are satisfied.

The transitional provisions of this Standard permit an entity to either: restate the contracts that existed in each prior period presented per AASB 108: *Accounting Policies, Changes in Accounting Estimates and Errors* (subject to certain practical expedients in AASB 15); or recognise the cumulative effect of retrospective application to incomplete contracts on the date of initial application. There are also enhanced disclosure requirements regarding revenue.

Although the directors anticipate that the adoption of AASB 15 may have an impact on the Group's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact. The total impact of AASB15 is not expected to have a material effect on the results of the group as a whole given that the deferred revenue is only approximately $900,000 and the administration fee recognised in relation to deferred revenue is only approximately $500,000.

Note 1 Summary of Significant Accounting Policies (continued)

(ab) New Accounting Standards for Application in Future Periods (continued)

— *AASB 16: Leases (applicable to annual reporting periods beginning on or after 1 January 2019).*
When effective, this Standard will replace the current accounting requirements applicable to leases in AASB 117: Leases and related Interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases.

The main changes introduced by the new Standard include:

- recognition of a right-to-use asset and liability for all leases (excluding short-term leases with less than 12 months of tenure and leases relating to low-value assets);
- depreciation of right-to-use assets in line with AASB 116: Property, Plant and Equipment in profit or loss and unwinding of the liability in principal and interest components;
- variable lease payments that depend on an index or a rate are included in the initial measurement of the lease liability using the index or rate at the commencement date;
- by applying a practical expedient, a lessee is permitted to elect not to separate non-lease components and instead account for all components as a lease; and
- additional disclosure requirements.

The transitional provisions of AASB 16 allow a lessee to either retrospectively apply the Standard to comparatives in line with AASB 108 or recognise the cumulative effect of retrospective application as an adjustment to opening equity on the date of initial application.

The directors anticipate that the adoption of AASB 16 will impact the Group's financial statements with the effect being the likely inclusion of a right to use asset of approximately $2.5M and corresponding liability.

— AASB 2014-3: *Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations* (applicable to annual reporting periods beginning on or after 1 January 2016).

This Standard amends AASB 11: Joint Arrangements to require the acquirer of an interest (both initial and additional) in a joint operation in which the activity constitutes a business, as defined in AASB 3: Business Combinations, to apply all of the principles on business combinations accounting in AASB 3 and other Australian Accounting Standards except for those principles that conflict with the guidance in AASB 11; and disclose the information required by AASB 3 and other Australian Accounting Standards for business combinations.

The application of AASB 2014-3 will result in a change in accounting policies for the above described transactions, which were previously accounted for as acquisitions of assets rather than applying the acquisition method per AASB 3.

The transitional provisions require that the Standard should be applied prospectively to acquisitions of interests in joint operations occurring on or after 1 January 2016. As at 30 June 2017, management is not aware of the existence of any such arrangements that would impact the financial statements of the entity going forward and as such is not capable of providing a reasonable estimate at this stage of the impact on initial application of AASB 2014-3.

— AASB 2014-10: *Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (applicable to annual reporting periods beginning on or after 1 January 2018, as deferred by AASB 2015-10: *Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128*).

This Standard amends AASB 10: *Consolidated Financial Statements* with regards to a parent losing control over a subsidiary that is not a "business" as defined in AASB 3 to an associate or joint venture, and requires that:

- a gain or loss (including any amounts in other comprehensive income (OCI)) be recognised only to the extent of the unrelated investor’s interest in that associate or joint venture;
- the remaining gain or loss be eliminated against the carrying amount of the investment in that associate or joint venture; and
- any gain or loss from remeasuring the remaining investment in the former subsidiary at fair value also be recognised only to the extent of the unrelated investor’s interest in the associate or joint venture. The remaining gain or loss should be eliminated against the carrying amount of the remaining investment.

The application of AASB 2014-10 will result in a change in accounting policies for transactions of loss of control over subsidiaries (involving an associate or joint venture) that are businesses per AASB 3 for which gains or losses were previously recognised only to the extent of the unrelated investor’s interest.

The transitional provisions require that the Standard should be applied prospectively to sales or contributions of subsidiaries to associates or joint ventures occurring on or after 1 January 2018. Although the directors anticipate that the adoption of AASB 2014-10 may have an impact on the Group's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact, however it is not expected to have any material effect.

Note 2 Critical Accounting Estimates and Judgements

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events that management believe to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

(a) Impairment - General

The Group assesses impairment at the end of each reporting period by evaluating conditions and events specific to the Group that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

The impairment assessment uses forecast pre-tax EBITDA as an approximation of future cash flows which are based on the Group's latest financial forecast. Growth rates of 3% have been factored into valuation models for the next five years on the basis of management's expectations regarding the Group's continued ability to capture market share from competitors. Cash flow growth rates of 3% subsequent to this period have been used as this reflects historical industry averages. The rates used incorporate an allowance for inflation. Pre-tax discount rates of 10.9% have been used in all models.

No impairment has been recognised in respect of goodwill at the end of the reporting period.

(b) Estimation of Useful Lives and Residual Values of Assets

The consolidated entity determines the estimated useful lives, residual values and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down. Residual values may also vary depending on market and other economic considerations.

(c) Carrying Value of property, plant and equipment

The Group revalued its aircraft at as at 30 June 2015. Additions since then are carried at cost, with changes in fair value being recognised in the asset revaluation reserve in equity. The Group engaged an independent valuation specialist to assess the fair value of the aircraft as at 30 June 2015. The valuation methodology was performed on a sight unseen basis using market-based evidence, using comparable prices adjusted for specific market factors such as nature, location and condition of the assets. The key assumptions used to determine the fair value of assets are provided in Note 34. The company has acquired a number of additional aircraft and vessels through its numerous business combinations. There is a degree of judgement required in estimating the fair values of assets acquired, and where appropriate, Management engage professional valuers to assist.

(d) Income tax

The consolidated entity is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The consolidated entity recognises liabilities for anticipated tax audit issues based on the consolidated entity's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

(e) Employee benefits provision

As discussed in note 1(m), the liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

(f) Business combinations

As discussed in note 1(a), business combinations are initially accounted for on a provisional basis. The fair value of assets acquired, liabilities and contingent liabilities assumed are initially estimated by the consolidated entity taking into consideration all available information at the reporting date. Fair value adjustments on the finalisation of the business combination accounting is retrospective, where applicable, to the period the combination occurred and may have an impact on the assets and liabilities, depreciation and amortisation reported.

The purchase price in respect of the acquisition of Australia Skydive Pty Limited is to be adjusted by a working capital allowance referred to as the "SCACL Adjustment". The amount is currently being negotiated and the Director's have used their judgement to determine the amounts due in this regard. The final settlement of this amount may differ to the amounts provided for, in which case the goodwill will be adjusted accordingly.

(g) Fair value measurement hierarchy

The consolidated entity is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being: Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date; Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

(h) Deferred revenue and breakage

Revenue from the sale of prepaid tandem skydives is recognised when the services are provided, when a gift card has expired, or when the gift card of prepaid jump is no longer expected to be redeemed. The key assumption in measuring the liability for unredeemed gift cards and prepaid bookings is the expected redemption rates by customers, which are reviewed based on historical information. Any reassessment of expected redemption rates in a particular period impacts the revenue recognised. Any foreseeable change in the estimate is unlikely to have a material impact on the financial statements.

Note 3 Parent 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.

	2017 $000	2016 $000
STATEMENT OF FINANCIAL POSITION		
ASSETS		
Current Assets	45,531	51,739
Non-current Assets	39,007	10,650
TOTAL ASSETS	84,538	62,389
LIABILITIES		
Current Liabilities	2,120	3,269
Non-current Liabilities	14,524	24
TOTAL LIABILITIES	16,644	3,293
EQUITY		
Issued Capital	84,321	65,231
Retained earnings	(14,863)	(6,148)
Capital profits reserve	-	-
Financial assets reserve	-	-
Revaluation surplus	-	-
Reserves	109	13
Option reserve	-	-
General reserve	-	-
TOTAL EQUITY	69,567	59,096
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME		
Total profit	(4,791)	(4,020)
Total comprehensive income	(4,791)	(4,020)

Guarantees

No financial guarantees have been entered into by the parent entity.

Contingent liabilities

There were no contingent liabilities as at 30 June 2016 or 30 June 2017.

Contractual commitments

There were no contractual commitments as at 30 June 2016 or 30 June 2017.

Note 4 Revenue and Other Income

	Note	Consolidated Group 2017 $000	2016 $000
Sales revenue			
— sale of goods		89,566	58,473
		89,566	58,473
Other revenue			
— interest received		170	140
— other revenue		851	1,122
		1,021	1,262
Total revenue		90,587	59,735
Interest revenue from:			
— directors	30(c)	63	70
— other persons		107	70
Total interest revenue on financial assets not at fair value through profit or loss		170	140

Note 5 Profit for the Year

Profit before income tax from continuing operations includes the following specific expenses:

	2017 $000	2016 $000
Cost of sales	51,469	31,739
Interest expense on financial liabilities not at fair value through profit or loss:		
— related parties	-	-
— Unrelated parties	1,074	637
Total interest expense	1,074	637
— Other finance costs	181	32
Total finance cost	1,255	669
Foreign currency translation gains	31	47
Employee benefits expense	21,041	11,637
Bad and doubtful debts:		
— trade receivables	-	197
Total bad and doubtful debts	-	197
Rental expense on operating leases		
— minimum lease payments	1,429	1,563
Loss on disposal of property, plant and equipment	-	117
Depreciation and amortisation expense	6,165	3,599

Note 6 Tax Expense

		Note	2017 $000	2016 $000
(a)	The components of tax (expense) income comprise:			
	Current tax		4,021	2,970
	Deferred tax	22	428	(939)
	Over provision of tax from prior years		(363)	-
			4,086	2,031
(b)	The prima facie tax on profit from ordinary activities before income tax is reconciled to income tax as follows:			
	Prima facie tax payable on profit from ordinary activities before income tax at 30% (2016: 30%)		4,070	2,757
	Add:			
	Tax effect of:			
	— non-deductible depreciation and amortisation		259	182
	— non-allowable items		12	21
	— deductible acquisition costs		32	91
	— assessable income received in advance		55	31
	— deductible maintenance costs		(57)	(63)
			4,371	3,019
	Less:			
	Tax effect of:			
	— Over provision of tax from prior years		(685)	-
	— recognition of deferred tax balances		496	(937)
	— impact of foreign exchange differences		8	8
	— impact of lower tax rates applicable to New Zealand subsidiaries		(105)	(59)
	Income tax attributable to entity		4,086	2,031
	The applicable weighted average effective tax rates are as follows:		30.1%	22.1%

(c) Tax effects relating to each component of other comprehensive income:

		2017			2016		
Consolidated Group	Note	Before-tax amount $000	Tax (expense) benefit $000	Net-of-tax amount $000	Before-tax amount $000	Tax (expense) benefit $000	Net-of-tax amount $000
Revaluation of property, plant and equipment		-	-	-	(654)	196	(458)
Exchange differences on translating foreign operations	25	(166)	-	(166)	(101)	-	(101)
		(166)	-	(166)	(755)	196	(559)

Note 7 Key Management Personnel Compensation

Refer to the Remuneration Report contained in the Directors' Report for details of the remuneration paid or payable to each member of the Group's key management personnel (KMP) for the year ended 30 June 2017.

The totals of remuneration paid to KMP of the company and the Group during the year are as follows:

	2017 $000	2016 $000
Short-term employee benefits	1,546	1,561
Post-employment benefits	67	90
Other long term benefits	-	-
Termination benefits	-	-
Share-based payments	-	-
Total KMP compensation	1,613	1,651

Short-term employee benefits

– these amounts include fees and benefits paid to the non-executive chair and non-executive directors as well as all salary, paid leave benefits, fringe benefits and cash bonuses awarded to executive directors and other key management personnel.

Post-employment benefits

– these amounts are the current year's estimated costs of providing for the Group's defined benefits scheme post-retirement, superannuation contributions made during the year and post-employment life insurance benefits.

Other long-term benefits

– these amounts represent long service leave benefits accruing during the year, long-term disability benefits, and deferred bonus payments.

Share-based payments

– these amounts represent the expense related to the participation of KMP in equity-settled benefit schemes as measured by the fair value of the options, rights and shares granted on grant date.

Further information in relation to KMP remuneration can be found in the Director's Remuneration Report.

Note 8 Auditor's Remuneration

	Consolidated Group 2017 $000	2016 $000
Remuneration of the auditor for:		
— auditing or reviewing the financial report	221	182
— taxation services	312	193
— due diligence services	147	101
	680	476

Note 9 Dividends

	$000	$000
Dividends paid		
On 30 September 2016, a fully franked dividend of $0.01 per share was paid out of retained profits at 30 June 2016	3,963	2,937

(a) The Directors have declared a final and fully franked dividend of $0.01 per share, amounting to $4,348,777, payable on 29 September 2017. For the purposes of determining any entitlement to the dividend, the record date has been set as 18 September 2017.

(b) Balance of franking account at year end adjusted for franking credits arising from:		
— payment of provision for income tax	4,497	885
Subsequent to year-end, the franking account would be reduced by the proposed dividend reflected per (a) as follows:	(1,864)	(1,698)
	2,633	(813)

(c) Net balance in (b) above excludes franking credits arising from tax payments made subsequent to 30 June 2017.

Note 10 Earnings Per Share

(a) Earnings used to calculate basic and diluted EPS	9,482	7,158
	No.	No.
(b) Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	423,925,384	341,351,567
Weighted average number of dilutive options outstanding	10,300,000	10,300,000
Weighted average number of dilutive converting preference shares on issue	-	-
Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	434,225,384	351,651,567
Basic earnings per share (cents)	2.24	2.10
Diluted earnings per share (cents)	2.18	2.04

Note 11 Cash and Cash Equivalents

	Note		
Cash at bank and on hand		9,464	12,796
Short-term bank deposits		26	23
	33	9,490	12,819

The effective interest rate on short-term bank deposits was 2.5% (2016: 3.7% p.a); these deposits have an average maturity of 365 days.

Reconciliation of cash

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:

Cash and cash equivalents	9,490	12,819
	9,490	12,819

A floating charge over cash and cash equivalents has been provided for certain debts. Refer to Note 21 for further details.

Note 12 Trade and Other Receivables

	Note	Consolidated Group 2017 $000	2016 $000
CURRENT			
Trade receivables		2,917	1,229
Provision for impairment	12a	-	(3)
		2,917	1,226
Other receivables		1,123	969
Amounts receivable from related parties		4,040	2,195
— directors of parent entity	30	300	288
Total current trade and other receivables		4,340	2,483
NON-CURRENT			
Amounts receivable from related parties:			
— directors of parent entity	30	1,153	1,495
Total non-current trade and other receivables		1,153	1,495

(a) **Provision For Impairment of Receivables**

Movement in the provision for impairment of receivables is as follows:

Consolidated Group	Opening Balance 01.07.15 $000	Charge for the Year $000	Amounts Written Off $000	Closing Balance 30.06.16 $000
Current trade receivables	16	197	(210)	3
	16	197	(210)	3

Consolidated Group	Opening Balance 01.07.16 $000	Charge for the Year $000	Amounts Written Off $000	Closing Balance 30.06.17 $000
Current trade receivables	3	-	(3)	-
	3	-	(3)	-

Note 12 Trade and Other Receivables (continued)

Credit risk

The Group has no significant concentration of credit risk with respect to any single counter party or group of counter parties other than those receivables specifically provided for and mentioned within Note 12. The class of assets described as Trade and Other Receivables is considered to be the main source of credit risk related to the Group.

The following table details the Group's trade and other receivables exposed to credit risk (prior to collateral and other credit enhancements) with ageing analysis and impairment provided for thereon. Amounts are considered as 'past due' when the debt has not been settled with the terms and conditions agreed between the Group and the customer or counter party to the transaction. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there are specific circumstances indicating that the debt may not be fully repaid to the Group.

The balances of receivables that remain within initial trade terms (as detailed in the table) are considered to be of high credit quality.

Consolidated Group		Past due and	Past due but not impaired (days overdue)				Within initial
2017	Gross Amount $000	impaired $000	<30 $000	31-60 $000	61-90 $000	>90 $000	trade terms $000
Trade and term receivables	2,917	-	542	165	29	273	1,908
Other receivables	1,123	-	-	-	-	-	1,123
Total	4,040	-	542	165	29	273	3,031

Consolidated Group		Past due and	Past due but not impaired (days overdue)				Within initial
2016	Gross Amount $000	impaired $000	<30 $000	31-60 $000	61-90 $000	>90 $000	trade terms $000
Trade and term receivables	1,229	3	192	114	59	93	768
Other receivables	969	-	-	-	-	-	969
Total	2,198	3	192	114	59	93	1,737

(b) **Amounts receivable from related parties**

Amounts received from related parties represents unsecured loans to Boucaut Enterprises Pty Ltd as trustee for Boucaut Family Trust ("the Borrower"), a related entity associated with Anthony Boucaut (Executive Director), the terms of which have been disclosed in Note 30).

	Note	Consolidated Group 2017 $000	2016 $000
(c) **Financial Assets Classified as Loans and Receivables**			
Trade and other Receivables			
— Total current		4,340	2,483
— Total non-current		1,153	1,495
Total financial assets classified as loans and receivables	33	5,493	3,978

(d) **Collateral Pledged**

A floating charge over trade receivables has been provided for certain debts. Refer to Note 21 for further details.

Note 13 Inventories

	Note	Consolidated Group 2017 $000	2016 $000
CURRENT			
At cost:			
Raw materials, spares and merchandise		2,525	1,486

Note 14 Other Assets

CURRENT		
Prepayments	1,380	1,693
Deposits paid for business acquisitions not yet completed	80	9,948
Deposit paid for aircraft not delivered at 30 June 2017	1,475	-
Other current assets	770	358
	3,705	11,999

On 1 July 2016, the Group acquired all the share capital and assets of Skydive Wanaka Limited, being a skydiving operation in Wanaka, New Zealand. Consideration for this acquisition was NZ$10.4 million (of which AU$9.948 million was paid as a deposit with the company's solicitors prior to 30 June 2016).

On 2 August 2017, the Group acquired all the share capital and assets of Byron Bay Ballooning Pty Ltd. Consideration for this acquisition was $800,000 ($80,000 of which was paid as a deposit prior to 30 June 2017).

Note 15 Other Financial Assets

NON-CURRENT			
Available-for-sale financial assets	15a	38	27
Total non-current assets		38	27
(a) **Available-for-sale financial assets**			
NON-CURRENT			
Unlisted investments, at cost			
— shares in other corporations		38	27
Total available-for-sale financial assets	33	38	27

Note 16 Interests in Subsidiaries

(a) **Information about Principal Subsidiaries**

The subsidiaries listed below have share capital consisting solely of ordinary shares or ordinary units which are held directly by the Group. The proportion of ownership interests held equals the voting rights held by Group. Each subsidiary's principal place of business is also its country of incorporation.

		Ownership interest	
Name of subsidiary	Principal place of business	2017	2016
Aircraft Maintenance Centre Pty Ltd	Australia	100%	100%
Australia Skydive Pty Ltd	Australia	100%	100%
B & B No 2 Pty Ltd	Australia	100%	100%
Bill & Ben Investments Pty Ltd	Australia	100%	100%
Skydive Holdings Pty Ltd	Australia	100%	100%
Skydive the Beach and Beyond Airlie Beach Pty Ltd	Australia	100%	100%
Skydive the Beach and Beyond BB Pty Ltd	Australia	100%	100%
Skydive the Beach and Beyond Central Coast Pty Ltd	Australia	100%	100%
Skydive the Beach and Beyond Great Ocean Road Pty Ltd	Australia	100%	100%
Skydive the Beach and Beyond Hunter Valley Pty Ltd	Australia	100%	100%
Skydive the Beach and Beyond Melbourne Pty Ltd	Australia	100%	100%
Skydive the Beach and Beyond Newcastle Pty Ltd	Australia	100%	100%
SBB Trading Pty Ltd (formerly known as Skydive the Beach and Beyond Perth Pty Ltd)	Australia	100%	100%
Skydive the Beach and Beyond Sydney Wollongong Pty Ltd	Australia	100%	100%
Skydive the Beach and Beyond Yarra Valley Pty Ltd	Australia	100%	100%
Skydive.com.au Pty Ltd	Australia	100%	100%
STBAUS Pty Ltd	Australia	100%	100%
Skydive International Holdings Pty Ltd	Australia	100%	100%
Skydive Investments Pty Ltd	Australia	100%	100%
Skydive (New Zealand) Limited	New Zealand	100%	100%
Skydive Queenstown Limited	New Zealand	100%	100%
Skydive Glenorchy Limited	New Zealand	100%	100%
Parachute Adventure Queenstown Limited	New Zealand	100%	100%
Skydive Wanaka Limited	New Zealand	100%	0%
Performance Aviation Limited	New Zealand	100%	0%
Raging Thunder Pty Ltd	Australia	100%	0%
Fitzroy Island Ferries Pty Ltd	Australia	100%	0%
Fitzroy Island Pty Ltd	Australia	100%	0%
Martheno Pty Ltd	Australia	100%	0%
Raging Thunder Retail Pty Ltd	Australia	100%	0%
White Water Rafting Qld Pty Ltd	Australia	100%	0%
Raging Thunder Balloon Adventures Pty Ltd	Australia	100%	0%
Rescue Training Group Pty Ltd	Australia	100%	0%
ILB Pty Ltd	Australia	100%	0%
Reef Magic Cruises Pty Ltd	Australia	100%	0%

Subsidiary financial information used in the preparation of these consolidated financial statements has also been prepared as at the same reporting date as the Group's financial statements.

(b) **Significant Restrictions**

Other than banking covenants imposed as per note 21, there are no significant restrictions over the Group's ability to access or use assets, and settle liabilities, of the Group.

(c) **Acquisition of Controlled Entities**

(i) On 1 July 2016, Skydive (New Zealand) Limited, a wholly-owned subsidiary, acquired Skydive Wanaka Limited , being a company registered and trading within New Zealand, for the consideration of NZ$10,400,000, including the purchase of loan accounts of NZ$ 1,699,607.

Fair value of purchase consideration:	$000
Cash	10,095
Loans acquired	(1,637)
	8,458
Assets and liabilities held at acquisition date:	
- Current assets	316
- Non-current assets	2,780
- Current liabilities	(1,100)
- Non-current liabilities	(785)
	1,211
Goodwill and other intangible assets	7,247

(ii) On 3 October 2016, Skydive (New Zealand) Limited, a wholly-owned subsidiary, acquired Performance Aviation Limited, being a company registered and trading within New Zealand, for the consideration of NZ$500,000.

Fair value of purchase consideration:	
Cash	482
Less:	
- Current assets	120
- Non-current assets	68
- Current liabilities	-
- Non-current liabilities	-
	188
Goodwill	294

Note 16 Interests in Subsidiaries (continued)

(c) **Acquisition of Controlled Entities (continued)**

(iii) On 31 October 2016, Skydive the Beach Group Limited acquired Raging Thunder Adventures, being a company registered and trading within Australia, for the consideration of $15,440,000, including the purchase of loan accounts of $3,300,000.

Fair value of purchase consideration:	$000
Cash	15,440
Loans acquired	(3,300)
	12,140
Assets and liabilities held at acquisition date:	
- Current assets	1,344
- Non-current assets	3,854
- Current liabilities	(2,567)
- Non-current liabilities	(3,300)
	(669)
Goodwill and other intangible assets	12,809

(iv) On 1 May 2017, Skydive the Beach Group Limited acquired Reef Magic Cruises Pty Ltd, being a company registered and trading within Australia, for the consideration of $15,000,000, including the purchase of loan accounts of $1,279,000.

Fair value of purchase consideration:	
Cash	15,000
Working Capital and other adjustments	1,493
	16,493
Assets and liabilities held at acquisition date:	
- Current assets	2,551
- Non-current assets	10,547
- Current liabilities	(1,296)
	11,801
Goodwill and other intangible assets	4,692

(v) On 1 May 2017 the Group acquired ILB Pty Ltd, an information technology implementation, maintenance and support business, which has provided services to the Group for more than 10 years. Consideration for the acquisition was $850,000.

Fair value of purchase consideration:	
Cash	350
Shares issued (Skydive The Beach Group Limited)	500
	850
Goodwill and other intangible assets	850

(vi) On 10 February 2017 the Group acquired Rescue Training Group, a marine rescue training business. Consideration for the acquisition was $120,000.

Fair value of purchase consideration:	
Cash	120
Goodwill and other intangible assets	120
Total consideration in relation to business acquisitions	41,487
Less deposit for Skydive Wanaka paid in 2016 year (NZ $10.4M, AU$ 9.948M)	9,948
Total cash paid for business acquisitions	31,539

(d) **Subsequent Event**
On 2 August 2017, the Group acquired all the share capital and assets of Byron Bay Ballooning. Consideration for this acquisition was $800,000 ($80,000 of which was paid as a deposit prior to 30 June 2017).

Note 16 Interests in Subsidiaries (continued)

(e) **Business Combinations**

The EBITDA for the year ended 30 June 2017 increased by 56.0% when compared to the year ended 30 June 2016. When comparing the EBITDA for the 12 months to 30 June 2017 set out below is the number of months trading from major acquisitions year on year:

	30-Jun-17	30-Jun-16
Skydive Queenstown Limited and its associated entities purchased on 30 October 2015	12 months	8 months
Skydive Wanaka Limited purchased on 01 July 2016	12 months	NIL
Raging Thunder Adventures purchased on 31 October 2016	8 months	NIL
Reef Magic Cruises Pty Ltd purchased on 1 May 2017	2 months	NIL
Revenue Contributed by New Acquisitions to the Group ($'000)	$21,497	-
Profit Contributed by New Acquisitions to the Group ($'000)	$3,020	-
Esimated Profit that would have been contributed by New Acquisitions to the Group if they were held from the start of the year ($'000)	$5,875	-

The primary rationale for all acquisitions was to expand the company's market share and to become the leading adventure tourism business in the global marketplace. The Wanaka acquisition was a business that had enjoyed sustainable organic growth for a number of years prior to completion, and also provided an opportunity for the Groups existing Queenstown operation to take advantage of the historically kinder weather conditions experienced in Wanaka, by having the ability to transfer customers between locations to reduce the risk exposure to adverse weather conditions. The Raging Thunder Adventures and Reef Magic Cruises acquisitions provided the first opportunity for the Group to diversify its product offerings for customers into new markets, albeit still in adventure tourism. The acquisitions in Cairns provide an opportunity to leverage the geographical concentration of tourists in North Queensland and to become one of the leading tourist operators in the region. Additional synergies are expected around the cost reduction in marketing, administration and corporate costs for the Group.

Note 17 Property, Plant and Equipment

	Consolidated Group	
	2017	2016
	$000	$000
LAND AND BUILDINGS		
Freehold land at:		
At cost	646	340
Total land	646	340
Buildings at:		
At cost	3,542	844
Accumulated depreciation	(70)	(9)
Total buildings	3,473	835
Total land and buildings	4,119	1,175
PLANT AND EQUIPMENT		
Plant and equipment:		
At cost	9,647	6,367
Accumulated depreciation	(2,305)	(1,508)
	7,342	4,859
Leasehold improvements		
At cost	1,986	1,029
Accumulated amortisation	(616)	(354)
	1,370	675
Aircraft:		
At revalued amounts and cost	48,773	34,135
Accumulated depreciation	(5,667)	(2,879)
	43,105	31,256
Motor vehicles:		
At cost	4,019	1,788
Accumulated depreciation	(900)	(476)
	3,119	1,312
Office equipment:		
At cost	1,179	696
Accumulated depreciation	(648)	(470)
	531	226
Vessels:		
At cost	9,285	-
Accumulated depreciation	(134)	-
	9,151	-
Floating Docks:		
At cost	1,656	-
Accumulated depreciation	(22)	-
	1,633	-
Total plant and equipment	66,251	38,328
Total property, plant and equipment	70,370	39,503

* The Group's aircraft assets were revalued at 30 June 2015 by independent valuers. Refer to Note 34 for detailed disclosures regarding the fair value measurement of the Group's assets.

Note 17 Property, Plant and Equipment (continued)

(a) **Movements in Carrying Amounts**

Movements in carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year.

	Land $000	Buildings $000	Plant & Equipment $000	Leasehold Improvements $000	Aircraft $000	Motor Vehicles $000	Office Equipment $000	Vessels $000	Floating Docks $000	Total $000
Consolidated										
Balance at 1 July 2015	-	-	6,041	636	19,066	1,011	129	-	-	26,883
Acquisitions through business combinations	-	237	99	8	5,397	55	2	-	-	5,798
Additions	340	607	1,513	68	8,454	515	88	-	-	11,585
Revaluation increments	-	-	(677)	-	26	(71)	-	-	-	(722)
Disposals	-	-	(162)	-	(552)	(30)	-	-	-	(744)
Depreciation expense	-	(9)	(1,363)	14	816	7	136	-	-	(399)
Transfers between asset classes	-	-	(592)	(51)	(1,951)	(175)	(129)	-	-	(2,898)
Balance at 30 June 2016	340	835	4,859	675	31,256	1,312	226	-	-	39,503
Acquisitions through business combinations	-	2,315	1,735	881	1,810	123	54	8,922	1,655	17,495
Additions	306	377	2,081	76	12,744	2,054	408	342	-	18,388
Revaluation increments	-	-	-	-	-	-	-	-	-	-
Disposals	-	-	(68)	-	-	-	-	-	-	(68)
Depreciation expense	-	(57)	(1,264)	(260)	(2,705)	(370)	(157)	(113)	(22)	(4,948)
Transfers between asset classes	-	2	-	(2)	-	-	-	-	-	-
Balance at 30 June 2017	646	3,473	7,342	1,370	43,105	3,119	531	9,151	1,633	70,370

(b) **Historical Cost**

If aircraft were carried at historical cost, the estimated carrying amounts would be as follows:

	Consolidated Group 2017 $000	2016 $000
Cost	47,781	33,077
Accumulated depreciation	(29,833)	(20,064)
Net book value	17,948	13,013

The Group's aircraft were revalued at 30 June 2015 by independent valuers. Valuations were made using the price that would be received to sell the asset in an orderly transaction between market participants at the measurement date. The revaluation surplus net of applicable deferred income taxes was credited to an asset revaluation reserve in shareholders' equity. Refer to note 34 for further information.

Note 18 Intangible Assets

	2017 $000	2016 $000
Goodwill		
Cost	18,828	7,911
Accumulated impaired losses	-	-
Net carrying amount	18,828	7,911
Trademarks		
Cost	9,805	5,344
Accumulated amortisation and impairment losses	-	-
Net carrying amount	9,805	5,344
Computer software		
Cost	1,207	813
Accumulated amortisation and impairment losses	(839)	(491)
Net carrying amount	368	322
Customer relationships and other intangible assets		
Cost	14,073	4,815
Accumulated amortisation	(1,048)	(396)
Net carrying amount	13,025	4,419
Leases & Licences		
Cost	6,131	-
Accumulated amortisation	(198)	-
Net carrying amount	5,933	-
Total intangibles	47,959	17,996

Note 18 Intangible Assets (continued)

Consolidated Group:

	Goodwill $000	Trademarks $000	Computer Software $000	Customer Relationships and other $000	Leases & Licences	Total $000
Balance at 1 July 2015	3,569	2,000	247	1,808	-	7,624
Assets acquired in business combinations	4,550	3,344	7	2,303	-	10,204
Additions	-	-	159	519	-	678
Opening revaluation adjustment	(208)	-	-	-	-	(208)
Transfers between asset classes	-	-	210	180	-	390
Amortisation charge	-	-	(301)	(391)	-	(692)
Balance at 30 June 2016	7,911	5,344	322	4,419	-	17,996
Assets acquired in business combinations	10,917	5,428	388	8,317	6,131	31,181
Additions	-	-	-	-	-	-
Opening revaluation adjustment	-	-	-	-	-	-
Transfers between asset classes	-	(967)	-	967	-	-
Amortisation charge	-	-	(342)	(678)	(198)	(1,217)
Closing value at 30 June 2017	18,828	9,805	368	13,025	5,933	47,959

Intangible assets, other than goodwill and trademarks, have finite useful lives. The current amortisation charges for intangible assets are included under depreciation and amortisation expense per the statement of profit or loss. Goodwill and trademarks have an indefinite useful life.

Impairment disclosures

Goodwill is allocated to cash-generating units which are based on the group's reporting segments.

	2017 $000	2016 $000
Australia Skydiving operations	4,760	3,361
New Zealand Skydiving operations	8,208	4,550
Other Adventure Experiences operations	5,860	-
Total	18,828	7,911

The recoverable amount of each cash-generating unit above is determined based on value-in-use calculations. Value-in-use is calculated based on the present value of cash flow projections over a 5 year period with the period extending beyond 2 years extrapolated using an estimated growth rate. The cash flows are discounted using a pre-tax rate of 10.9%.

The following key assumptions were used in the value-in-use calculations:

	Growth Rate			
	Year 1-2	Year 3-5	Terminal	Discount Rate
Australia Skydiving operations	3%	3%	2%	10.9%
New Zealand Skydiving operations	3%	3%	2%	10.9%
Other Adventure Experiences operations	3%	3%	2%	10.9%

Management has based the value-in-use calculations on budgets for each reporting segment. These budgets use historical weighted average growth rates to project revenue. Costs are calculated taking into account historical gross margins as well as estimated weighted average inflation rates over the period which are consistent with inflation rates applicable to the locations in which the segments operate. Discount rates are pre-tax and are adjusted to incorporate risks associated with a particular segment.

Note 19 Trade and Other Payables

	Note	Consolidated Group 2017 $000	2016 $000
CURRENT			
Unsecured liabilities			
Trade payables		3,390	1,085
Sundry payables and accrued expenses		3,206	1,577
		6,596	2,662
(a) Financial liabilities at amortised cost classified as trade and other payables			
Trade and other payables			
— Total current		6,596	2,662
— Total non-current		-	-
Financial liabilities as trade and other payables	33	6,596	2,662

Note 20 Deferred Revenue

Income received in advance	891	202

Note 21 Borrowings

	Note		
CURRENT			
Secured liabilities			
Bank loans	21a,b	86	64
Finance lease liabilities		3,400	1,985
Vendor finance loan	21a,b	2,204	-
Total current borrowings		5,692	2,049
NON-CURRENT			
Secured liabilities			
Bank loans	21a,b	15,137	763
Finance lease liabilities	21a,b	8,795	5,330
Vendor finance loan		-	2,204
Total non-current borrowings		23,932	8,297
Total borrowings	33	29,624	10,346

(a) Total current and non-current secured liabilities:

Bank loan	15,224	827
Finance lease liabilities	12,196	7,315
Vendor finance loan	2,204	2,204
	29,624	10,346

(b) **Collateral provided**

In May 2017 The Group entered into a Facility Agreement with National Australia Bank Limited (NAB).

NAB has made available to the Group the following facilities:

- AUD 20M Cash Advance Facility
- AUD 20M Master Asset Finance Facility
- AUD 240,000 Bank Guarantee Facility
- AUD 500,000 Business Card Facility
- AUD 3M Foreign Exchange & Commodity Hedging Facility

Existing NAB finance leases were transferred to the NAB Master Asset Finance Facility and existing finance leases with Westpac Banking Corporation remained in place.

As at 30 June 2017 $14.5M of the Cash Advance Facility had been utilised (to partly fund the purchase of Reef Magic Cruises).

The Westpac Banking Corporation Finance leases are secured by a charge over the assets financed. The leases are for 1-5 year terms and are repayable on a monthly basis. Interest rates on these finance leases generally range from 4% to 9%.

To secure the facilities with NAB, the Group and NAB have entered into a General Security Deed for both the Australian and New Zealand operations. NAB holds a security interest in and over all the secured property that the Group, with the exception of the charge on the assets secured for the Westpac Banking Corporation Finance leases. The NAB Finance leases are for 1-5 year terms and are repayable on a monthly basis. Interest rates on these leases currently range from 4% to 8%. The Cash Advance Facility of $20M expires on 20 May 2020. Interest is payable quarterly and interest rates on this facility currently range from 3% to 4%.

With regards the NAB facilities, at the end of each December and June reporting period, the Group is required to calculate and submit to NAB a (i) Fixed Cover Charge Ratio and (ii) a Gross Senior Leverage Ratio. The first ratios are due to be lodged after the December 17 reporting period.

(c) Financial assets that have been pledged as part of the total collateral for the benefit of bank debt are as follows:

	Note	Consolidated Group 2017 $000	Consolidated Group 2016 $000
Cash and cash equivalents	11	9,490	12,819
Trade receivables	12	2,917	1,226
Total financial assets pledged		12,408	14,045

(d) The vendor finance loan is the subject of a loan agreement between Skydive the Beach and Beyond Sydney-Wollongong Pty Ltd and the vendor parties in the acquisition of Australia Skydive Pty Ltd. Interest on the loan is 6% per annum payable monthly in arrears. The principle amount and any accrued interest are repayable no later than 31 March 2018. The loan is secured by a second ranking security interest over all assets and undertakings of Australia Skydive Pty Ltd and a second ranking security interest over all ordinary shares in Australia Skydive Pty Ltd. This loan is also subject to certain adjustments pursuant to the Share Sale Deed which may increase or decrease the balance of the loan as disclosed in note 2(f).

Note 22 Tax

	Consolidated Group 2017 $000	Consolidated Group 2016 $000
CURRENT		
Income tax payable	1,338	3,078
	1,338	3,078

NON-CURRENT **Consolidated Group**	Opening Balance $000	Acquired in business acquisitions $000	Charged to Income $000	Charged directly to Equity $000	Closing Balance $000
Deferred tax liabilities					
Property, plant and equipment	2,658	-	(1,354)	197	1,501
Intangible assets	-	-	(94)	-	(94)
Provisions	(204)	-	19	-	(185)
Capital raising costs	(497)	-	139	-	(358)
Future income tax benefits attributable to tax losses	(31)	-	31	-	-
Other	4	-	(75)	-	(71)
Balance at 30 June 2016	1,930	-	(1,334)	197	793
Property, plant and equipment	1,501	-	1,219		2,720
Intangible assets	(94)	3,740	(31)	(138)	3,477
Provisions	(185)	-	(423)	-	(608)
Capital raising costs	(358)	-	(180)	-	(538)
Future income tax benefits attributable to tax losses	-	-		-	-
Other	(71)	-	(18)	-	(89)
Balance at 30 June 2017	793	3,740	567	(138)	4,962

Note 23 Provisions

	Consolidated Group 2017 $000	Consolidated Group 2016 $000
CURRENT		
Employee Benefits		
Opening balance	606	391
Amounts acquired in business combinations	535	49
Additional provisions	1,385	559
Amounts used	(1,036)	(393)
Closing Balance	1,490	606
NON CURRENT		
Employee Benefits		
Opening balance	74	33
Amounts acquired in business combinations	59	-
Additional provisions	50	41
Closing Balance	183	74
Analysis of Total Provisions		
Current	1,490	606
Non-current	183	74
	1,673	680

Provision for Employee Benefits

Provision for employee benefits represents amounts accrued for annual leave and long service leave.

The current portion for this provision includes the total amount accrued for annual leave entitlements and the amounts accrued for long service leave entitlements that have vested due to employees having completed the required period of service. Based on past experience, the Group does not expect the full amount of annual leave or long service leave balances classified as current liabilities to be settled within the next 12 months. However, these amounts must be classified as current liabilities since the Group does not have an unconditional right to defer the settlement of these amounts in the event employees wish to use their leave entitlement.

The non-current portion for this provision includes amounts accrued for long service leave entitlements that have not yet vested in relation to those employees who have not yet completed the required period of service.

The probability of long service leave being taken is based on historical data. The measurement and recognition criteria relating to employee benefits have been included in Note 1(m).

Note 24 Issued Capital

	2017	2016
434,877,669 (2016: 396,301,350) fully paid ordinary shares	84,321	65,231

The company has authorised share capital amounting to 434,877,669 ordinary shares.

(a) **Ordinary Shares**

	Consolidated Group 2017 $ 000's	Consolidated Group 2016 $ 000's	Consolidated Group 2017 No.	Consolidated Group 2016 No.
At the beginning of the reporting period	65,231	32,039	396,301,350	293,729,700
Shares issued during the year				
— 20 October 2015	-	18,613	-	62,042,836
— 30 October 2015	-	473	-	1,576,974
— 2 November 2015	-	969	-	3,230,431
— 20 June 2016	-	15,003	-	35,721,409
— 6 October 2016	18,982	-	36,504,054	-
— 20 October 2016	644	-	1,238,932	-
— 29 May 2017	500	-	833,333	-
— Capital raising costs	(1,036)	(1,866)		-
At the end of the reporting period	84,321	65,231	434,877,669	396,301,350

On 20 October 2015, 62,042,836 shares were issued at $0.30 each to shareholders and institutional investors on the basis of 2 shares for every 9 shares held.

On 30 October 2015, 1,576,974 shares were issued at $0.30 each as part of the acquisition of skydiving operations in New Zealand.

On 2 November 2015, 3,230,431 shares were issued at $0.30 each to retail shareholders on the basis of 2 shares for every 9 shares held.

On 20 June 2016, 35,721,409 shares were issued at $0.42 each to institutional shareholders and investors.

On 6 October 2016, 36,504,054 shares were issued at $0.52 each to institutional investors.

On 20 October 2016, 1,238,932 shares were issued at $0.52 each to retail investors.

On 29 May 2017, 833,333 shares were issued at $0.60 each as part of the ILB Pty Ltd acquisition.

Ordinary shareholders participate in dividends and the proceeds on winding-up of the parent entity in proportion to the number of shares held. At the shareholders' meetings each ordinary share is entitled to one vote when a poll is called; otherwise each shareholder has one vote on a show of hands.

(b) **Options**

(i) For information relating to the Skydive the Beach Group Limited employee option plan, including details of options issued, exercised and lapsed during the financial year and the options outstanding at year-end. Refer to Note 26: Share-based Payments.

(ii) For information relating to share options issued to key management personnel during the financial year. Refer to Note 26: Share-based Payments.

Note 24 Issued Capital (continued)

(c) **Capital Management**

Management controls the capital of the Group in order to maintain a sustainable debt to equity ratio, generate long-term shareholder value and ensure that the Group can fund its operations and continue as a going concern.

The Group's debt and capital include ordinary share capital, employee share options and financial liabilities, supported by financial assets.

The Group is not subject to any externally imposed capital requirements.

Management effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

There have been no changes in the strategy adopted by management to control the capital of the Group since the prior year.

		Consolidated Group	
		2017	2016
	Note	$000	$000
Total borrowings	19, 21	36,220	13,008
Less cash and cash equivalents	11	(9,490)	(12,819)
Net debt		26,730	189
Total equity		94,496	70,047
Total capital		121,226	70,236
Gearing ratio		22.0%	0.3%

Note 25 Reserves

a. **Asset Revaluation Reserve**

The revaluation reserve records revaluations of non-current assets. Under certain circumstances dividends can be declared from this reserve.

b. **Option Reserve**

The option reserve records items recognised as expenses on valuation of employee share options.

c. **Common Control Reserve**

Skydive the Beach Group Limited was incorporated on 19 December 2013 to become the parent company to the Skydive The Beach Group of Companies ('STB Group') that were substantially owned by interests associated with the founder, Anthony Boucaut.

On 1 July 2014, the STB Group was reorganised such that all the businesses and companies in the STB Group that owned and operated the 11 drop zones, together with the companies that owned all of the operating assets, such as aircraft, parachutes, vehicles as well as operating leases, licences, web domains and business names, etc, transferred those businesses and assets to the companies below in return for 166,751,620 shares for a total of $8,337,581 in the parent company, such that each became a wholly owned subsidiary of the parent company. The value ascribed to the shares was supported by an independent valuation.

The common control reserve represents the excess purchase consideration over the carrying value of assets and liabilities acquired in the group reorganisation which occurred on 1 July 2014.

Information in the financial statements for the periods prior to the combination under common control is not restated to reflect the results of the Group prior to the date.

Below is a summary of the carrying value of assets and liabilities as at 30 June 2014 that were transferred to Skydive the Beach Group Limited:

	30 June 2014
	$000
Current assets	3,319
Non-current assets	10,914
Total assets	14,233
Current liabilities	4,329
Non-current liabilities	5,737
Total liabilities	10,066
Carrying value of net assets acquired in group reorganisation	4,167
Fair value of purchase consideration	(8,338)
Common control reserve	(4,171)

d. **Foreign Currency Translation Reserve**

The foreign currency translation reserve records exchange differences arising on translation of a foreign controlled subsidiary.

e. **Analysis of items of other comprehensive income by each class of reserve**

Asset Revaluation Reserve		
Opening balance	2,386	2,844
Revaluation gain/(loss) on property, plant and equipment	-	(458)
	2,386	2,386
Option Reserve		
Opening balance	13	5
Amount recognised in income statement for the year	5	8
	18	13
Common Control Reserve		
Opening balance	(4,171)	(4,171)
Amount acquired during the year	-	-
	(4,171)	(4,171)
Foreign currency translation reserve		
Opening balance	(101)	-
Exchange differences on translation of foreign operations	(165)	(101)
	(266)	(101)
Total reserves	(2,033)	(1,873)

Note 26 Share-based Payments

(i) In 2015, a total of 10,300,000 share options were granted to directors under the STB Share Option Plan to take up ordinary shares at an exercise price of $0.25 each. One third of the remaining 8,000,000 options granted to executive directors vest on 29 January 2018. All options are exercisable on vesting. The last date for exercise is 29 January 2025. The options hold no voting or dividend rights and are not transferable.

(ii) Options granted to key management personnel have been disclosed in the remuneration report.

(iii) The company established the STB Share Option Plan in February 2015 as a long term incentive scheme to attract, reward, retain and incentivise eligible participants for contributions to the performance and success of the STB group. Invitations to participate in the plan are made at the Board's discretion and may be subject to specific terms and conditions as the Board deems appropriate. Vesting periods are set by the Board and are to be specified in the initial invitation to participate in the plan. The options are carry no entitlements to voting rights or dividends of the Group. The number available to be granted is determined by the Board and is based on performance measures determined appropriate by the Board. Any unvested options will lapse at the earliest of 10 years or otherwise specified in the invitation.

Options are forfeited 60 days after the holder ceases to be employed by the Group, unless the Board determines otherwise (this is usually only in the case of redundancy, death or disablement).

A summary of the movements of all options issued is as follows:

	Consolidated Group Number
Opening balance at 1 July 2015	-
Granted	10,300,000
Balance at 30 June 2016	10,300,000
Granted	-
Balance at 30 June 2017	10,300,000
Options exercisable as at 30 June 2017:	7,633,332
Options exercisable as at 30 June 2016:	4,966,666
Weighted average exercise price:	$0.25
Weighted average life of the option:	5 years
Expected share price volatility:	30%
Risk-free interest rate:	2.01%

Historical share price volatility has been the basis for determining expected share price volatility as it is assumed that this is indicative of future volatility.

The life of the options is based on the historical exercise patterns, which may not eventuate in the future.

(iv) There were no shares granted to key management personnel as share based payments during the year.

Included under finance costs in the statement of profit or loss and other comprehensive income is $3,891 (2016: $8,503) which relates to the amortisation of options issued.

Note 27 Cash Flow Information

	Consolidated Group 2017 $000	Consolidated Group 2016 $000
(a) Reconciliation of Cash Flows from Operating Activities with Profit after Income Tax		
Profit after income tax	9,482	7,158
Non-cash flows in profit		
Depreciation and amortisation	6,165	3,599
Share options expensed	-	9
Unrealised foreign currency exchange gains/losses	(265)	(101)
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries:		
(Increase)/decrease in trade and other receivables	(242)	(348)
(Increase)/decrease in other current assets	(1,510)	(1,528)
(Increase)/decrease in inventories	(812)	(112)
Increase/(decrease) in trade and other payables	894	(683)
Increase/(decrease) in income taxes payable	(1,724)	2,118
Increase/(decrease) in deferred taxes payable	365	(940)
Increase/(decrease) in provisions	287	257
Cash flows from operating activities	12,640	9,429

(b) **Acquisition of Entities**

(i) On 30 October 2015, Skydive (New Zealand) Ltd, a wholly-owned subsidiary, acquired all the shares in Skydive Queenstown Ltd, Skydive Glenorchy Ltd and Parachute Adventure Queenstown Ltd, being companies registered and trading within New Zealand and collectively known and marketed as NZone Skydive.

	Consolidated Group 2017 $000	Consolidated Group 2016 $000
Fair Value of purchase consideration:		
— Cash consideration	-	15,672
— Shares issued	-	473
— Loans acquired	-	(1,922)
Total investment in subsidiary	-	14,223
Cash consideration	-	15,672
Amounts due under contract of sale		-
Cash outflow	-	15,672
Assets and liabilities held at acquisition date:		
- Current assets	-	542
- Non-current assets	-	11,460
- Current liabilities	-	(521)
- Non-current liabilities	-	(1,822)
	-	9,659
Goodwill and other intangible assets on consolidation	-	4,564
	-	14,223

Note 27 Cash Flow Information (continued)

(b) **Acquisition of Entities (continued)**

	Note	Consolidated Group 2017 $000	2016 $000
Deposit paid (for purchase of Skydive Wanaka Limited) NZ$10.4 million	14	-	9,948
Payments for investments in subsidiaries		-	25,620

Note 28 Capital and Leasing Commitments

	Note	Consolidated Group 2017 $000	2016 $000
(a) **Finance Lease Commitments**			
Payable — minimum lease payments			
— not later than 12 months		3,954	2,368
— between 12 months and five years		9,758	5,723
— later than five years		-	37
Minimum lease payments		13,712	8,128
Less future finance charges		(1,516)	(813)
Present value of minimum lease payments	21	12,196	7,315

Included in finance leases are hire purchase liabilities, commercial loans and goods mortgages which are secured by a charge over the assets financed. The leases are for 1-5 year terms and are repayable on a monthly basis.

		2017 $000	2016 $000
(b) **Operating Lease Commitments**			
Non-cancellable operating leases contracted for but not recognised in the financial statements			
Payable — minimum lease payments			
— not later than 12 months		1,154	974
— between 12 months and five years		1,133	603
— later than five years		230	62
		2,517	1,639

Included in operating leases are various non-cancellable property leases with 1-20 year terms, with rent payable monthly in advance. Contingent rental provisions within the lease agreement require that minimum lease payments shall be increased by the lower of the change in the consumer price index (CPI) or 3-5% per annum. Options exist to renew certain leases at the end of the term for an additional 1-15 years.

		2017 $000	2016 $000
(c) **Capital Expenditure Commitments**			
Capital expenditure commitments contracted for:			
Plant and equipment ordered and not yet received		-	3,175
Capital expenditure projects		-	-
		-	3,175

Note 29 Operating Segments

Segment information

Identification of reportable segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the board of directors in assessing performance and in determining the allocation of resources.

The Group's financial performance is examined primarily from an activities perspective and operating segments have therefore been determined on the same basis.

The Group has identified the following reportable operational segments:

- Skydive Operations
- Other Adventure Experiences

The following is an analysis of the Group's revenue and results by reportable operating segment for the period under review:

(i) **Segment performance**

30 June 2017	**Skydiving $000**	**Other Adventure Experiences $000**	**Total $000**
Revenue			
Sales Revenue	78,207	11,359	89,566
Inter-segment elimination	-	-	-
	78,207	11,359	89,566
Other revenue	1,021	-	1,021
Inter-segment elimination	-	-	-
	1,021	-	1,021
Total group revenue	79,228	11,359	90,587
Reconciliation of segment result to group net profit before tax			
Segment net profit from continuing operations before tax	12,613	955	13,568
Inter-segment elimination			-
Net profit before tax from continuing operations	12,613	955	13,568
Income tax expense	(3,853)	(234)	(4,086)
Total profit after tax	8,760	721	9,482

Note 29 Operating Segments (continued)

30 June 2016	**Skydiving $000**	**Other Adventure Experiences $000**	**Total $000**
Revenue			
Sales Revenue	58,473	-	58,473
Other revenue	1262	-	1,262
Total group revenue	59,735	-	59,735
Reconciliation of segment result to group net profit before tax			
Segment net profit from continuing operations before tax	9,189	-	9,189
Income tax expense	(2,031)	-	(2,031)
Total profit after tax	7,158	-	7,158

(ii) **Segment assets**

30 June 2017			
Segment assets	129,716	9,864	139,580
Intersegment eliminations			
			139,580
30 June 2016			
Segment assets	87,808	-	87,808

(iii) **Segment liabilities**

30 June 2017			
Segment liabilities	37,966	7,118	45,084
Intersegment eliminations			
			45,084
30 June 2016			
Segment liabilities	17,761	-	17,761

Identification of geographical segments

The Group has identified two geographical segments, Australia and New Zealand.

General Information

Identification of reportable segments

The Group has identified its geographic segments based on the internal reports that are reviewed and used by the board of directors (chief operating decision makers) in assessing performance and in determining the allocation of resources.

The Group is managed primarily on the basis of geographical location. Operating segments are therefore determined on the same basis.

Basis of accounting for purposes of reporting by operating segments

(a) **Accounting policies adopted**

Unless stated otherwise, all amounts reported to the Board of Directors, being the chief operating decision makers with respect to operating segments, are determined in accordance with accounting policies that are consistent with those adopted in the annual financial statements of the Group.

(b) **Intersegment transactions**

Corporate charges are allocated to reporting segments based on the segment's overall proportion of revenue generation within the Group. The Board of Directors believes this is representative of likely consumption of head office expenditure that should be used in assessing segment performance and cost recoveries.

Intersegment loans payable and receivable are initially recognised at the consideration received/to be received net of transaction costs. If intersegment loans receivable and payable are not on commercial terms, these are not adjusted to fair value based on market interest rates. This policy represents a departure from that applied to the statutory financial statements.

(c) **Segment assets**

Where an asset is used across multiple segments, the asset is allocated to the segment that receives the majority of the economic value from the asset. In most instances, segment assets are clearly identifiable on the basis of their nature and physical location.

(d) **Segment liabilities**

Liabilities are allocated to segments where there is direct nexus between the incurrence of the liability and the operations of the segment. Borrowings and tax liabilities are generally considered to relate to the Group as a whole and are not allocated. Segment liabilities include trade and other payables and certain direct borrowings.

The following is an analysis of the Group's revenue and non current assets per geographical segment for the period under review:

Note 29 Operating Segments (continued)

(i) **Segment performance**

	Australia	New Zealand	Total
30 June 2017	**$000**	**$000**	**$000**
Revenue			
Sales to external customers	62,972	26,594	89,566
	62,972	26,594	89,566
30 June 2016			
Revenue			
Sales to external customers	48,293	10,180	58,473
	48,293	10,180	58,473

(ii) **Non Current Segment Assets**

30 June 2017			
Non Current Segment assets	91,889	27,631	119,520
	91,889	27,631	119,520
	Australia	**New Zealand**	**Total**
30 June 2016			
Non Current Segment assets	43,145	15,876	59,021
	43,145	15,876	59,021

Note 30 Related Party Transactions

Related Parties

(a) The Group's main related parties are as follows:

i. **Entities exercising control over the Group:**
The ultimate parent entity that exercises control over the Group is Skydive the Beach Group Limited, which is incorporated in Australia.

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 Note 7.

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

(b) Transactions with related parties:

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

The following transactions occurred with related parties:

	Consolidated Group	
	2017	2016
	$000	$000
Key Management Personnel		
Property lease payments to IGMAITB Pty Ltd atf IGMAITB Discretionary Trust, being an entity controlled by Anthony Boucaut (Managing Director), for the property located at 3453 Spencers Brook Rd, York WA		
Property lease payments to IGMAITB Pty Ltd atf IGMAITB Discretionary Trust, being an entity controlled by Anthony Boucaut (Managing Director), for the property located at Belmont Airport, NSW		
Property lease payments to IGMAITB Pty Ltd atf IGMAITB Discretionary Trust, being an entity controlled by Anthony Boucaut (Managing Director), for the property located at 12 Air Whitsunday Rd, Flametree QLD		
Property lease payments to Illawarra Hangar Pty Ltd atf Illawarra Hangar Unit Trust, being an entity controlled by Anthony Boucaut (Managing Director), for the property located at Hangar 5, 32 Airport Rd, Albion Park Rail NSW		
Total lease payments for the above properties	400	432
During the year, Companies associated with Executive Director Anthony Boucaut charged the Company a fee for historical guarantees provided on behalf of Skydive The Beach Group Limited. Since listing on the ASX the charge was 1.5% of total debt funding that the company had in place for which Anthony Boucaut stood as guarantor.	306	-
Property lease payments to Celeste Ritter, being a related party to Anthony Ritter (Chief Executive Officer), for the property located at 3/15 Melbourne Street, Queenstown, NZ	54	-

Note 30 Related Party Transactions (continued)

(c) Amounts outstanding from related parties
Trade and Other Receivables

Unsecured loans are made by the ultimate parent entity, subsidiaries, directors, key management personnel and other related parties on an arm's length basis. Terms and conditions are set for each loan in formalised loan agreements.

Loans to Key Management Personnel		
Beginning of the year	1,783	2,035
Loans acquired in group reorganisation	-	-
Loans advanced	64	185
Net advances/repayments	(457)	(507)
Interest charged	63	70
End of the year	1,453	1,783

The loan balance above represents unsecured loans to Boucaut Enterprises Pty Limited as trustee for Boucaut Family Trust ('the Borrower'), a related entity, associated with Anthony Boucaut (Executive Director). The loan agreements for $1,200,000 and $840,000 expire on 28 February 2021 and 30 June 2023 respectively and bear interest at 2% above the Reserve Bank of Australia cash rate per annum accrued daily.

The Borrower must pay to the Lender a minimum aggregate amount of $300,000 per annum (or such lesser amount as represents the then total amount of the Principal outstanding and outstanding accrued interest), on the anniversary of the loans each year until the expiry dates. In the event that Anthony Boucaut ceases to control or Boucaut Enterprises Pty Limited ceases to be the trustee of the Boucaut Family Trust the outstanding amount actually or contingently owing as at that date shall become immediately due and payable to the lender and the obligations of the lender under this document shall terminate.

Note 31 Events After the Reporting Period

On 2 August 2017, the Group acquired all the share capital and assets of Byron Bay Ballooning. Consideration for this acquisition was $800,000 ($80,000 of which was paid as a deposit prior to 30 June 2017).

The Directors have declared a final and fully franked dividend of $0.01 per share, amounting to $4,348,777, payable on 29 September 2017 out of retained profits at 30 June 2017. For the purposes of determining any entitlement to the dividend, the record date has been set as 18 September 2017.

Note 32 Contingent Liabilities and Contingent Assets

The purchase price in respect of the acquisition of Australia Skydive Pty Limited is to be adjusted by a working capital allowance referred to as the "SCACL Adjustment". The amount is currently being negotiated and the Director's have used their judgement to determine the amounts due in this regard. The final settlement of this amount may differ to the amounts provided for, in which case the goodwill will be adjusted accordingly.

Other than that mentioned above, the Group has no contingent assets or contingent liabilities at 30 June 2017.

Note 33 Financial Risk Management

The Group's financial instruments consist mainly of deposits with banks, local money market instruments, short-term investments, accounts receivable and payable, loans to and from subsidiaries, bills, leases, preference shares and derivatives.

The totals for each category of financial instruments, measured in accordance with AASB 139: *Financial Instruments: Recognition and Measurement* as detailed in the accounting policies to these financial statements, are as follows:

	Note	Consolidated Group 2017 $000	Consolidated Group 2016 $000
Financial Assets			
Cash and cash equivalents	11	9,490	12,819
Loans and receivables	12c	5,493	3,978
Available-for-sale financial assets			
— at cost			
— unlisted investments	15a	38	27
Total available-for-sale financial assets		38	27
Total Financial Assets		15,021	16,824
Financial Liabilities			
Financial liabilities at amortised cost			
— Trade and other payables	19	6,596	2,662
— Borrowings	21	29,624	10,346
Total Financial Liabilities		36,220	13,008

Financial Risk Management Policies

The Board of Directors are responsible for, among other issues, managing 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 currency risk, liquidity risk and interest rate risk.

The overall risk management strategy seeks to assist the consolidated group in meeting its financial targets, while minimising potential adverse effects on financial performance. Its functions include the review of the use of 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 foreign currency 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.

Note 33 Financial Risk Management (continued)

a. Credit risk

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

Credit risk is managed through regular monitoring of customer accounts and payments. Such monitoring is used in assessing receivables for impairment.

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. Credit risk also arises through the provision of financial guarantees, as approved at Board level, given to parties securing the liabilities of certain subsidiaries.

There is no collateral held by the Group securing receivables.

The Group has no significant concentration of credit risk with any single counterparty or group of counterparties. Credit risk is limited to booking agents as almost all customers pay for tandem jumps before the jump takes place.

Trade and other receivables that are neither past due or impaired are considered to be of high credit quality. Aggregates of such amounts are as detailed at Note 12.

Credit risk related to balances with banks and other financial institutions is managed by the Board. Generally, surplus funds are only invested with the major Australian banks. The following table provides information regarding the credit risk relating to cash and money market securities based on Standard and Poor's counterparty credit ratings.

	Consolidated Group 2017 $000	2016 $000
Cash and cash equivalents		
- AA Rated	9,464	12,796
Held-to-maturity securities		
- AA Rated	26	23
	9,490	12,819

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 analyses in relation to its operating, investing and financing activities;
- monitoring undrawn credit facilities;
- 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 following table details the consolidated entity's remaining contractual maturity for its financial instrument liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid.

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 reflect the earliest contractual settlement dates and do not reflect management's expectations that banking facilities will be rolled forward.

Financial liability and financial asset maturity analysis

	Within 1 Year		**1 to 5 years**		**Over 5 years**		**Total**	
Consolidated Group	2017 $000	2016 $000	2017 $000	2016 $000	2017 $000	2016 $000	2017 $000	2016 $000
Financial liabilities due for payment								
Bank loans	86	64	15,137	763	-	-	15,223	827
Trade and other payables	6,596	2,662	-	-	-	-	6,596	2,662
Finance lease liabilities	3,400	1,985	8,795	5,329	-	-	12,195	7,314
Vendor finance loan	2,204	-	-	2,204	-	-	2,204	2,204
Total expected outflows	12,286	4,711	23,932	8,296	-	-	36,218	13,007

	Within 1 Year		**1 to 5 years**		**Over 5 years**		**Total**	
Consolidated Group	2017 $000	2016 $000	2017 $000	2016 $000	2017 $000	2016 $000	2017 $000	2016 $000
Financial Assets - cash flows realisable								
Cash and cash equivalents	9,490	12,819	-	-	-	-	9,490	12,819
Trade and other receivables	4,040	2,195	-	-	-	-	4,040	2,195
Amounts receivable from related parties	300	288	1,153	1,200	-	295	1,453	1,783
Total anticipated inflows	13,830	15,302	1,153	1,200	-	295	14,983	16,797
Net (outflow) / inflow on financial instruments	1,544	10,591	(22,779)	(7,096)	-	295	(21,235)	3,790

Note 33 Financial Risk Management (continued)

Financial assets pledged as collateral

Certain financial assets have been pledged as security for debt and their realisation into cash may be restricted subject to terms and conditions attached to the relevant debt contracts. Refer to Note 21(b) for further details.

c. Market Risk

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 also exposed to earnings volatility on floating rate instruments. The financial instruments that primarily expose the Group to interest rate risk are borrowings and cash and cash equivalents.

Interest rate risk is managed using a mix of fixed and floating rate debt. At 30 June 2017 approximately 51% (2016: 92%) of group debt is fixed.

ii. *Foreign exchange risk*

Exposure to foreign exchange risk may result in the fair value or future cash flows of a financial instrument fluctuating due to movement in foreign exchange rates of currencies in which the Group holds financial instruments which are other than the AUD functional currency of the Group.

With instruments being held by overseas operations, fluctuations in the NZ Dollar may impact on the Group's financial results.

There are currently no hedging arrangements in place to manage foreign currency risk.

Sensitivity Analysis

The following table illustrates sensitivities to the Group's exposures to changes in interest rates, exchange rates and commodity and equity prices. The table indicates the impact of 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.

	Consolidated Group	
	Profit	Equity
Year ended 30 June 2017	$000	$000
+/- 2% in interest rates	149	67
+/- 2% in $A/$NZ	118	40
Year ended 30 June 2016		
+/- 2% in interest rates	67	67
+/- 2% in $A/$NZ	40	40

There have been no changes in any of the methods or assumptions used to prepare the above sensitivity analysis from the prior year.

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. Refer to Note 34 for detailed disclosures regarding the fair value measurement of the group's financial assets and financial liabilities.

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.

		2017		**2016**	
Consolidated Group	Note	Carrying Amount $000	Fair Value $000	Carrying Amount $000	Fair Value $000
Financial assets					
Cash and cash equivalents	11	9,490	9,490	12,819	12,819
Trade and other receivables:					
- related parties - loans and advances	12	1,453	1,453	1,783	1,783
- unrelated parties - trade and term receivables	12	4,040	4,040	2,195	2,195
Total trade and other receivables	12	5,493	5,493	3,978	3,978
Available-for-sale financial assets:					
- at cost:					
- unlisted investments	15	38	38	27	27
Total available-for-sale financial assets		38	38	27	27
Total financial assets		15,021	15,021	16,824	16,824
Financial liabilities					
Trade and other payables	19	6,596	6,596	2,662	2,662
Vendor finance loan	21	2,204	2,204	2,204	2,204
Bank debt	21	15,224	15,224	8,142	8,142
Total financial liabilities		24,024	24,024	13,008	13,008

Note 34 Fair Value Measurements

The Group measures and recognises the aircraft assets at fair value on a recurring basis after initial recognition.

The Group does not subsequently measure any liabilities at fair value on a non-recurring basis.

(a) *Fair value hierarchy*

AASB 13: *Fair Value Measurement* requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurements into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

Level 1	Level 2	Level 3
Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.	Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.	Measurements based on unobservable inputs for the asset or liability.

The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

Valuation techniques

The Group elects to use external valuation experts where possible. The Group selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the Group are consistent with one or more of the following valuation approaches:

- Market approach: valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities.

- Income approach: valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value.

- Cost approach: valuation techniques that reflect the current replacement cost of an asset at its current service capacity.

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the Group gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data are not available and therefore are developed using the best information available about such assumptions are considered unobservable.

The following tables provide the fair values of the Group's assets and liabilities measured and recognised on a recurring basis after initial recognition and their categorisation within the fair value hierarchy.

		30 June 2017			
		Level 1	Level 2	Level 3	Total
Recurring fair value measurements	Note	$000	$000	$000	$000
Non-financial assets					
Aircraft	17	-	-	43,105	43,105
Total non-financial assets recognised at fair value on a recurring basis		-	-	43,105	43,105
Total non-financial assets recognised at fair value		-	-	43,105	43,105

(b) *Valuation techniques and inputs used to measure Level 2 fair values*

Description	Fair Value ($) at 30 June 2015	Valuation technique(s)	Inputs used
Non-financial assets			
Aircraft equipment		Market approach using recent observable market data for similar assets	Make and model of aircraft frame, engines and other key components, maintenance status, damage history
	-		
	-		

The fair value of aircraft equipment is expected to be determined at least every three years based on valuations by an independent valuer. At the end of each intervening period, the directors review the independent valuation and, when appropriate, update the fair value measurement to reflect current market conditions using a range of valuation techniques, including recent observable market data.

There were no changes during the period in the valuation techniques used by the Group to determine Level 2 fair values.

Note 35 Preliminary Financial Report Reconciliation

An unaudited Preliminary Financial Report was released to the Australian Stock Exchange (ASX) on 23 August 2017. Subsequent to the release of this report an amended unaudited Preliminary Financial Report was released to the Australian Stock Exchange (ASX) on 24 August 2017.

There are no reconciling items between the Annual Report and the Amended Preliminary Financial Report.

Note 36 Company Details

The registered office of the company is:
Skydive the Beach Group Limited
Level 1, 51 Montague Street, North Wollongong, NSW 2500

The principal place of business is:
Skydive the Beach Group Limited
Level 1, 51 Montague Street, North Wollongong, NSW 2500

Skydive the Beach Group Limited and Controlled Entities
ACN: 167 320 470
Directors' Declaration

The directors of the company declare that, in the opinion of the directors:

(a) The attached financial statements and notes thereto are in accordance with the Corporations Act 2001; and
   (i) give a true and fair view of the financial position and performance of the consolidated entity; and
   (ii) comply with Australian Accounting Standards, including the Interpretations and Corporations Regulations 2001;

(b) the financial statements and notes thereto also comply with International Financial Reporting Standards, as disclosed in Note 1;

(c) the directors have been given the declarations required by s.295A of the Corporations Act 2001: and

(d) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors made pursuant to s.295(5) of the Corporations Act 2001.

On behalf of the Directors:

Anthony Boucaut	**Anthony Ritter**
Managing Director	*Chief Executive Officer*

Dated: 4 September 2017

RSM Australia Partners

Level 13, 60 Castlereagh Street Sydney NSW 2000
GPO Box 5138 Sydney NSW 2001

T +61 (0) 2 8226 4500
F +61 (0) 2 8226 4501

www.rsm.com.au

INDEPENDENT AUDITOR'S REPORT
To the Members of Skydive the Beach Group Limited

Opinion

We have audited the financial report of Skydive the Beach Group Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2017, 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 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 2017 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.

Key Audit Matters

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 this matter
Acquisitions Refer to Note 16 in the financial statements	
During 2017 financial year the group completed four acquisitions as follows: 1. The Wanaka acquisition which was completed on 1 July 2016 for a total purchase consideration of NZD$10,400,000 (AUD$9,948,000). 2. The Raging Thunder acquisition which was completed on 31 October 2016 for a total purchase consideration of AUD$15,440,000. 3. The Performance Aviation acquisition which was completed on 3 October 2016 for a total purchase consideration of NZD$500,000 (AUD$482,000). 4. The Reef Magic acquisition which was completed on 1 May 2017 for a total purchase consideration of AUD$15,000,000. This was considered a key audit matter because the accounting for the transaction is complex and involves significant judgments in applying the accounting standards. These include the determination of whether the acquired entities were businesses in accordance with AASB 3 *Business Combinations*, the identification and valuation of intangible assets, and the determination of the fair value of the tangible assets acquired.	Our audit procedures in relation to accounting for the acquisitions included the following: • Reviewing the various Sale and Purchase Agreements in order to obtain an understanding of the transaction and the related accounting considerations. • Obtaining the Due Diligence reports obtained by the Board in relation to the transaction to identify any potential asset impairments, unrecorded liabilities, or any other unusual risks that may have been associated with the transactions could impact on the accounting for the transactions or the related disclosures. • Critically evaluating the key assumptions used by management in determining the proposed accounting treatment having consideration of the various related documents and agreements as well as the requirements of the Australian Accounting Standards. • Obtaining the valuation reports and related clients models provided to support the fair values of the assets and liabilities acquired as part of the transactions and testing the reasonableness of the assumptions and inputs used as well as testing the appropriateness of the valuation methodology applied. • Reviewing the work performed by Management's Experts with regards to the valuation reports in respect of the intangible assets identified in each of the acquisitions. • Reviewing and evaluating the appropriateness of the related financial statement disclosures.

Goodwill and Other Intangible Assets Refer to Note 18 in the financial statements	
The acquisitions described above have resulted in an increased balance of goodwill and other intangible assets being held, which are now carried at $47,959,000. Goodwill and Trade Names have an indefinite useful economic life. Therefore, they are not amortised, but are subject to annual testing for impairment in accordance with AASB 136 *Impairment.* We determined this area to be a key audit matter due to the size of the intangible assets balance, and because the directors' assessment of the 'value in use' of each cash generating unit ("CGU") involves judgements about the future underlying cash flows of the business and the discount rates applied to them. For the year ended 30 June 2017 management have performed an impairment assessment over the goodwill balance by: • Determining that the entity has 3 CGUs, and allocating goodwill across the three CGUs • calculating the value in use for each CGU using a discounted cash flow model. These models used cash flows (revenues, expenses and capital expenditure) for the CGU for 5 years, with a terminal growth rate applied to the 5th year. These cash flows were then discounted to net present value using the Company's weighted average cost of capital (WACC); and • comparing the resulting value in use of each CGU to their respective book values. Management also performed a sensitivity analysis over the value in use calculation, by varying the assumptions used (growth rates, terminal growth rate and WACC) to assess the impact on the valuations.	Our audit procedures in relation to the valuation of goodwill included the following: • Assessing management's allocation of the goodwill across the three CGUs, based on the nature of the Group's business and the manner in which results are monitored and reported • Evaluating the assumptions and methodologies used by the Company in preparing the value in use calculation, in particular those relating to the sales growth rate, projected future expenditure, and pre-tax discount rate. • The cash flow projections for each cash-generating units have been assessed and challenged by us, and includes an assessment of the historical accuracy of management's estimates and evaluation of business plans. • Reviewing the sensitivity analysis prepared by management, to ensure there is adequate headroom for each cash generating unit. • Assessing the adequacy of the disclosures in financial statement for Goodwill assumptions to which the outcome of the impairment test is most sensitive, that is, those that have the most significant effect on the determination of the recoverable amount of goodwill.

Revenue Refer to Note 4 in the financial statements	
The recognition of revenue and associated unearned revenue liabilities is significant to the audit, and is considered to be a key audit matter due to the nature of the revenue, which is often paid in advance of the services being rendered. The group is therefore required to recognize such receipts as deferred revenue until such time as the services are rendered. There are potential risks in relation to the following: 1. Sales may be deliberately overstated as a result of management override of internal controls. The management of the Group considers sales as a key performance measure which could create an incentive for sales to be recognized before the services been provided. 2. In accordance with AASB118 Revenue, Skydive the Beach Group is entitled to recognize revenue from variable consideration, being the probabilities applied to gift card sales and advance bookings in respect of management's assessment of the likelihood that the advance bookings and gift vouchers will result in a tandem jump occurring. This increases the risk that sales could be misstated due to errors in judgement or estimation uncertainty around the assumptions used in making these judgments.	We obtained a detailed understanding of each of the sources of revenue and the related systems processes for quantifying and recording revenue and deferred revenue. Our audit procedures in relation to revenue recognition and deferral included the following: • Considering the adequacy of the Group's revenue recognition policies, and assessing them for compliance with Australian Accounting Standards • Where applicable, testing the operating effectiveness of key controls in relation to bookings • Performing predictive analytical techniques with regards to revenue and jump numbers in relation to the various drop zones. • Selecting a sample of entries in the sales ledger accounts and testing that the amounts recognized are consistent with cash banked. • Inspecting a sample of the monthly journals to verify that monthly revenue is appropriately adjusted to take into consideration the deferred revenue in respect payments received in advance of the services being rendered. • Selecting a sample of transactions in relation to cash receipts and testing that the service has in fact been provided by verifying that the booking had been discharged as per the customer booking systems or that the revenue was correctly recorded in the deferred revenue balance • Inspecting that the balances reflected in the deferred revenue accounts were properly reconciled to the deferred revenue reports as per the customer booking systems.

Property, Plant and Equipment Refer to Note 17 in the financial statements	
Skydive the Beach Group currently owns aircraft and other operating equipment with a carrying value of $61,231,000. The more significant classes of property, plant and equipment include following: • Aircraft with carrying values of $43,105,000 • Vessel and floating docks with carrying values of $9,151,000 and $1,633,000 respectively. • Plant and equipment with carrying values of $7,342,000. The accounting in respect of the property, plant and equipment for Skydive the Beach is complex and non-routine due to the nature of the equipment and the judgement required in determining useful lives, residual values, and the valuation of the major components of the assets.	Our audit procedure in relation to property, plant and equipment included following: *Residual Values* • Assessing the reasonableness of internal evidence provided by management to support the residual value of the assets by comparing it to external evidence and historical sales values. • Assessing the adequacy of the disclosures in financial statements for the critical accounting estimates and judgements in the accounting policy notes and ensure the disclosures are consistent with the applied practices. • Assessing the reasonableness of the residual values for the vessels having consideration for the per ton scrap value of ships and the geographical proximity of Australia to the shipping scrap merchant dealers. *Asset Components* • Assessing the reasonableness the split of the main components of the aircraft being the engine and fuselage having considerations for verified past practices and other industry data and evidence. *Useful lives* • For newly acquired engine and fuselage, assessing the reasonableness of the useful lives by comparing to similar planes and engines in the Group fleet. • For existing engine and fuselage, assessing reasonableness of the useful lives by reviewing confirmations from external experts. • Testing the engine hours to log books and other maintenance schedules. • Assessing the expected useful lives of the newly acquired vessels and other operating equipment by discussing with management what their expectations are and where possible comparing that to operators in the industry and other externally available market data

Responsibilities of the 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 ability of the Group 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 has no realistic alternative but to do so.

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 2017, but does not include the financial report and the 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, 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.

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 the 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 this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 6 to 9 of the directors' report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of Skydive the Beach Group Limited., for the year ended 30 June 2017, 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.

GNS

G N Sherwood

RSM Australia

Sydney 4 September 2017

SKYDIVE THE BEACH GROUP LIMITED ACN: 167 320 470
AND CONTROLLED ENTITIES
ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

The following information is current as at : 14 August 2017

1. **Shareholding**

a. **Distribution of Shareholders**

Category (size of holding)	**Number Ordinary**
1 – 1,000	75
1,001 – 5,000	127
5,001 – 10,000	93
10,001 – 100,000	218
100,001 – and over	47
	560

b. The number of shareholdings held in less than marketable parcels is 54.

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

Shareholder	**Number Ordinary**
Anthony Boucaut & Associated Companies	179,924,273
Paradice Investment Management	35,237,234
Perpetual Trustees	29,602,836
Bennelong Funds Management Group	27,765,302
IOOF Holdings	22,836,636

d. **Voting Rights**

The voting rights attached to each class of equity security are as follows:

Ordinary shares

– Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

e. 20 Largest Shareholders — Ordinary Shares

	Name	**Number of Ordinary Fully Paid Shares Held**	**% Held of Issued Ordinary Capital**
1.	Boucaut Enterprises Pty Ltd	132,083,965	30.37%
2.	J P Morgan Nominees Australia	55,492,390	12.76%
3.	HSBC Custody Nominees	40,548,788	9.32%
4.	Citicorp Nominees Pty Ltd	38,035,225	8.75%
5.	UBS Nominees Pty Ltd	37,376,033	8.59%
6.	Skydive The Beach Pty Ltd	23,912,660	5.50%
7.	National Nominees Limited	23,897,581	5.50%
8.	Skydive Perth Pty Ltd	16,338,000	3.76%
9.	Skydive The Beach Melbourne Pty Ltd	7,482,000	1.72%
10.	Ms Ariane Radford	7,267,940	1.67%
11.	HSBC Custody Nominees	6,928,889	1.59%
12.	HSBC Custody Nominees	4,615,656	1.06%
13.	Aust Executor Trustees Ltd	4,419,960	1.02%
14.	Mirrabooka Investments Limited	3,741,194	0.86%
15.	BNP Paribas Nominees Pty Ltd	3,394,635	0.78%
16.	Ms Celeste Linda Ritter	3,383,970	0.78%
17.	Whitfield Investments Pty Ltd	2,450,545	0.56%
18.	Amcil Limited	2,163,076	0.50%
19.	BNP Paribas Noms Pty Ltd	2,040,517	0.47%
20.	BNP Paribas Nominees Pty Ltd	1,587,818	0.37%
		417,160,842	95.93%

2. The company secretaries are Anthony Ritter and John Diddams.

3. The address of the principal registered office in Australia is:
   1/51 Montague Street, Wollongong NSW 2500.
   Telephone 1300 663 634.

4. Registers of securities are held at the following addresses
   Boardroom Pty Ltd Level 7, 207 Kent Street, Sydney NSW 2000

5. **Stock Exchange Listing**
   Quotation has been granted for all the ordinary shares of the company on all Member Exchanges of the Australian Securities Exchange Limited.

6. **Unquoted Securities**
   Options over Unissued Shares
   A total of 10,300,000 options are on issue. All options are on issue to directors and former directors under the Skydive the Beach Group Limited employee option plan.

Skydive the Beach Group Limited and Controlled Entities
ACN: 167 320 470
Corporate Directory

Directors:	William (Bill) Beerworth, Non-Executive Chairman
	Anthony Boucaut, Executive Director and Managing Director
	Anthony Ritter, Executive Director and Chief Executive Officer
	John Diddams, Non-Executive Director
	Colin Hughes, Non-Executive Director
Company Secretaries:	Anthony Ritter and John Diddams
Registered Office:	Level 1, 51 Montague Street North Wollongong NSW 2500
Principal Place of Business:	Level 1, 51 Montague Street North Wollongong NSW 2500
Lawyers:	Bird & Bird Level 11, 68 Pitt Street Sydney NSW 2000
Auditors:	RSM Australia Partners Level 13, 60 Castlereagh Street Sydney NSW 2000
Share Registry:	Boardroom Pty Ltd Level 12, 225 George Street Sydney NSW 2000
Bankers:	National Australia Bank Limited 118-126 Princes Highway Fairy Meadow NSW 2519
	Westpac Banking Corporation Suite 1, 104 Crown Street Wollongong NSW 2500
Stock Exchange Listing Code:	SKB
Website:	www.skydive.com.au