

Skydive the Beach

GROUP LIMITED

ACN 167 320 470



ANNUAL REPORT

For the year ended 30 June 2015





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

Annual Report
For The Year Ended 30 June 2015

CONTENTS

| | |
|---|----|
| Chairman's Letter | 1 |
| CEO's Report | 2 |
| Directors' Report | 4 |
| Auditor's Independence Declaration | 11 |
| Consolidated Statement of Profit or Loss and Other Comprehensive Income | 12 |
| Consolidated Statement of Financial Position | 13 |
| Consolidated Statement of Changes in Equity | 14 |
| Consolidated Statement of Cash Flows | 15 |
| Notes to the Financial Statements | 16 |
| Directors' Declaration | 45 |
| Independent Auditor's Report | 46 |
| Additional Information for Listed Public Companies | 48 |
| Corporate Directory | 50 |

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

Dear shareholders,

We are delighted to present Skydive the Beach Group Limited's ("Skydive") first Annual Report as a public listed company.

The financial year ending 30 June 2015 has been remarkable:

- transformation from a private entity to a listed company;
- heavily over-subscribed Initial Public Offering in March 2015 raising \$25m;
- acquisition of Australian Skydive Pty Ltd giving Skydive 16 drop zones around Australia, primarily at the key East Coast tourist sites;
- near attainment of Skydive's Prospectus forecasts;
- declaration of Skydive's maiden dividend of \$0.01 per share as promised; and
- continued focus on our operational, acquisition and diversification goals.

Skydive's achievements have been built on the enthusiastic commitment of our staff and on our partnerships with dedicated professional and supplier organisations.

Above all, we are most grateful to our shareholders for their strong support.

We are confident that the foundations are in place for a highly successful 2016.

Yours sincerely



William J Beerworth
Chairman

Skydive the Beach Group Limited and Controlled Entities
ACN: 167 320 470
CEO's Report

Dear shareholders,

FY2015 was challenging, at the same time as exhilarating:

- Revenue at \$26.3m was up by 46% compared to last year**
- EBITDA* at \$6.02m was up by 35% compared to last year**
- Tandem Jumps totalling 61,069 were up by 48% compared to last year**

The Australia Skydive Pty Ltd acquisition was completed in March, doubling annualised tandem skydives and providing the opportunity for operational synergies and cost savings.

We reaffirm the FY2016 forecast as follows:

- 112,827 tandem skydives
- Revenue of \$47.5m
- EBITDA* of \$10.9m

* 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 net profit after income tax for the financial year ended 30 June 2015 is included in the Director's Report.

** Comparison is to the financial year ended 30 June 2014, using the results of the aggregated group of entities that formed part of the reorganisation that occurred on 1 July 2014 and set out in Note 16(c).

Operational Performance

We have established a sound base for the future and have delivered on our FY2015 strategic priorities.

The acquisition of Australian Skydive Pty Ltd in March expanded our operational footprint by an additional 5 drop zones. Some operational efficiencies were achieved in the first 3 months and the group anticipates further operational synergies through the merging of call centre activities, rationalisation of flight operations, aircraft maintenance efficiencies, drop zone upgrades, implementation of a standard IT system platform and marketing and staffing improvements.

We have upgraded our aircraft fleet to improve flight cycle times, capacity, increased fuel and maintenance savings.

We have successfully achieved requirements and documentation for an airfreight business registration. An Air Operators Certificate (AOC) was completed and we await CASA certification.

Financial Performance

Our key operating metrics demonstrated solid growth with bookings up 53%, tandems up 48%, revenue up 46% and EBITDA up 35%, when compared to the aggregated group metrics for FY2014.

The results represented strong organic growth in both the Skydive and ASG businesses, but they were slightly below prospectus guidance by approximately 3%. Tandems and revenues were adversely affected by unseasonable weather at a number of key sites in the last quarter of FY2015. As an example, our biggest site, Wollongong, reported the wettest April on record in the last 19 years. But booking numbers increased by 52% year on year, indicating that Skydive would have exceeded forecasts if weather conditions had been more favourable.

Market Environment

SKB is a leading adventure tourism and leisure company across Australia and continues to operate in an exciting market experiencing strong growth.

The leisure industry continued to expand strongly in FY2015 supported by a strong increase in international visitors to Australia, up 7% to a record 6.6 million visitors; a key market indicator for the skydive industry.

Leisure travel was the key driver of visitor growth, increasing 5% to 2.9 million visitors. International visitor spend grew a record 10% to \$33.4bn, the strongest growth since the 2000 Olympics. Tourism Research Australia expects these trends to continue.

Skydive the Beach Group Limited and Controlled Entities
ACN: 167 320 470
CEO's Report

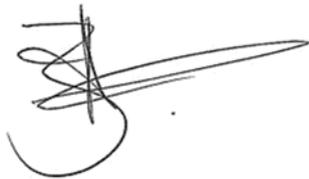
Outlook

Skydive has diversified its business and now has leading tourist drop zones and a quality aircraft fleet.

With an experienced management team, Skydive is well positioned to continue its growth momentum into FY2016. The ASG acquisition has been an exciting addition to the business and we expect the full synergy benefits to be delivered in FY2016 and onwards.

We will continue to pursue growth via organic and acquisitive measures to position Skydive as the leading adventure tourism and leisure operator in Australia.

On behalf of all my colleagues, I thank you all for your continued support and contributions over the year.

A handwritten signature in black ink, consisting of several overlapping loops and a long horizontal stroke extending to the right.

Anthony Boucaut
Executive Director and Chief Executive Officer

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

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 2015.

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 appointed 23/12/2014
 Anthony Boucaut
 Timothy Radford
 Anthony Ritter
 John Diddams
 Dr. Nigel Finch appointed 1/02/2015

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

Principal Activities

The principal activity of the consolidated group during the financial year was the provision of skydiving experiences to the public, including tandem skydiving, night tandem skydiving, helicopter skydiving, learn to skydive courses, and skill development camps.

There were no significant changes in the nature of the consolidated group's principal activities during the financial year.

Operating Results and Review of Operations

Following the re-organisation of the group on 1 July 2014 as described in note 16c, Skydive the Beach Group Limited operated 11 skydiving drop zones across New South Wales, Queensland, Victoria and Western Australia.

Since then, the Group successfully completed an initial public offer (IPO) on 27 March 2015 which was oversubscribed and raised a total of \$25 million. These funds were primarily used to finance the acquisition of Australia Skydive Pty Ltd which operated an additional 5 skydiving drop zones in Queensland and New South Wales. The main objective of the acquisition was to expand operations and reduce the impact of seasonal weather conditions on the business.

Presented below is a summary of historical and current operating statistics and financial performance information, including a comparison of actual results for the year ended 30 June 2015 against the forecast originally presented in the Replacement Prospectus ("Prospectus") issued by the Group on 16 March 2015. The results for 2015 include 3 months contribution from the acquisition of Australia Skydive Pty Ltd.

| | FY 2014 | FY 2015 | % | FY 2015 | FY 2015 | % |
|------------------|----------------|----------------|-----------------|-------------------|----------------|-----------------|
| | Actual | Actual | Variance | Prospectus | Actual | Variance |
| Tandem Jumps | 41,241 | 61,069 | 48.1% | 64,521 | 61,069 | -5.4% |
| Revenue (\$'000) | 18,025 | 26,320 | 46.0% | 27,561 | 26,320 | -4.5% |
| EBITDA* (\$'000) | 4,454 | 6,025 | 35.3% | 6,209 | 6,025 | -3.0% |
| EBITDA* (%) | 24.7% | 22.9% | | 22.5% | 22.9% | |

The results referred to for the year ended 30 June 2014 relate to the aggregated group of entities that formed part of the reorganisation that occurred on 1 July 2014 (refer note 16c). Actual tandem jumps increased by 48.1% and revenue increased by 46.0%. These results are partly due to the acquisition of Australia Skydive Pty Ltd on 31 March 2015 and partly due to the continued growth of original Group drop zones, which saw actual tandem jumps grow by 20.8% compared to the year ended 30 June 2014.

When comparing Group data to the forecast found in the Prospectus, actual tandem jumps were down by 5.4% due to unseasonably adverse weather conditions in the south eastern states of Australia during April, May and June 2015. Booking numbers for the year ended 30 June 2015 had increased by 52.9% when compared to the previous year indicating that the Group would have exceeded the prospectus forecast had weather conditions been favourable. It is anticipated that there will be some recovery of this revenue in the year ended 30 June 2016 with tandem jumps being rescheduled where possible. Whilst the newly acquired drop zones were not able to fully compensate for this shortfall, it is expected that the impact of seasonality in the future will be reduced as a result of this recent acquisition.

* 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 2015 is included below.

| | 30-Jun-15 | 30-Jun-14 |
|---|------------------|---------------|
| | \$'000 | \$'000 |
| Earnings before interest, taxes, depreciation and amortisation (EBITDA) | 6,025 | - |
| Less: Depreciation and amortisation | (1,388) | - |
| Less: Finance costs | (582) | - |
| Profit before tax | 4,055 | - |
| Income tax expense | (1,587) | - |
| Profit after tax | 2,468 | - |

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

EBITDA for the year ended 30 June 2015 increased by 35.3% when compared to the year ended 30 June 2014. When comparing EBITDA to the forecast found in the Prospectus, actual EBITDA was down by 3.0% when compared to forecast due to the unseasonably adverse weather conditions in the June quarter not allowing the tandem bookings to be processed into tandem jumps. A number of synergies were anticipated as part of the Australia Skydive Pty Ltd acquisition, such as potential savings in marketing, administration and aircraft costs, and whilst these were partly realised in the year ended 30 June 2015 and will continue to be realised for the year ended 30 June 2016 and beyond, they did not make up for the shortfall in EBITDA due to the lower than forecasted actual tandem jumps as a result of the adverse weather.

Outlook for the year ending 30 June 2016

| | FY 2016 Forecast | Increase FY 2015 | % Variance |
|-------------------|-----------------------------|-----------------------------|-----------------------|
| Tandem Jumps | 112,827 | 51,758 | 85.4% |
| Turnover (\$'000) | 47,535 | 21,215 | 81.8% |
| EBITDA (\$'000) | 10,942 | 4,917 | 82.0% |
| EBITDA (%) | 23.0% | - | |

The substantial increase projected for the year ending 30 June 2016 is predominately due to the full year contribution of Australia Skydive Pty Ltd. As disclosed in the Prospectus, the revenue and expenses forecast for Australia Skydive for the 2016 financial year has been assumed to remain consistent with that for the financial year ended 30 June 2015, with no projected increase in tandem jump numbers and allowance of inflationary increases of revenue and expenses only. All other drop zones are expected to increase by approximately 9.4% in the coming year.

The Directors consider that tandem jump numbers, revenue and EBITDA expectations for the financial year ending 30 June 2016 as outlined in the Replacement Prospectus issued on 16 March 2015 are realistic and attainable if weather patterns are normal. Key financial and operational performance information will be reviewed regularly and strategies developed to ensure that targets are achieved. In addition, the recent acquisition of 5 additional drop zones in Queensland and northern New South Wales as part of the Australia Skydive Pty Ltd acquisition will assist in reducing the impact of unseasonal weather conditions.

Significant Changes in State of Affairs

The following significant changes in the state of affairs of the Group occurred during the financial year:

- i. The reorganisation of the group occurred on 1 July 2014 as described in note 16(c).
- ii. The Group successfully completed an initial public offer (IPO) on 27 March 2015 which was oversubscribed and raised a total of \$25 million.
- iii. On 31 March 2015, the Group completed its acquisition of Australia Skydive Pty Ltd, adding an additional 5 skydiving drop zones.
- iv. The remaining 66.66% interest in Skydive the Beach and Beyond BB Pty Ltd was acquired on 30 June 2015.

Events after the Reporting Period

There have been no significant events after the end of the reporting period.

Environmental Issues

The Group's operations are not subject to significant environmental regulation under the law of the Commonwealth and State. The economic entity has established procedures whereby compliance with existing environmental regulations and new regulations are monitored continually. 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.

Dividends Paid or Recommended

No dividends were paid during the year.

The directors have declared a final fully franked dividend of \$0.01 per share, payable on 30 October 2015 out of retained profits at 30 June 2015, amounting to \$2,937,297. For the purposes of determining any entitlement to the dividend, the record date has been set as 20 October 2015.

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 |
| 2 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.

Corporate Governance Statement

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

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

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 and is the Australian member of Global M&A, an international partnership of leading independent investment banks. |
| Interest in Options | — 500,000 options |
| Special Responsibilities | — Chairman of the Remuneration and Nomination Committee, member of the Audit and Risk Committee and member of the Acquisitions Committee |
| Directorships held in other listed entities during the three years prior to the current year | — Redhill Education Limited and Contango Capital Partners Limited |
| Anthony Boucaut | — Executive Director and Chief Executive Officer |
| 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 oversees the aircraft and aircraft maintenance division within the business. |
| Interest in Shares | — 179,817,245 ordinary shares |
| Interest in Options | — 3,000,000 options |
| Timothy Radford | — Executive Director and Chief Operating Officer |
| Qualifications | — MAICD, APF |
| Experience | — Timothy has 22 years of skydiving experience and 8 years of service in the infantry corp which saw him exposed to all facets of military parachuting. Tim has been involved in the Skydive the Beach business for over 10 years, starting out as a tandem instructor and rapidly moving up through various management positions. |
| Interest in Shares | — 7,267,940 ordinary shares |
| Interest in Options | — 2,500,000 options |
| Anthony Ritter | — Executive Director and Chief Financial 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 for 4 years and has demonstrated strong strategic planning, analytical, leadership and financial management skills. He has also played an integral part in successfully applying for a variety of government funding which have assisted in the growth and development of the business. |
| Interest in Shares | — 3,383,970 ordinary shares |
| Interest in Options | — 2,500,000 options |
| Special Responsibilities | — Company Secretary and Chairman of the Acquisitions Committee |
| John Diddams | — 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 | — 3,300,545 ordinary shares |
| Interest in Options | — 1,500,000 options |
| Special Responsibilities | — Company Secretary, member of the Audit and Risk Committee, member of the Remuneration and Nomination Committee and member of the Acquisitions Committee |
| Directorships held in other listed entities during the three years prior to the current year | — Martin Aircraft Company Limited (NZCO 901393), Indoor Skydive Australia Group Limited (resigned 30/10/2014) |

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

Information relating to Directors and Company Secretary (continued)

| | |
|--|--|
| Dr. Nigel Finch | — Independent Non-Executive Director |
| Qualifications | — MCOM, LL.M, MBA, PH.D, CA, CTA, FCPA, FTIA, FAICD |
| Experience | — Dr Nigel Finch is a Chartered Accountant with commercial management experience in private, public and not-for-profit settings. He has held various director and senior management roles focused on strategy execution and managing financial performance in both early-stage and mature stage firms across a range of industry sectors and has significant experience in economic development and institution building throughout Asian markets. |
| Interest in Shares | — 40,000 ordinary shares |
| Interest in Options | — 300,000 options |
| Special Responsibilities | — Chairman of the Audit and Risk Committee and member of the Remuneration and Nomination Committee |
| Directorships held in other listed entities during the three years prior to the current year | — 3D Medical Limited, Kneomedia Limited (resigned 13/2/15) |

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, 16 meetings of directors (including committees of directors) were held.

Attendances by each director during the year were as follows:

| | Directors' Meetings | | Audit & Risk Committee | | Remuneration & Nomination Committee | | Acquisitions Committee | |
|-------------------|---------------------------|-----------------|---------------------------|-----------------|-------------------------------------|-----------------|---------------------------|-----------------|
| | Number eligible to attend | Number attended | Number eligible to attend | Number attended | Number eligible to attend | Number attended | Number eligible to attend | Number attended |
| William Beerworth | 10 | 10 | 1 | 1 | 1 | 1 | - | - |
| Anthony Boucaut | 14 | 14 | - | - | - | - | - | - |
| Timothy Radford | 14 | 14 | - | - | - | - | - | - |
| Anthony Ritter | 14 | 14 | - | - | - | - | - | - |
| John Diddams | 14 | 14 | 1 | 1 | 1 | 1 | - | - |
| Dr. Nigel Finch | 8 | 8 | 1 | 1 | 1 | 1 | - | - |

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, is 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 Bird Cameron for non-audit services provided during the year ended 30 June 2015:

| | |
|----------------------------------|----------------|
| | \$ |
| Taxation services | 124,243 |
| Due Diligence and other services | 394,760 |
| | <u>519,003</u> |

Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2015 has been received and can be found on page 11 of the Financial Report.

ASIC Class Order 98/100 Rounding of Amounts

The company is an entity to which ASIC Class Order 98/100 applies and, accordingly, amounts in the financial statements and directors' report have been rounded to the nearest thousand dollars.

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

AUDITED 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 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 the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. 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 \$500,000 per annum as per the company's constitution. This limit may be increased from time to time subject to approval by shareholders at a general meeting.

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

During the financial year, Crichton & Associates Pty Limited was engaged by the Remuneration and Nomination Committee to review the elements of KMP remuneration and provide recommendations.

The Board is satisfied that the remuneration recommendations were free from undue influence by members of KMP to whom the recommendations relate.

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.

There was no performance based remuneration paid to executive directors during the year ended 30 June 2015.

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.

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

AUDITED REMUNERATION REPORT (continued)

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 paid during the year based on these targets are included in the following table.

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 2015 | Contract details (duration & termination) | | Portion of Performance-related remuneration | | Portion of Non-performance related remuneration | | |
|-------------------|---|---|-------------|---|---------------|---|-------------------|-------|
| | | Duration | Termination | Non-salary cash based incentives | Shares/ Units | Options/ Rights | Fixed Salary/Fees | Total |
| | | | | % | % | % | % | |
| William Beerworth | Independent non-executive director and Chairman | Duration and termination unspecified. | | - | - | - | 100 | 100 |
| Anthony Boucaut | Executive director and Chief Executive Officer | Duration unspecified. Termination requires 3 months written notice. | | - | - | - | 100 | 100 |
| Timothy Radford | Executive director and Chief Operating Officer | Duration unspecified. Termination requires 3 months written notice. | | - | - | - | 100 | 100 |
| Anthony Ritter | Executive director and Chief Financial Officer | Duration unspecified. Termination requires 3 months written notice. | | - | - | - | 100 | 100 |
| John Diddams | Non-executive director | Duration and termination unspecified. | | - | - | - | 100 | 100 |
| Dr. Nigel Finch | Independent non-executive director | Duration and termination unspecified. | | - | - | - | 100 | 100 |

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

Terms of employment 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 the 30 June 2015.

Remuneration Expense Details for the Year Ended 30 June 2015

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 year ended 30 June 2015

| | Short-term benefits | | | | Post Employment Benefits | Long-term benefits | Equity-settled share-based payments | Total |
|-------------------|------------------------|--------------|--------------------------|---------|--------------------------|--------------------|-------------------------------------|---------|
| | Salary, Fees and Leave | Non-monetary | Profit Share and bonuses | Other | Superannuation | LSL | Options/Rights | |
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| William Beerworth | 98,940 | - | - | - | - | - | - | 98,940 |
| Anthony Boucaut | 162,667 | 13,925 | - | - | 9,896 | - | - | 186,488 |
| Timothy Radford | 144,595 | - | - | - | 13,737 | - | - | 158,332 |
| Anthony Ritter | 139,666 | 16,558 | - | - | 7,125 | - | - | 163,349 |
| John Diddams | 33,333 | - | - | 110,000 | - | - | - | 143,333 |
| Dr. Nigel Finch | 35,417 | - | - | - | - | - | - | 35,417 |
| | 614,618 | 30,483 | - | 110,000 | 30,758 | - | - | 785,859 |

Included in short-term benefits are payments made to John Diddams in accordance with the service deed dated 9 February 2015 as consideration for corporate advisory services provided to the Group. This includes \$25,000 milestone success fee for the completion of the group reorganisation, and \$50,000 on completion of issuing the prospectus document relating to the initial public offering (IPO) which were paid in March 2015.

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 cash bonuses, performance-related bonuses or share-based payments granted as remuneration during the year.

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

AUDITED REMUNERATION REPORT (continued)

Options Granted to Key Management Personnel

| | Opening balance | Date | Granted during the year | | Closing Balance | Date of expiry |
|-------------------|-----------------|-----------------|-------------------------|-------------------|-------------------|----------------|
| | | | Exercise price | No. | | |
| William Beerworth | - | 30 January 2015 | \$0.25 | 500,000 | 500,000 | 29/01/2025 |
| Anthony Boucaut | - | 30 January 2015 | \$0.25 | 3,000,000 | 3,000,000 | 29/01/2025 |
| Timothy Radford | - | 30 January 2015 | \$0.25 | 2,500,000 | 2,500,000 | 29/01/2025 |
| Anthony Ritter | - | 30 January 2015 | \$0.25 | 2,500,000 | 2,500,000 | 29/01/2025 |
| John Diddams | - | 30 January 2015 | \$0.25 | 1,500,000 | 1,500,000 | 29/01/2025 |
| Dr. Nigel Finch | - | 2 February 2015 | \$0.25 | 300,000 | 300,000 | 29/01/2025 |
| | - | | | <u>10,300,000</u> | <u>10,300,000</u> | |

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. Option values at grant date were determined using the Binomial Approximation Option Pricing method.

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 during 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 | Shares issued as part of group reorganisation | Other Changes during the Year | Balance at End of Year |
|-------------------|------------------------------|---|---|---|-------------------------------|------------------------|
| William Beerworth | - | - | - | - | - | - |
| Anthony Boucaut | 13,065,625 | - | - | 166,751,620 | - | 179,817,245 |
| Timothy Radford | 7,267,940 | - | - | - | - | 7,267,940 |
| Anthony Ritter | 3,383,970 | - | - | - | - | 3,383,970 |
| John Diddams | 2,900,545 | - | - | - | 400,000 | 3,300,545 |
| Dr. Nigel Finch | - | - | - | - | 40,000 | 40,000 |
| | <u>26,618,080</u> | - | - | <u>166,751,620</u> | <u>440,000</u> | <u>193,809,700</u> |

Other Equity-related KMP Transactions

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

Loans to KMP

As a result of the group reorganisation as disclosed in note 16 and subsequent transactions, the Group has unsecured loans to Boucaut Enterprises Pty Limited, a related entity associated with Anthony Boucaut for a total of \$2,035,009 which expire on 28 February 2021 and 30 June 2023, details of which can be found in Note 32.

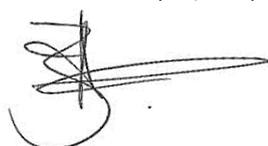
| | |
|--|--------------|
| | \$000 |
| Loans acquired in group reorganisation | 590 |
| Loans advanced | 1,430 |
| Interest charged | <u>15</u> |
| Balance at end of the year | <u>2,035</u> |

Other Transactions with KMP and/or their Related Parties

There were no other transactions conducted between the Group and KMP or their related parties, other than 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 AUDITED REMUNERATION REPORT

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



.....
Anthony Boucaut
Chief Executive Officer



.....
Anthony Ritter
Chief Financial Officer

Dated: 30 September 2015

RSM Bird Cameron Partners
Level 12, 60 Castlereagh Street Sydney NSW 2000
GPO Box 5138 Sydney NSW 2001
T +61 2 8226 4500 F +61 2 8226 4501

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 2015, 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 Bird Cameron Partners

RSM BIRD CAMERON PARTNERS



G N SHERWOOD
Partner

Sydney, NSW
Dated: 30 September 2015

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 2015

| | Note | Consolidated Group 2015 \$000 | 2014 \$000 |
|---|------|-------------------------------------|---------------|
| Sales revenue | 4 | 26,320 | - |
| Cost of sales | | <u>(13,737)</u> | - |
| Gross profit | | 12,583 | - |
| Other income | 4 | 666 | - |
| Administrative expenses | | (2,888) | - |
| Occupancy expenses | | (711) | - |
| Depreciation and amortisation expenses | | (1,388) | - |
| Marketing expenses | | (2,913) | - |
| Repairs and maintenance expenses | | (271) | - |
| Finance costs | | (582) | - |
| Other expenses | | <u>(441)</u> | - |
| Profit before income tax | 5 | 4,055 | - |
| Tax expense | 6 | <u>(1,587)</u> | - |
| Net profit for the year | | <u>2,468</u> | - |
| Other comprehensive income: | | | |
| Items that will not be reclassified subsequently to profit or loss: | | | |
| Revaluation on property, plant and equipment, net of tax | 6c | <u>2,844</u> | - |
| Other comprehensive income for the year | | <u>2,844</u> | - |
| Total comprehensive income for the year | | <u>5,312</u> | - |
| | | | |
| Earnings per share | | | |
| From continuing operations: | | | |
| Basic earnings per share (cents) | 10 | 1.13 | - |
| Diluted earnings per share (cents) | 10 | 1.10 | - |

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 2015

| | Note | Consolidated Group 2015 \$000 | 2014 \$000 |
|--------------------------------------|------|-------------------------------------|---------------|
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | 11 | 9,235 | 17 |
| Trade and other receivables | 12 | 1,979 | 10 |
| Inventories | 13 | 1,244 | - |
| Other assets | 14 | 417 | - |
| Total current assets | | 12,875 | 27 |
| Non-current assets | | | |
| Trade and other receivables | 12 | 1,735 | - |
| Other financial assets | 15 | 27 | - |
| Property, plant and equipment | 17 | 26,883 | - |
| Intangible assets | 18 | 7,624 | - |
| Total non-current assets | | 36,269 | - |
| Total assets | | 49,144 | 27 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Trade and other payables | 19 | 2,297 | - |
| Deferred revenue | 20 | 668 | - |
| Borrowings | 21 | 1,401 | - |
| Provisions | 23 | 391 | - |
| Current tax liabilities | 22 | 1,021 | - |
| Total current liabilities | | 5,778 | - |
| Non-current liabilities | | | |
| Borrowings | 21 | 8,218 | - |
| Deferred tax liabilities | 22 | 1,930 | - |
| Other provisions | 23 | 33 | - |
| Total non-current liabilities | | 10,181 | - |
| Total liabilities | | 15,959 | - |
| Net assets | | 33,185 | 27 |
| EQUITY | | | |
| Issued capital | 24 | 32,039 | 27 |
| Retained earnings | | 2,468 | - |
| Reserves | 25 | (1,322) | - |
| Total equity | | 33,185 | 27 |

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 2015

| | Note | Issued Capital | Retained Earnings | Asset Revaluation Reserve | Common Control Reserve | Share Option Reserve | Total |
|---|------|-------------------|----------------------|---------------------------------|------------------------------|-------------------------|---------|
| | | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 |
| Balance at 1 July 2013 | | - | - | - | - | - | - |
| Comprehensive income | | | | | | | |
| Profit for the year | | - | - | - | - | - | - |
| Other comprehensive income for the year | | - | - | - | - | - | - |
| Total comprehensive income for the year | | - | - | - | - | - | - |
| Transactions with owners, in their capacity as owners, and other transfers | | | | | | | |
| Shares issued during the year | | 27 | - | - | - | - | 27 |
| Total transactions with owners and other transfers | | 27 | - | - | - | - | 27 |
| Balance at 30 June 2014 | | 27 | - | - | - | - | 27 |
| Balance at 1 July 2014 | | 27 | - | - | - | - | 27 |
| Comprehensive income | | | | | | | |
| Profit for the year | | - | 2,468 | - | - | - | 2,468 |
| Other comprehensive income for the year | | - | - | 2,844 | - | - | 2,844 |
| Total comprehensive income for the year | | - | 2,468 | 2,844 | - | - | 5,312 |
| Transactions with owners, in their capacity as owners, and other transfers | | | | | | | |
| Shares issued during the year | | 33,428 | - | - | - | - | 33,428 |
| Transaction costs | | (1,416) | - | - | - | - | (1,416) |
| Common control group reorganisation | 16c | - | - | - | (4,171) | - | (4,171) |
| Employee share options issued | | - | - | - | - | 5 | 5 |
| Total transactions with owners and other transfers | | 32,012 | - | - | (4,171) | 5 | 27,846 |
| Balance at 30 June 2015 | | 32,039 | 2,468 | 2,844 | (4,171) | 5 | 33,185 |

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 2015

| | Note | Consolidated Group | |
|---|------|--------------------|---------------|
| | | 2015 \$000 | 2014 \$000 |
| Cash flows from operating activities | | | |
| Receipts from customers | | 25,317 | - |
| Payments to suppliers and employees | | (20,115) | - |
| Finance costs | | (582) | - |
| Income tax paid | | (1,273) | - |
| Net cash provided by operating activities | 27a | 3,347 | - |
| Cash flows from investing activities | | | |
| Purchase of property, plant and equipment | | (5,049) | - |
| Purchase of other non-current assets | | (253) | - |
| Proceeds from sale of property, plant and equipment | | 60 | - |
| Payment for business acquisitions | 27b | (8,621) | - |
| Cash acquired in the group reorganisation | | 1,192 | - |
| Cash acquired in business acquisitions | | 195 | - |
| Net cash used in investing activities | | (12,476) | - |
| Cash flows from financing activities | | | |
| Proceeds from issue of shares | | 25,000 | 17 |
| Transaction costs associated with share issue | | (2,023) | - |
| Loans to related parties | | (1,445) | - |
| Repayment of borrowings | | (4,781) | - |
| Proceeds from borrowings | | 1,596 | - |
| Net cash provided by financing activities | | 18,347 | 17 |
| Net increase in cash held | | 9,218 | 17 |
| Cash and cash equivalents at beginning of financial year | | 17 | - |
| Cash and cash equivalents at end of financial year | 11 | 9,235 | 17 |

The accompanying notes form part of these financial statements.

Skydive the Beach Group Limited and Controlled Entities
ACN: 167 320 470
Notes to the Consolidated Financial Statements
for the year ended 30 June 2015

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 30 September 2015 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.

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 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.

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 attained 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 16c is a common control transaction as the companies which formed part of the group following the reorganisation are substantially owned by interests associated with the founder, Anthony Boucaut. As a result the accounting treatment under the "pooling of interest method" has 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".

Skydive the Beach Group Limited and Controlled Entities
ACN: 167 320 470
Notes to the Consolidated Financial Statements
for the year ended 30 June 2015

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

Refer to Note 16 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 being 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

Skydive the Beach Group Limited and its 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.

Skydive the Beach Group Limited and Controlled Entities

ACN: 167 320 470

**Notes to the Consolidated Financial Statements
for the year ended 30 June 2015**

Note 1 Summary of Significant Accounting Policies (continued)

(c) Revenue and Other Income

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. When the inflow of consideration is deferred it is treated as the provision of financing and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received is interest revenue.

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.

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 and 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 2(h) 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

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 or 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 and estimated residual value percentages are:

| Class of Fixed Asset | Depreciation Rates (%) | Residual Value (%) |
|-----------------------------|-------------------------------|---------------------------|
| Aircraft | 6.7% | 0-20% |
| Motor vehicles | 10.0% | 0% |
| Leasehold improvements | 2.5% | 0% |
| Office equipment | 25.0% | 0% |
| Plant and equipment | 25.0% | 0% |

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.

Skydive the Beach Group Limited and Controlled Entities
ACN: 167 320 470
Notes to the Consolidated Financial Statements
for the year ended 30 June 2015

Note 1 Summary of Significant Accounting Policies (continued)

(h) Property, Plant and Equipment (continued)

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 next major inspection event or the remaining life of the asset or remaining lease term.

The costs of subsequent major cyclical maintenance checks for owned and leased aircraft (including operating leases) are recognised and depreciated over the shorter of the scheduled usage period to the next major inspection event or 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). Manpower 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.

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 ranging from 3 to 5 years.

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 20 years.

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.

Skydive the Beach Group Limited and Controlled Entities
ACN: 167 320 470
Notes to the Consolidated Financial Statements
for the year ended 30 June 2015

Note 1 Summary of Significant Accounting Policies (continued)

(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 a 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 corporate 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.

Defined contribution superannuation expense

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

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 share and 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 Binomial Approximation Option Pricing method. 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) 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.

(p) 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.

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

(q) 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.

(r) Dividends

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

Skydive the Beach Group Limited and Controlled Entities
ACN: 167 320 470
Notes to the Consolidated Financial Statements
for the year ended 30 June 2015

Note 1 Summary of Significant Accounting Policies (continued)

(s) 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.

(t) 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 (ie 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 (ie 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.

(u) 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 company 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.

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.

Skydive the Beach Group Limited and Controlled Entities
ACN: 167 320 470
Notes to the Consolidated Financial Statements
for the year ended 30 June 2015

Note 1 Summary of Significant Accounting Policies (continued)

(u) Financial Instruments (continued)

(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.

(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 to 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.

Skydive the Beach Group Limited and Controlled Entities
ACN: 167 320 470
Notes to the Consolidated Financial Statements
for the year ended 30 June 2015

Note 1 Summary of Significant Accounting Policies (continued)

(v) 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.

(w) Goods and Services Tax (GST)

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

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

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

(x) 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.

(y) Comparative Figures

Information in the financial statements for the periods prior to the group reorganisation as disclosed in note 16 has not been restated to reflect the results of the group prior to that date.

Australian Accounting Standards have no specific principles that apply to a reorganisation of assets under "common control" (refer note 1a) and it has been determined that the comparative information should be that of Skydive the Beach Group Limited as a stand alone entity before the reorganisation, given it had no subsidiaries in the prior reporting period.

(z) Rounding of Amounts

The parent entity has applied the relief available to it under ASIC Class Order 98/100. Accordingly, amounts in the financial statements and directors' report have been rounded off to the nearest \$1,000.

(aa) New Accounting Standards for Application in Future Periods

Accounting Standards and Interpretations 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.

- AASB 15: *Revenue from Contracts with Customers* (applicable to annual reporting periods commencing on or after 1 January 2017).

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.

This Standard will require retrospective restatement, as well as enhanced disclosures 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.

Skydive the Beach Group Limited and Controlled Entities
ACN: 167 320 470
Notes to the Consolidated Financial Statements
for the year ended 30 June 2015

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, management believes 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 3-4% 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 2% 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 12.1% have been used in all models.

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

(b) Provision for Impairment of Receivables

The provision for impairment of receivables assessment requires a degree of estimation and judgement. The level of provision is assessed by taking into account the recent sales experience, the ageing of receivables, historical collection rates and specific knowledge of the individual debtors financial position.

(c) Provision for Impairment of Inventories

The provision for impairment of inventories assessment requires a degree of estimation and judgement. The level of the provision is assessed by taking into account the recent sales experience, the ageing of inventories and other factors that affect inventory obsolescence.

(d) Estimation of Useful Lives of Assets

The consolidated entity determines the estimated useful lives 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.

(e) Revaluation of property, plant and equipment

The Group carries its aircraft at fair value, 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 property. The key assumptions used to determine the fair value of the properties and sensitivity analyses are provided in Note 34.

(f) 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.

(g) Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences only if the consolidated entity considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

(h) 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.

(i) 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.

(j) 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.

Skydive the Beach Group Limited and Controlled Entities
ACN: 167 320 470
Notes to the Consolidated Financial Statements
for the year ended 30 June 2015

Note 2 Critical Accounting Estimates and Judgements (continued)

(j) Share-based payment transactions

The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial Approximation Option Pricing model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and

Note 3 Parent Information

| | 2015 \$000 | 2014 \$000 |
|---|---------------|---------------|
| The following information has been extracted from the books and records of the parent and has been prepared in accordance with Australian Accounting Standards. | | |
| STATEMENT OF FINANCIAL POSITION | | |
| ASSETS | | |
| Current Assets | 23,959 | 27 |
| Non-current Assets | 8,867 | - |
| TOTAL ASSETS | 32,826 | 27 |
| LIABILITIES | | |
| Current Liabilities | 1,159 | - |
| Non-current Liabilities | 2 | - |
| TOTAL LIABILITIES | 1,161 | - |
| EQUITY | | |
| Issued Capital | 32,037 | 27 |
| Retained earnings | (377) | - |
| Asset realisation reserve | 5 | - |
| TOTAL EQUITY | 31,665 | 27 |
| STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME | | |
| Total loss | (339) | - |
| Total comprehensive loss | (339) | - |

Guarantees

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

Contingent liabilities

There were no contingent liabilities as at 30 June 2014 or 30 June 2015.

Contractual commitments

There were no contractual commitments as at 30 June 2014 or 30 June 2015.

Note 4 Revenue and Other Income

| | Note | Consolidated Group | |
|---|-------|--------------------|---------------|
| | | 2015 \$000 | 2014 \$000 |
| Revenue | | | |
| Sale of goods and services | | 26,320 | - |
| Other income | | | |
| Interest received | | 72 | - |
| Other revenue | | 594 | - |
| | | 666 | - |
| Total revenue | | 26,986 | - |
| Interest revenue from: | | | |
| — other related parties | 34(b) | 15 | - |
| — other persons | | 57 | - |
| Total interest revenue on financial assets not at fair value through profit or loss | | 72 | - |

Skydive the Beach Group Limited and Controlled Entities
ACN: 167 320 470
Notes to the Consolidated Financial Statements
for the year ended 30 June 2015

Note 5 Profit for the Year

| | Consolidated 2015 \$000 | Group 2014 \$000 |
|---|-------------------------------|------------------------|
| Profit before income tax from continuing operations includes the following specific expenses: | | |
| Cost of sales | 13,737 | - |
| Interest expense on financial liabilities not at fair value through profit or loss: | | |
| — Unrelated parties | 582 | - |
| Total finance cost | 582 | - |
| Employee benefits expense | 6,549 | - |
| Bad and doubtful debts: | | |
| — trade receivables | 5 | - |
| Total bad and doubtful debts | 5 | - |
| Rental expense on operating leases | | |
| — minimum lease payments | 686 | - |
| Depreciation and amortisation expenses | 1,388 | - |

Note 6 Tax Expense

| | | | |
|--|----|-------|------|
| (a) The components of income tax expense comprise: | | | |
| Current tax | | 1,176 | - |
| Deferred tax | 22 | 355 | - |
| Under provision in respect of prior years | | 56 | - |
| | | 1,587 | - |
| Deferred tax included in income tax expense comprises: | | | |
| Decrease in deferred tax assets | | (8) | - |
| Increase in deferred tax liabilities | | 363 | - |
| | | 355 | - |
| (b) The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax as follows: | | | |
| Prima facie tax payable on profit before income tax at 30% (2014: 30%) | | 1,216 | - |
| Add tax effect of: | | | |
| — non-deductible depreciation and amortisation | | 7 | - |
| — non-allowable items | | 19 | - |
| | | 1,242 | - |
| Under provision of tax from prior years | | 56 | - |
| Recognition of deferred tax balances | | 286 | - |
| Cancellation of prior year losses | | 3 | - |
| Income tax attributable to entity | | 1,587 | - |
| The applicable weighted average effective tax rates are as follows: | | 39.1% | 0.0% |

| | | | | | | | |
|---|------|-------------------------------|---|-------------------------------|-------------------------------|---|-------------------------------|
| (c) Tax effects relating to each component of other comprehensive income: | | | | | | | |
| | Note | Before-tax amount \$000 | 2015 Tax (expense) benefit \$000 | Net-of-tax amount \$000 | Before-tax amount \$000 | 2014 Tax (expense) benefit \$000 | Net-of-tax amount \$000 |
| Revaluation of property, plant and equipment | 17a | 4,605 | (1,761) | 2,844 | - | - | - |
| | | 4,605 | (1,761) | 2,844 | - | - | - |

Skydive the Beach Group Limited and Controlled Entities
ACN: 167 320 470
Notes to the Consolidated Financial Statements
for the year ended 30 June 2015

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 2015.

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

| | 2015 \$000 | 2014 \$000 | |
|-------------------------------|---------------|---------------|----------|
| Short-term employee benefits | 755 | | - |
| Post-employment benefits | 31 | | - |
| Other long term benefits | - | | - |
| Termination benefits | - | | - |
| Share-based payments | - | | - |
| Total KMP compensation | 786 | | - |

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 cost 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 Auditors' Remuneration

| | Consolidated Group | | |
|--|--------------------|---------------|----------|
| | 2015 \$000 | 2014 \$000 | |
| Remuneration of the auditor for: | | | |
| – auditing or reviewing the financial report | 202 | | - |
| – taxation services | 124 | | - |
| – due diligence and other services | 395 | | - |
| | 721 | | - |

Note 9 Dividends

There were no dividends paid during the year.

The directors have declared a final fully franked dividend of \$0.01 per share, payable on 30 October 2015 out of retained profits at 30 June 2015, amounting to \$2,937,297.

Balance of franking account at year end adjusted for franking credits arising from:

| | | | |
|--|------------|--|----------|
| – payment of provision for income tax | 1,924 | | - |
| Subsequent to year-end, the franking account would be reduced by the proposed dividend mentioned above | (1,259) | | - |
| | 665 | | - |

Note 10 Earnings per Share

| | | | |
|---|--------------------|-----|----------|
| Earnings used to calculate basic and diluted EPS | 2,468 | | - |
| | No. | No. | |
| Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS | 219,124,111 | | - |
| Weighted average number of dilutive options outstanding | 4,322,466 | | - |
| Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS | 223,446,577 | | - |

Skydive the Beach Group Limited and Controlled Entities
ACN: 167 320 470
Notes to the Consolidated Financial Statements
for the year ended 30 June 2015

Note 11 Cash and Cash Equivalents

| | Note | Consolidated Group 2015 \$000 | 2014 \$000 |
|--------------------------|------|-------------------------------------|---------------|
| Cash at bank and on hand | | 4,235 | 17 |
| Short-term bank deposits | | 5,000 | - |
| | 33 | <u>9,235</u> | <u>17</u> |

The effective interest rate on short-term bank deposits was 2.3%; these deposits have an average maturity of 30 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 | 9,235 | 17 |
| Bank overdrafts | - | - |
| | <u>9,235</u> | <u>17</u> |

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

Note 12 Trade and Other Receivables

CURRENT

| | | | |
|---|---------|--------------|-----------|
| Trade receivables | 12 | 1,534 | - |
| Provision for impairment | 12a | (16) | - |
| | | <u>1,518</u> | - |
| Other receivables | | 161 | 10 |
| Amounts receivable from related parties | | | |
| — other related parties | 12d, 32 | 300 | - |
| Total current trade and other receivables | | <u>1,979</u> | <u>10</u> |

NON-CURRENT

| | | | |
|---|---------|--------------|----------|
| Amounts receivable from related parties: | | | |
| — other related parties | 12d, 32 | 1,735 | - |
| Total non-current trade and other receivables | | <u>1,735</u> | <u>-</u> |

(a) Provision For Impairment of Receivables

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

| | Opening Balance 01.07.14 \$000 | Charge for the Year \$000 | Amounts Written Off \$000 | Closing Balance 30.06.15 \$000 |
|---------------------------|---|---------------------------------|---------------------------------|--------------------------------------|
| Consolidated Group | | | | |
| Current trade receivables | - | 16 | - | 16 |
| | - | <u>16</u> | - | <u>16</u> |

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 12a. 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 2015 | Gross Amount \$000 | Past due and impaired \$000 | Past due but not impaired (days overdue) | | | | Within initial trade terms \$000 |
|----------------------------|-----------------------|-----------------------------------|---|----------------|----------------|--------------|--|
| | | | <30 \$000 | 31-60 \$000 | 61-90 \$000 | >90 \$000 | |
| Trade and term receivables | 1,534 | 16 | 403 | 127 | 216 | - | 772 |
| Other receivables | 161 | - | - | - | - | - | 161 |
| Total | <u>1,695</u> | <u>16</u> | <u>403</u> | <u>127</u> | <u>216</u> | <u>-</u> | <u>933</u> |

| | Note | Consolidated Group 2015 \$000 | 2014 \$000 |
|---|------|-------------------------------------|---------------|
| (b) Financial Assets Classified as Loans and Receivables | | | |
| Trade and other Receivables | | | |
| — Total current | | 1,979 | 10 |
| — Total non-current | | 1,735 | - |
| Financial assets | 33 | <u>3,714</u> | <u>10</u> |

(c) Collateral Pledged

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

(d) Amounts receivable from related parties

Amounts receivable 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 32.

Skydive the Beach Group Limited and Controlled Entities
ACN: 167 320 470
Notes to the Consolidated Financial Statements
for the year ended 30 June 2015

Note 13 Inventories

| | Note | Consolidated Group | |
|----------------------------------|------|--------------------|-------|
| | | 2015 | 2014 |
| | | \$000 | \$000 |
| CURRENT | | | |
| At cost: | | | |
| Raw materials, spares and stores | | 1,244 | - |

Note 14 Other Assets

| | | | |
|----------------------|--|-----|---|
| CURRENT | | | |
| Prepayments | | 180 | - |
| Other current assets | | 237 | - |
| | | 417 | - |

Note 15 Other Financial Assets

| | | | |
|-------------------------------------|-----|----|---|
| NON-CURRENT | | | |
| Available-for-sale financial assets | 15a | 27 | - |
| Total non-current assets | | 27 | - |

(a) **Available-for-sale financial assets**

| | | | |
|---|----|----|---|
| NON-CURRENT | | | |
| Unlisted investments, at cost | | | |
| — shares in other corporations | | 27 | - |
| Total available-for-sale financial assets | 33 | 27 | - |

Note 16 Interests in Subsidiaries

(a) **Information about Principal Subsidiaries**

The subsidiaries listed below have share capital consisting solely of ordinary shares 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.

| Name of subsidiary | Principal place of business | Ownership interest | |
|--|-----------------------------|--------------------|------|
| | | 2015 | 2014 |
| | | (%) | (%) |
| Aircraft Maintenance Centre Pty Ltd | Australia | 100% | - |
| Australia Skydive Pty Ltd | Australia | 100% | - |
| B & B No. 2 Pty Ltd | Australia | 100% | - |
| Bill & Ben Investments Pty Ltd | Australia | 100% | - |
| Skydive Holdings Pty Ltd | Australia | 100% | - |
| Skydive the Beach and Beyond Airlie Beach Pty Ltd | Australia | 100% | - |
| Skydive the Beach and Beyond BB Pty Ltd | Australia | 100% | - |
| Skydive the Beach and Beyond Central Coast Pty Ltd | Australia | 100% | - |
| Skydive the Beach and Beyond Great Ocean Road Pty Ltd | Australia | 100% | - |
| Skydive the Beach and Beyond Hunter Valley Pty Ltd | Australia | 100% | - |
| Skydive the Beach and Beyond Melbourne Pty Ltd | Australia | 100% | - |
| Skydive the Beach and Beyond Newcastle Pty Ltd | Australia | 100% | - |
| Skydive the Beach and Beyond Perth Pty Ltd | Australia | 100% | - |
| Skydive the Beach and Beyond Sydney Wollongong Pty Ltd | Australia | 100% | - |
| Skydive the Beach and Beyond Yarra Valley Pty Ltd | Australia | 100% | - |
| Skydive.com.au Pty Ltd | Australia | 100% | - |
| STBAUS Pty Ltd | Australia | 100% | - |

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

(b) **Significant Restrictions**

Other than those mentioned in note 21, there are no significant restrictions over the Group's ability to access or use assets, and settle liabilities, of the Group.

Skydive the Beach Group Limited and Controlled Entities
ACN: 167 320 470
Notes to the Consolidated Financial Statements
for the year ended 30 June 2015

Note 16 Interests in Subsidiaries (continued)

(c) Group Reorganisation of Entities Under Common Control

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.

After the STB reorganisation was completed, a single parent entity, Skydive the Beach Group Limited, owned 100% of the following new subsidiary companies:

Aircraft Maintenance Centre Pty Ltd
 B & B No 2 Pty Ltd
 Bill & Ben Investments Pty Ltd
 Skydive Holdings Pty Ltd
 Skydive the Beach and Beyond Airlie Beach Pty Ltd
 Skydive the Beach and Beyond Central Coast Pty Ltd
 Skydive the Beach and Beyond Great Ocean Road Pty Ltd
 Skydive the Beach and Beyond Hunter Valley Pty Ltd
 Skydive the Beach and Beyond Melbourne Pty Ltd
 Skydive the Beach and Beyond Newcastle Pty Ltd
 Skydive the Beach and Beyond Perth Pty Ltd
 Skydive the Beach and Beyond Sydney Wollongong Pty Ltd
 Skydive the Beach and Beyond Yarra Valley Pty Ltd
 Skydive.com.au Pty Ltd
 STBAUS Pty Ltd

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 of the group already been in a structure suitable to IPO. The effect of the this accounting treatment is that:

- 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.

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 that 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 | 10,913 |
| Total assets | <u>14,232</u> |
| Current liabilities | 4,329 |
| Non-current liabilities | 5,737 |
| Total liabilities | <u>10,066</u> |
| Carrying value of net assets acquired in group reorganisation | <u>4,167</u> |
| Fair value of purchase consideration | (8,338) |
| Common control reserve | <u>(4,171)</u> |

Skydive the Beach Group Limited and Controlled Entities
ACN: 167 320 470
Notes to the Consolidated Financial Statements
for the year ended 30 June 2015

Note 16 Interests in Subsidiaries (continued)

(d) Acquisition of Controlled Entities

Australia Skydive Pty Ltd

On 31 March 2015, Skydive the Beach and Beyond Sydney-Wollongong Pty Ltd, a wholly-owned subsidiary, acquired the all the shares in Australia Skydive Pty Ltd. The acquisition increased the number of skydiving drop zones from 11 to 16 and was the result of the Group's strategy to expand it's operations and minimise the impact of seasonality on the business.

| | Fair value \$000 |
|--|---------------------|
| Fair Value of Purchase consideration: | |
| Cash | 8,400 |
| Vendor Finance (i) | 3,123 |
| Add: Other costs | 221 |
| | 11,744 |
| Less: | |
| Current assets | 1,451 |
| Non-current assets | 12,523 |
| Current liabilities | (868) |
| Non-current liabilities | (3,119) |
| Identifiable assets acquired and liabilities assumed | 9,987 |
| Goodwill (ii) | 1,757 |

(i) The vendor finance amount is a loan agreement between the Vendors and Skydive the Beach and Beyond Sydney-Wollongong Pty Ltd. Interest is payable monthly in arrears at a rate of 6% per annum. The facility amount and any accrued interest is repayable to the Vendors no later than 3 years from the date of the loan agreement, being 31 March 2018.

(ii) The goodwill is attributable to the high profitability of the acquired business and the significant synergies expected to arise after the Group's acquisition of Australia Skydive Pty Ltd.

Skydive the Beach and Beyond BB Pty Ltd

On 30 June 2015, Skydive the Beach and Beyond Sydney-Wollongong Pty Ltd acquired the remaining 66.66% interest in and control of Skydive the Beach and Beyond BB Pty Ltd.

| | Note | Fair value \$000 |
|--|------|---------------------|
| Fair Value of Purchase consideration: | | |
| Shares issued (iii) | 24a | 90 |
| Add: Other costs | | 38 |
| | | 128 |
| Less: | | |
| Current assets | | 36 |
| Non-current assets | | 2 |
| Current liabilities | | (33) |
| Non-current liabilities | | (145) |
| Identifiable assets acquired and liabilities assumed | | (140) |
| Goodwill | | 268 |

(iii) The consideration of \$90,000 was settled through the issue of 360,000 shares in Skydive the Beach Group Limited.

Skydive the Beach Group Limited and Controlled Entities
ACN: 167 320 470
Notes to the Consolidated Financial Statements
for the year ended 30 June 2015

Note 17 Property, Plant and Equipment

| | Consolidated Group 2015 \$000 | 2014 \$000 |
|--|-------------------------------------|---------------|
| Plant and equipment: | | |
| At cost | 7,168 | - |
| Accumulated depreciation | <u>(1,127)</u> | - |
| | 6,041 | - |
| Leasehold improvements: | | |
| At cost | 935 | - |
| Accumulated depreciation | <u>(299)</u> | - |
| | 636 | - |
| Aircraft: | | |
| At revalued amounts | 19,239 | - |
| Accumulated depreciation | <u>(173)</u> | - |
| | 19,066 | - |
| Motor vehicles: | | |
| At cost | 1,248 | - |
| Accumulated depreciation | <u>(237)</u> | - |
| | 1,011 | - |
| Office equipment: | | |
| At cost | 429 | - |
| Accumulated depreciation | <u>(300)</u> | - |
| | 129 | - |
| Total property, plant and equipment | <u>26,883</u> | - |

The Group's aircraft asset 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.

(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.

| | Plant & Equipment \$000 | Leasehold Improvements \$000 | Aircraft \$000 | Motor Vehicles \$000 | Office Equipment \$000 | Total \$000 |
|---|-------------------------------|------------------------------------|----------------------|-------------------------|------------------------------|----------------------|
| Balance at 30 June 2014 | - | - | - | - | - | - |
| Assets acquired in group reorganisation | 2,704 | 287 | 6,488 | 452 | 53 | 9,984 |
| Additions through business combinations | 1,853 | 316 | 6,109 | 300 | 63 | 8,641 |
| Additions | 1,919 | 51 | 2,699 | 344 | 36 | 5,049 |
| Revaluation increments | - | - | 4,606 | - | - | 4,606 |
| Disposals | - | - | (60) | - | - | (60) |
| Depreciation expense | (435) | (18) | (776) | (85) | (23) | (1,337) |
| Balance at 30 June 2015 | <u>6,041</u> | <u>636</u> | <u>19,066</u> | <u>1,011</u> | <u>129</u> | <u>26,883</u> |

(b) Historical Cost

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

| | Consolidated Group 2015 \$000 | 2014 \$000 |
|--------------------------|-------------------------------------|---------------|
| Cost | 16,623 | - |
| Accumulated depreciation | <u>(1,818)</u> | - |
| Net book value | 14,806 | - |

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.

Skydive the Beach Group Limited and Controlled Entities
ACN: 167 320 470
Notes to the Consolidated Financial Statements
for the year ended 30 June 2015

Note 18 Intangible Assets

| | Consolidated Group 2015 \$000 | 2014 \$000 |
|---|-------------------------------------|---------------|
| Goodwill: | | |
| Cost | 3,569 | - |
| Accumulated impaired losses | - | - |
| | 3,569 | - |
| Trademarks, trade names and licences: | | |
| Cost | 2,000 | - |
| Accumulated amortisation and impairment losses | - | - |
| | 2,000 | - |
| Computer software: | | |
| Cost | 301 | - |
| Accumulated amortisation and impairment losses | (54) | - |
| | 247 | - |
| Customer relationships and other intangible assets: | | |
| Cost | 1,831 | - |
| Accumulated amortisation | (23) | - |
| | 1,808 | - |
| Total intangibles | 7,624 | - |

| | Goodwill \$000 | Trademarks, trade names & licences \$000 | Computer Software \$000 | Customer relationships and other \$000 | Total \$000 |
|--|-------------------|---|-------------------------------|---|----------------|
| Balance at 30 June 2014 | - | - | - | - | - |
| Assets acquired in group reorganisation | 1,544 | - | 26 | - | 1,570 |
| Acquisitions through business combinations | 2,025 | 2,000 | 45 | 1,820 | 5,890 |
| Additions | - | - | 204 | 11 | 215 |
| Amortisation charge | - | - | (28) | (23) | (51) |
| Balance at 30 June 2015 | 3,569 | 2,000 | 247 | 1,808 | 7,624 |

Intangible assets, other than goodwill and trade names, 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 trade names have an indefinite useful life.

Impairment disclosures

Goodwill is allocated to the groups two cash-generating units:

| | 2015 \$000 | 2014 \$000 |
|---------------------------------------|---------------|---------------|
| Skydive the Beach group of drop zones | 1,544 | - |
| Australia Skydive group of drop zones | 2,025 | - |
| Total | 3,569 | - |

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 12.1%.

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

| | Year 1-2 | Growth Rate Year 3-5 | Terminal | Discount Rate |
|---------------------------------------|----------|-------------------------|----------|---------------|
| Skydive the Beach group of drop zones | 4.00% | 3.00% | 2.00% | 12.10% |
| Australia Skydive group of drop zones | 4.00% | 3.00% | 2.00% | 12.10% |

Management has based the value-in-use calculations on financial forecasts for each reporting segment. These forecasts 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 2015 \$000 | 2014 \$000 |
|--|------|-------------------------------------|---------------|
| CURRENT | | | |
| Unsecured liabilities | | | |
| Trade payables | | 1,312 | - |
| Sundry payables and accrued expenses | | 985 | - |
| | | 2,297 | - |
| (a) Financial liabilities at amortised cost classified as trade and other payables | | | |
| Trade and other payables | | | |
| — Total current | | 2,297 | - |
| — Total non-current | | - | - |
| Financial liabilities as trade and other payables | 33 | 2,297 | - |

Skydive the Beach Group Limited and Controlled Entities
ACN: 167 320 470
Notes to the Consolidated Financial Statements
for the year ended 30 June 2015

Note 20 Deferred Revenue

| | Note | Consolidated 2015 \$000 | Group 2014 \$000 |
|----------------------------|------|-------------------------------|------------------------|
| Income received in advance | | 668 | - |
| | | 668 | - |

Note 21 Borrowings

| | Note | Consolidated 2015 \$000 | Group 2014 \$000 |
|------------------------------|-------|-------------------------------|------------------------|
| CURRENT | | | |
| Secured liabilities | | | |
| Bank loans | 21a,b | 64 | - |
| Finance lease liabilities | 21a,b | 1,337 | - |
| Total current borrowings | | 1,401 | - |
| NON-CURRENT | | | |
| Secured liabilities | | | |
| Bank loans | 21a,b | 697 | - |
| Finance lease liabilities | 21a,b | 5,289 | - |
| Vendor finance loan | 21a,e | 2,232 | - |
| Total non-current borrowings | | 8,218 | - |
| Total borrowings | 33 | 9,619 | - |

| | | Consolidated 2015 \$000 | Group 2014 \$000 |
|--|----------|-------------------------------|------------------------|
| (a) Total current and non-current secured liabilities: | | | |
| Bank loan | | 761 | - |
| Finance lease liabilities | | 6,626 | - |
| Vendor finance loan | 16(d)(i) | 2,232 | - |
| | | 9,619 | - |

(b) Collateral provided

The bank debt is generally secured by either first registered mortgages over certain assets owned by related parties for a fixed and floating charge over the Group's assets.

Lease liabilities are generally secured by the underlying leased assets and various fixed and floating charges.

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

| | Note | Consolidated 2015 \$000 | Group 2014 \$000 |
|--------------------------------|------|-------------------------------|------------------------|
| Cash and cash equivalents | 11 | 9,235 | 17 |
| Trade receivables | 12 | 1,518 | - |
| Listed investments | 15 | - | - |
| Total financial assets pledged | | 10,753 | 17 |

The collateral over cash and cash equivalents represents a floating charge. Listed investments cannot be disposed of without the consent of banks.

- (c) Included in finance lease liabilities 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. Interest rates generally range from 4-8% per annum.
- (d) The Group's banking facilities and finance arrangements are currently secured in part by Anthony Boucaut (Executive Director) and various related party entities. The Group is currently in the process of renegotiating it's security and other related terms of finance so as to remove the personal and related party security provided by Anthony Boucaut.
- (e) 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. This 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(i).

Skydive the Beach Group Limited and Controlled Entities
ACN: 167 320 470
Notes to the Consolidated Financial Statements
for the year ended 30 June 2015

Note 22 Tax

| | Consolidated Group | | | | |
|---|--------------------|----------------------------------|-------------------|----------------------------|-----------------|
| | 2015 | | 2014 | | |
| | \$000 | | \$000 | | |
| CURRENT | | | | | |
| Income tax payable | | 1,021 | | | - |
| | | <u>1,021</u> | | | <u>-</u> |
| NON-CURRENT | Opening Balance | Acquired in group reorganisation | Charged to Income | Charged directly to Equity | Closing Balance |
| | \$000 | \$000 | \$000 | \$000 | \$000 |
| Deferred tax liabilities | | | | | |
| Opening balance at 1 July 2014 | - | - | - | - | - |
| Property, Plant and Equipment | - | 546 | 351 | 1,761 | 2,658 |
| Provisions | - | - | (204) | - | (204) |
| Capital raising costs | - | - | 110 | (607) | (497) |
| Future income tax benefits attributable to tax losses | - | (125) | 94 | - | (31) |
| Other | - | - | 4 | - | 4 |
| Closing balance at 30 June 2015 | <u>-</u> | <u>421</u> | <u>355</u> | <u>1,154</u> | <u>1,930</u> |

Note 23 Provisions

| | Consolidated Group | |
|---|--------------------|----------|
| | 2015 | |
| | 2014 | |
| | \$000 | |
| CURRENT | | |
| Employee Benefits | | |
| Opening balance at 1 July 2014 | - | - |
| Amounts acquired in group reorganisation | 221 | - |
| Amounts acquired in business combinations | 80 | - |
| Additional provisions | 309 | - |
| Amounts used | (219) | - |
| Balance at 30 June 2015 | <u>391</u> | <u>-</u> |
| NON CURRENT | | |
| Employee Benefits | | |
| Opening balance at 1 July 2014 | - | - |
| Additional provisions | 33 | - |
| Amounts used | - | - |
| Balance at 30 June 2015 | <u>33</u> | <u>-</u> |

Analysis of Total Provisions

| | | |
|-------------|------------|----------|
| Current | 391 | - |
| Non-current | 33 | - |
| | <u>424</u> | <u>-</u> |

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).

Skydive the Beach Group Limited and Controlled Entities
ACN: 167 320 470
Notes to the Consolidated Financial Statements
for the year ended 30 June 2015

Note 24 Issued Capital

| | Consolidated Group | |
|---|--------------------|-------|
| | 2015 | 2014 |
| | \$000 | \$000 |
| 293,729,700 (2014: 26,618,080) fully paid ordinary shares | 32,039 | 27 |

The company has authorised share capital amounting to 293,729,700 ordinary shares.

(a) Ordinary Shares

| | Consolidated Group | |
|--|--------------------|------------|
| | 2015 | 2014 |
| | No. | No. |
| At the beginning of the reporting period | 26,618,080 | - |
| Shares issued during the year | | |
| — 30 June 2014 | - | 26,618,080 |
| — 1 July 2014 | 166,751,620 | - |
| — 29 March 2015 | 100,000,000 | - |
| — 30 June 2015 | 360,000 | - |
| At the end of the reporting period | 293,729,700 | 26,618,080 |

On 1 July 2014, 166,751,620 shares were issued for a total of \$8,337,581 as part of the group reorganisation of entities under common control.

On 29 March 2015, an initial public offering was successfully completed and a total of 100,000,000 shares were issued at \$0.25.

On 30 June 2015, 360,000 shares were issued at \$0.25 as consideration for the acquisition of the remaining two third interest in Skydive the Beach and Beyond BB Pty Ltd.

A total of 193,369,700 shares on issue are held in voluntary escrow by the company for a period of 24 months until 23 March 2017 and the balance of 100,000,000 are quoted on ASX.

Ordinary shares 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.

(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 in the year under review.

| | | Consolidated Group | |
|--------------------------------|--------|--------------------|-------|
| | Note | 2015 | 2014 |
| | | \$000 | \$000 |
| Total borrowings | 19, 21 | 11,916 | - |
| Less cash and cash equivalents | 11 | (9,235) | (17) |
| Net debt | | 2,681 | (17) |
| Total equity | | 33,185 | 27 |
| Total capital | | 35,866 | 10 |
| Gearing ratio | | 7% | N/A |

Note 25 Reserves

a. Asset Realisation Reserve

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

| | | | |
|---|----|-------|---|
| Revaluation gain on property, plant and equipment | 6c | 2,844 | - |
|---|----|-------|---|

b. Option Reserve

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

| | | | |
|--|--|---|---|
| | | 5 | - |
|--|--|---|---|

c. Common Control Reserve

The common control reserve represents the excess purchase consideration over the carrying value of the assets and liabilities acquired in the group reorganisation disclosed in note 16(c).

| | | | |
|--|-----|---------|---|
| | 16c | (4,171) | - |
|--|-----|---------|---|

| | | | |
|----------------------------------|--|---------|---|
| Total balance of reserves | | (1,322) | - |
|----------------------------------|--|---------|---|

Skydive the Beach Group Limited and Controlled Entities
ACN: 167 320 470
Notes to the Consolidated Financial Statements
for the year ended 30 June 2015

Note 26 Share-based Payments

- (i) During the year, 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. The 2,300,000 options granted to non-executive directors vest on 29 January 2016. One third of the remaining 8,000,000 options granted to executive directors vest on 29 January 2016, one third vest on 29 January 2017 and the final third 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 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 company options issued is as follows:

| | Number | Weighted average exercise price |
|---|------------|---------------------------------|
| Balance as at 1 July 2014 | - | - |
| Granted | | |
| - 30 January 2015 | 10,000,000 | \$0.25 |
| - 2 February 2015 | 300,000 | \$0.25 |
| Balance as at 30 June 2015 | 10,300,000 | \$0.25 |
| Options exercisable as at 30 June 2015: | Nil | |
| Options exercisable as at 30 June 2014: | Nil | |

| | | |
|--------------------------------------|--|---------|
| 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 other expenses in the statement of profit or loss and other comprehensive income is \$4,585 which relates to the amortisation of options issued.

Note 27 Cash Flow Information

| | Consolidated Group 2015 \$000 | 2014 \$000 |
|---|-------------------------------------|---------------|
| (a) Reconciliation of Cash Flow from Operating Activities with Profit after Income Tax | | |
| Profit after income tax | 2,468 | - |
| Non-cash flows in profit | | |
| Depreciation and amortisation | 1,388 | - |
| Share options expensed | 5 | - |
| Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries: | | |
| (Increase)/decrease in trade and term receivables | (378) | - |
| (Increase)/decrease in other current assets | 21 | - |
| (Increase)/decrease in inventories | (239) | - |
| Increase/(decrease) in trade payables and | (435) | - |
| Increase/(decrease) in income taxes payable | (41) | - |
| Increase/(decrease) in deferred taxes payable | 355 | - |
| Increase/(decrease) in provisions | 203 | - |
| Cash flow from operating activities | 3,347 | - |

Skydive the Beach Group Limited and Controlled Entities
ACN: 167 320 470
Notes to the Consolidated Financial Statements
for the year ended 30 June 2015

Note 27 Cash Flow Information (continued)

| | Consolidated Group 2015 \$000 | 2014 \$000 |
|---|-------------------------------------|---------------|
| (b) Acquisition of Entities | | |
| (i) During the year, 100% ownership interest in Australia Skydive Pty Ltd was acquired. Details of this transaction are: | | |
| Fair Value of purchase consideration: | | |
| Consisting of: | | |
| — Cash consideration | 8,400 | |
| — Vendor finance | 3,123 | |
| — Other costs | 221 | - |
| Total consideration | 11,744 | - |
| Cash consideration | 8,400 | - |
| Other costs | 221 | - |
| Cash outflow | 8,621 | - |
| Assets and liabilities held at acquisition date: | | |
| - Current assets | 1,451 | - |
| - Non-current assets | 12,523 | - |
| - Current liabilities | (868) | - |
| - Non-current liabilities | (3,119) | - |
| | 9,987 | - |
| Goodwill on consolidation | 1,757 | |
| Non-controlling equity interests in acquisition | - | - |
| | 11,744 | - |
| (ii) During the year, the remaining 66.66% ownership interest in Skydive the Beach and Beyond BB Pty Ltd was acquired. Details of this transaction are: | | |
| Fair Value of purchase consideration: | | |
| Consisting of: | | |
| — Shares issued | 90 | - |
| — Other costs | 38 | - |
| Total consideration | 128 | - |
| Cash consideration | - | - |
| Cash outflow | - | - |
| Assets and liabilities held at acquisition date: | | |
| - Current assets | 36 | - |
| - Non-current assets | 2 | - |
| - Current liabilities | (33) | - |
| - Non-current liabilities | (145) | - |
| | (140) | - |
| Goodwill on consolidation | 268 | - |
| Non-controlling equity interests in acquisition | - | - |
| | 128 | - |

The goodwill is attributable to the high profitability of the acquired business and the significant synergies expected to arise after the group's acquisition of Australia Skydive Pty Ltd and Skydive the Beach and Beyond Pty Ltd. Information regarding the acquisitions is disclosed at Note 16.

Skydive the Beach Group Limited and Controlled Entities
ACN: 167 320 470
Notes to the Consolidated Financial Statements
for the year ended 30 June 2015

Note 28 Capital and Leasing Commitments

| | Note | Consolidated Group 2015 \$000 | 2014 \$000 |
|---|------|-------------------------------------|---------------|
| (a) Finance Lease Commitments | | | |
| Payable — minimum lease payments | | | |
| — not later than 12 months | | 1,638 | - |
| — between 12 months and five years | | 5,895 | - |
| — later than five years | | - | - |
| Minimum lease payments | | <u>7,533</u> | - |
| Less future finance charges | | <u>(907)</u> | - |
| Present value of minimum lease payments | 21 | <u>6,626</u> | - |

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.

(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 | | 840 | - |
| — between 12 months and five years | | 800 | - |
| — later than five years | | 142 | - |
| | | <u>1,781</u> | - |

Included in operating leases are various non-cancellable property leases with a 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 exists to renew certain leases at the end of the term for an additional term of 1-5 years.

(c) Capital Expenditure Commitments

Capital expenditure commitments contracted for:

| | | | |
|-----------------------------------|--|------------|---|
| Plant and equipment purchases (i) | | 746 | - |
| Capital expenditure projects | | - | - |
| | | <u>746</u> | - |

(i) Plant and equipment purchases includes the acquisition of 60 new parachutes to be paid by November 2015.

Note 29 Operating Segments

General Information

Identification of reportable segments

The Group operates primarily within one geographical segment and one business segment, being the operation of skydiving facilities in Australia and reports to the Board on the performance of the Group as a whole.

Basis of accounting for purposes of reporting by operating segments

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.

Note 30 Events After the Reporting Period

There have been no significant events since 30 June 2015.

Note 31 Contingent Liabilities and Contingent Assets

The Group has no contingent assets or contingent liabilities at 30 June 2015.

Skydive the Beach Group Limited and Controlled Entities
ACN: 167 320 470
Notes to the Consolidated Financial Statements
for the year ended 30 June 2015

Note 32 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 remuneration of 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 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 | |
|--|--------------------|-------|
| | 2015 | 2014 |
| | \$000 | \$000 |
| Key Management Personnel | | |
| Property lease payments to IGMAITB Pty Ltd atf IGMAITB Discretionary Trust, being an entity controlled by Anthony Boucaut (Executive Director), for the property located at 3453 Spencers Brook Rd, York WA | 208 | - |
| Property lease payments to IGMAITB Pty Ltd atf IGMAITB Discretionary Trust, being an entity controlled by Anthony Boucaut (Executive Director), for the property located at Belmont Airport, NSW | 30 | - |
| Property lease payments to IGMAITB Pty Ltd atf IGMAITB Discretionary Trust, being an entity controlled by Anthony Boucaut (Executive Director), for the property located at 12 Air Whitsunday Rd, Flametree QLD | 30 | - |
| Property lease payments to Mornington Waters atf Jaspers Brush Property Trust, being an entity controlled by Anthony Boucaut (Executive Director), for the property located at Lot 1, DP813335, Swamp Rd, Jaspers Brush NSW | 40 | - |
| Property lease payments to Illawarra Hangar Pty Ltd atf Illawarra Hangar Unit Trust, being an entity controlled by Anthony Boucaut (Executive Director), for the property located at Hangar 5, 32 Airport Rd, Albion Park Rail NSW | 50 | - |

(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 | - | - |
| Loans acquired in group reorganisation | 590 | - |
| Loans advanced | 1,430 | - |
| Interest charged | 15 | - |
| End of the year | 2,035 | - |

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.

Skydive the Beach Group Limited and Controlled Entities
ACN: 167 320 470
Notes to the Consolidated Financial Statements
for the year ended 30 June 2015

Note 33 Financial Risk Management

The Group's financial instruments consist mainly of deposits with banks, short-term investments, accounts receivable and payable, loans to and from related parties, leases, and options.

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

| | Note | Consolidated 2015 \$000 | Group 2014 \$000 |
|---|------|-------------------------------|------------------------|
| Financial Assets | | | |
| Cash and cash equivalents | 11 | 9,235 | 17 |
| Loans and receivables | 12b | 3,714 | 10 |
| Available-for-sale financial assets | | | |
| — at cost | | | |
| — unlisted investments | 15a | 27 | - |
| Total available-for-sale financial assets | | <u>27</u> | <u>-</u> |
| Total Financial Assets | | <u>12,976</u> | <u>27</u> |
| Financial Liabilities | | | |
| Financial liabilities at amortised cost | | | |
| — Trade and other payables | 19 | 2,297 | - |
| — Borrowings | 21 | 9,619 | - |
| Total Financial Liabilities | | <u>11,916</u> | <u>-</u> |

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

a. Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by 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 and are immaterial.

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.

| | Note | Consolidated 2015 \$000 | Group 2014 \$000 |
|-----------------------------|------|-------------------------------|------------------------|
| Cash and cash equivalents | | | |
| — AA Rated | | 4,235 | 17 |
| Held-to-maturity securities | | | |
| — AA Rated | 15 | 5,000 | - |

Skydive the Beach Group Limited and Controlled Entities
ACN: 167 320 470
Notes to the Consolidated Financial Statements
for the year ended 30 June 2015

Note 33 Financial Risk Management (continued)

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 | |
|---|---------------|-------|--------------|-------|--------------|-------|--------|-------|
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| Consolidated Group | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 |
| Financial liabilities due for payment | | | | | | | | |
| Bank loans | 64 | - | 697 | - | - | - | 761 | - |
| Trade and other payables | 2,297 | - | - | - | - | - | 2,297 | - |
| Finance lease liabilities | 1,337 | - | 5,289 | - | - | - | 6,626 | - |
| Vendor finance loan | - | - | 2,232 | - | - | - | 2,232 | - |
| Total expected outflows | 3,698 | - | 8,218 | - | - | - | 11,916 | - |
| Financial Assets - cash flows realisable | | | | | | | | |
| Cash and cash equivalents | 9,235 | 17 | - | - | - | - | 9,235 | 17 |
| Trade and other receivables | 1,679 | 10 | - | - | - | - | 1,679 | 10 |
| Amounts receivable from related parties | 300 | - | 1,200 | - | 535 | - | 2,035 | - |
| Total anticipated inflows | 11,214 | 27 | 1,200 | - | 535 | - | 12,949 | 27 |
| Net (outflow) / inflow on financial instruments | 7,516 | 27 | (7,018) | - | 535 | - | 1,033 | 27 |

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(c) for further details, however this is considered unlikely.

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 2015 approximately 92% of group debt is fixed.

Sensitivity Analysis

The following table illustrates sensitivities to the Group's exposures to changes in interest rates. The table indicates the impact on how profit and equity values reported at the end of the reporting period would have been affected by changes in the relevant risk variable that management considers to be reasonably possible.

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

| Year ended 30 June 2015 | Consolidated Group | |
|--------------------------|--------------------|--------------|
| | Profit \$000 | Equity \$000 |
| +/- 2% in interest rates | 59 | 59 |

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

Skydive the Beach Group Limited and Controlled Entities
ACN: 167 320 470
Notes to the Consolidated Financial Statements
for the year ended 30 June 2015

Note 33 Financial Risk Management (continued)

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 (ie 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.

| | Note | 2015 | | 2014 | |
|--|-------|--------------------------|---------------------|--------------------------|---------------------|
| | | Carrying Amount \$000 | Fair Value \$000 | Carrying Amount \$000 | Fair Value \$000 |
| Consolidated Group | | | | | |
| Financial assets | | | | | |
| Cash and cash equivalents | 11 | 9,235 | 9,235 | 17 | 17 |
| Trade and other receivables | | | | | |
| - related parties - loans and advances | 12,32 | 2,035 | 2,035 | - | - |
| - non-related parties - term and trade receivables | 12 | 1,679 | 1,679 | 10 | 10 |
| Total trade and other receivables | 12 | 3,714 | 3,714 | 10 | 10 |
| <i>Available-for-sale financial assets:</i> | | | | | |
| - at cost | | | | | |
| - unlisted investments | | 27 | 27 | - | - |
| Total available-for-sale financial assets | 15,33 | 27 | 27 | - | - |
| Total financial assets | | 12,976 | 12,976 | 27 | 27 |
| Financial liabilities | | | | | |
| Trade and other payables | 19 | 2,297 | 2,297 | - | - |
| Vendor finance loan | 21 | 2,232 | 2,232 | - | - |
| Bank debt | 21 | 7,386 | 7,386 | - | - |
| Total financial liabilities | | 11,915 | 11,915 | - | - |

Note 34 Fair Value Measurements

The Group subsequently measured its aircraft at fair value at 30 June 2015.

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

(a) *Fair value hierarchy*

AASB 13 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 also selects valuation techniques 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.

Skydive the Beach Group Limited and Controlled Entities
ACN: 167 320 470
Notes to the Consolidated Financial Statements
for the year ended 30 June 2015

Note 34 Fair Value Measurements (continued)

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.

| | Note | 30 June 2015 | | | Total \$000 |
|--|------|------------------|------------------|------------------|----------------|
| | | Level 1 \$000 | Level 2 \$000 | Level 3 \$000 | |
| Non-recurring fair value measurements | | | | | |
| Aircraft equipment | | - | 19,066 | - | 19,066 |
| Total non-financial assets recognised at fair value on a non-recurring basis | | - | 19,066 | - | 19,066 |
| Total non-financial assets recognised at fair value | | - | 19,066 | - | 19,066 |

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

| Description | Fair value (\$) at | | Valuation technique(s) | Inputs used |
|-----------------------------|--------------------|--|--|--|
| | 30 Jun 2015 | | | |
| <i>Non-financial assets</i> | | | | |
| Aircraft equipment | 19,066 | | 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 |
| | <u>19,066</u> | | | |

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.

Note 35 Preliminary Financial report Reconciliation

An unaudited Preliminary Financial Report was released to the Australian Stock Exchange (ASX) on 31 August 2015. Subsequent to the release of this report, the directors reconsidered the accounting treatment with regards to the common control transaction referred to in notes 1(a) and 16(c) and as a result have adjusted the equity balances accordingly. In addition to this, the classification of related party loans was adjusted to reflect the contractual nature of the repayment terms. The reconciliation of the amounts and disclosures in the Appendix 4E to the Annual Report is as follows:

| | Appendix 4E \$000 | Annual Report \$000 | Difference \$000 |
|-----------------------------|----------------------|------------------------|---------------------|
| Current Assets | | | |
| Trade and other receivables | 3,714 | 1,979 | (1,735) |
| Non-current Assets | | | |
| Trade and other receivables | - | 1,735 | 1,735 |
| Equity | | | |
| Issued capital | 23,701 | 32,039 | 8,338 |
| Retained earnings | 6,635 | 2,468 | (4,167) |
| Reserves | 2,849 | (1,322) | (4,171) |
| | <u>33,185</u> | <u>33,185</u> | - |

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

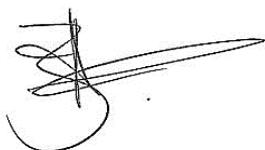
Skydive the Beach Group Limited and Controlled Entities
ACN: 167 320 470
Directors' Declaration

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
Chief Executive Officer



.....
Anthony Ritter
Chief Financial Officer

Dated: 30 September 2015

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
SKYDIVE THE BEACH GROUP LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Skydive the Beach Group Limited and controlled entities, which comprises the consolidated statement of financial position as at 30 June 2015, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility 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 is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion(s).

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Skydive the Beach Group Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

- (a) the financial report of Skydive the Beach Group Limited and controlled entities is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 8 to 10 of the directors' report for the year ended 30 June 2015. 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.

Opinion

In our opinion the Remuneration Report of Skydive the Beach Group Limited and controlled entities for the year ended 30 June 2015 complies with section 300A of the *Corporations Act 2001*.

RSM Bird Cameron Partners

RSM BIRD CAMERON PARTNERS


G N SHERWOOD
Partner

Sydney, NSW
Dated: 30 September 2015

Skydive the Beach Group Limited and Controlled Entities
ACN: 167 320 470
Additional Information for Listed Public Companies

The following information is current as at 17 September 2015:

1. Shareholding

a. Distribution of Shareholders

| Category (size of holding) | Number Ordinary |
|----------------------------|----------------------------|
| 1 – 1,000 | 21 |
| 1,001 – 5,000 | 50 |
| 5,001 – 10,000 | 112 |
| 10,001 – 100,000 | 168 |
| 100,001 – and over | 26 |
| | <u>377</u> |

b. The number of shareholdings held in less than marketable parcels is 29.

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

| Shareholder | Number Ordinary |
|---|----------------------------|
| Mr Anthony P Boucaut & Associated Companies | 179,817,245 |
| Perennial Value Management Pty Ltd | 17,379,071 |
| Paradise Investment Management Pty Ltd | 16,000,000 |

d. Voting Rights

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 | 45.0% |
| 2. National Nominees Limited | 31,217,259 | 10.6% |
| 3. Skydive the Beach Pty Ltd | 23,912,660 | 8.1% |
| 4. Skydive Perth Pty Ltd | 16,338,000 | 5.6% |
| 5. J P Morgan Nominees Australia Limited | 12,500,810 | 4.3% |
| 6. HSBC Custody Nominees (Australia) Limited | 9,638,212 | 3.3% |
| 7. RBC Investor Services Australia Pty Limited | 9,093,888 | 3.1% |
| 8. Citicorp Nominees Pty Limited | 8,312,299 | 2.8% |
| 9. Skydive the Beach Melbourne Pty Ltd | 7,482,000 | 2.5% |
| 10. Ms Ariane Radford | 7,267,940 | 2.5% |
| 11. Equitas Nominees Pty Limited | 6,210,000 | 2.1% |
| 12. BNP Paribas Noms Pty Ltd | 4,031,188 | 1.4% |
| 13. UBS Nominees Pty Ltd | 4,000,000 | 1.4% |
| 14. Ms Celeste Linda Ritter | 3,383,970 | 1.2% |
| 15. Whitfield Investments Pty Ltd | 2,600,545 | 0.9% |
| 16. Citicorp Nominees Pty Limited | 2,047,778 | 0.7% |
| 17. Aust Executor Trustees Ltd | 1,600,000 | 0.5% |
| 18. Mr Dale Ross Wirtanen | 603,503 | 0.2% |
| 19. Radrob Pty Ltd | 520,000 | 0.2% |
| 20. Galdarn Pty Ltd | 500,000 | 0.2% |
| | <u>283,344,017</u> | <u>96.5%</u> |

Skydive the Beach Group Limited and Controlled Entities
ACN: 167 320 470
Additional Information for Listed Public Companies

2. The name of the company secretaries are Anthony Ritter and John Diddams.
3. The address of the principal registered office in Australia is:
Level 1, 51 Montague Street, North Wollongong NSW 2500.
Telephone 1300 663 634.
4. The register of securities are held at the following address:
Boardroom Pty Ltd Level 7, 207 Kent Street, Sydney NSW 2000
5. **Stock Exchange Listing**
Excluding 193,369,700 escrow shares, quotation has been granted for 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 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 Chief Executive Officer Timothy Radford, Executive Director and Chief Operating Officer Anthony Ritter, Executive Director and Chief Financial Officer John Diddams, Non-executive Director Dr. Nigel Finch, 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 Bird Cameron Partners Level 12, 60 Castlereagh Street Sydney NSW 2000 |
| Share Registry: | Boardroom Pty Ltd Level 7, 207 Kent Street Sydney NSW 2000 |
| Bankers: | Westpac Banking Corporation Suite 1, 104 Crown Street Wollongong NSW 2500 National Australia Bank Limited 118-126 Princes Highway Fairy Meadow NSW 2519 |
| Stock Exchange Listing Code: | SKB |
| Website: | www.skydive.com.au |