

Skydive the Beach Group Limited and Controlled Entities

ABN: 56 167 320 470

Interim Financial Report
For the half year ended 31 December 2014

Skydive the Beach Group Limited and Controlled Entities

ABN: 56 167 320 470

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Skydive the Beach Group Limited and Controlled Entities

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Directors' Report

Your directors submit the interim financial report of the Consolidated Group consisting of Skydive the Beach Group Limited ('the Company') and its controlled entities ('the Group') for the half-year ended 31 December 2014.

The names of directors who held office during or since the end of the half-year and up to the date of this report, unless otherwise stated:

Anthony Boucaut

Anthony Ritter

Tim Radford

John Diddams

William Beerworth (appointed 23 December 2014)

Dr. Nigel Finch (appointed 1 February 2015)

Review of operations

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.

As at 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 for the sum of \$8,337,581, in return for 166,751,620 shares 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:

Skydive the Beach and Beyond Sydney Wollongong Pty Ltd

Skydive the Beach and Beyond Central Coast Pty Ltd

Skydive the Beach and Beyond Hunter Valley Pty Ltd

Skydive the Beach and Beyond Melbourne Pty Ltd

Skydive the Beach and Beyond Yarra Valley Pty Ltd

Skydive the Beach and Beyond Great Ocean Road Pty Ltd

Skydive the Beach and Beyond Perth Pty Ltd

Skydive the Beach and Beyond Airlie Beach Pty Ltd

Skydive the Beach and Beyond Newcastle Pty Ltd

Skydive.com.au Pty Ltd

STBAUS Pty Ltd

Bill & Ben Investments Pty Ltd

B & B No 2 Pty Ltd

Aircraft Maintenance Centre Pty Ltd

Skydive Holdings Pty Ltd

On 10th December 2014, Skydive the Beach and Beyond Wollongong Pty Limited (a wholly owned Subsidiary of the Company) entered into a share sale deed with the owners of a complementary skydive business known as Australian Skydive Group (ASG) for the acquisition of business through acquisition of all the shares in the various companies that make up ASG, subject to certain preconditions. The preconditions to completion of the transaction include, among other things:

- (a) completion of due diligence satisfactory to the purchaser;
- (b) approval to the transaction by the purchaser's shareholders;
- (c) any third party consents being obtained and encumbrances removed, including without limitation the obtaining of relevant consents from any government authorities to the transaction; and
- (d) any additional matters reasonably required by the purchaser following completion of the due diligence.

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Directors' Report

The transaction is also subject to finance and also stipulates that the acquisition must be complete by 31 March 2015. The consideration for the transaction is \$11.7 million, payable by way of a non-refundable deposit (in 2 instalments) totalling \$600,000, the payment is \$7.8 million at completion of the transaction, and a further amount of \$3.3 million payable over the following 3 years. The purchaser will assume \$3 million of the ASG debt held at completion. Vendor (and related entity) warranties and restraints apply.

On 28 November 2014, following confidential discussions between the Company's Directors and the Australian Competition & Consumer Commission ("ACCC"), the ACCC issued a letter confirming that based on the information provided by the Company to the ACCC in its submission to the ACCC dated 19 November 2014, the ACCC does not intend to conduct a public review of the Proposed Acquisition pursuant to section 50 of the Competition and Consumer Act 2010.

Assuming the ASG acquisition completes on or before 31 March 2015, the Group's business will grow by the addition of a further 5 drop zones, taking the total number of drop zones operated by the Company and its Controlled Entities to 16 drop zones.

ASG has been operating for 30 years and was the first company to develop the tandem skydive in Australia. It operates tandem skydives only, under various trading names, in various locations in NSW and Queensland. It operates a fleet of 5 aircraft with varying passenger capacity (4 owned and 1 leased). In 2013, the business completed 39,113 tandem jumps, increasing to 42,051 in the 2014 financial year, and it is forecasting approximately 52,000 tandem jumps in the 2015 financial year.

Events subsequent to the end of the reporting period

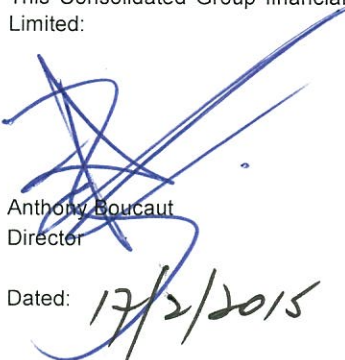
On 30 January 2015, the shareholders of Skydive the Beach Group Limited approved in principle an Employee Share Scheme (ESS) subject to some further amendments which were approved by the Directors on 9 February 2015.

The ESS to be known as the Skydive the Beach Share Option Plan (SOP), will enable the Company, within the limits imposed, to offer employees, executives and directors interests based on performance, options and service rights.

The initial grants offered total 10,300,000 at an exercise price of \$0.25 per share and are based on achieving or exceeding service conditions over 3 years.

Other than the above, no other matters or circumstances have arisen since the end of the period which significantly affected or may significantly affect the operations of the Consolidated Group, the results of those operations, or the state of affairs of the Consolidated Group in future financial years.

This Consolidated Group financial report is signed in accordance with a resolution of the Directors of Skydive the Beach Group Limited:



Anthony Boucaut
Director

Dated: 17/2/2015

Skydive the Beach Group Limited and Controlled Entities

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Consolidated Statement of Comprehensive Income for the Half Year Ended 31 December 2014

	Consolidated Group	
	Half-year Ended 31 December 2014	Half-year Ended 31 December 2013 *
	\$	\$
Revenue	10,020,899	-
Cost of sales	(5,103,387)	-
Gross profit	4,917,512	-
Other income	294,725	-
Administration expenses	(761,620)	-
Occupancy expenses	(389,014)	-
Depreciation and amortisation expenses	(510,901)	-
Marketing, advertising and agents commission	(1,077,162)	-
Repairs and maintenance expenses	(118,578)	-
Finance costs	(389,320)	-
Other expenses	(686,217)	-
Profit before income tax expense	1,279,425	-
Income tax expense	(509,102)	-
Profit for the period	770,323	-
Other comprehensive income for the period	-	-
Total comprehensive income for the period	770,323	-
Earnings per share		
From continuing operations:		
basic earnings per share (cents)	\$ 0.00	-
diluted earnings per share (cents)	\$ 0.00	-

The accompanying notes form part of these financial statements.

* No comparative figures have been presented due to the fact that the consolidated group was only brought into effect on 1 July 2014.

Skydive the Beach Group Limited and Controlled Entities

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Consolidated Statement of Financial Position as at 31 December 2014

	Note	Consolidated Group	
		As at 31 December 2014	As at 30 June 2014
		\$	\$
ASSETS			
Current assets			
Cash and cash equivalents		1,444,960	16,750
Trade and other receivables		2,095,070	9,868
Inventories		1,032,297	-
Other current assets		335,337	-
Total current assets		4,907,664	26,618
Non-current assets			
Plant and equipment		11,125,937	-
Intangible assets		1,551,418	-
Other non-current assets		400,000	-
Total non-current assets		13,077,355	-
Total assets		17,985,019	26,618
LIABILITIES			
Current liabilities			
Trade and other payables		2,297,406	-
Borrowings		1,511,632	-
Income received in advance		266,667	-
Provisions		175,867	-
Current tax liabilities		1,136,269	-
Total current liabilities		5,387,841	-
Non-current liabilities			
Borrowings		6,469,189	-
Deferred tax liabilities		387,889	-
Provisions		47,825	-
Total non-current liabilities		6,904,903	-
Total liabilities		12,292,744	-
Net assets		5,692,275	26,618
Equity			
Issued capital	3	26,618	26,618
Retained earnings		5,665,657	-
Total equity		5,692,275	26,618

The accompanying notes form part of these financial statements.

Skydive the Beach Group Limited and Controlled Entities

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Consolidated Statement of Changes in Equity for the Half Year Ended 31 December 2014

	Issued capital \$	Retained earnings \$	Total \$
Balance at 19 December 2013	-	-	-
Comprehensive income			
Profit for the period	-	-	-
Other comprehensive income	-	-	-
Total comprehensive income	-	-	-
Transactions with owners, in their capacity as owners			
Issued shares	26,618	-	26,618
Distributions paid	-	-	-
Total transactions with owners	26,618	-	26,618
Balance as at 31 December 2013	26,618	-	26,618
Balance at 1 July 2014	26,618	-	26,618
Comprehensive income			
Profit for the period	-	770,323	770,323
Other comprehensive income	-	-	-
Total comprehensive income	-	770,323	770,323
Transactions with owners, in their capacity as owners			
Retained earnings in group reorganisation*	-	4,895,334	4,895,334
Issued shares	-	-	-
Distributions paid or provided for	-	-	-
Total transactions with owners	-	4,895,334	4,895,334
Balance as at 31 December 2014	26,618	5,665,657	5,692,275

The accompanying notes form part of these financial statements.

* The balance represents the accumulated retained earnings of the companies acquired in the group reorganisation on 1 July 2014 as described in note 1a and note 6.

Skydive the Beach Group Limited and Controlled Entities

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Consolidated Statement of Cash Flows for the Half Year Ended 31 December 2014

	Consolidated Group	
	Half-year Ended 31 December 2014	Half-year Ended 31 December 2013
	\$	\$
Cash flows from operating activities		
Receipts from customers	7,935,697	-
Payments to suppliers and employees	(6,509,186)	-
Finance costs	(389,320)	-
Income tax paid	(274,110)	-
Net cash provided by operating activities	763,081	-
Cash flows from investing activities		
Payment for plant and equipment	(1,545,880)	-
Payment for investments	(400,000)	-
Cash acquired in the group reorganisation *	1,191,647	-
Net cash used in investing activities	(754,233)	-
Cash flows from financing activities		
Distributions paid	-	-
Proceeds from issued capital	-	-
Proceeds from borrowings	1,419,362	-
Net cash provided by financing activities	1,419,362	-
Net increase in cash held	1,428,210	-
Cash at beginning of the period	16,750	-
Cash at end of the period	1,444,960	-

The accompanying notes form part of these financial statements.

* The cash acquired represents the cash on hand on 1 July 2014 when Skydive the Beach Group Limited was reorganised as described in note 1a and note 6.

Skydive the Beach Group Limited and Controlled Entities

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Notes to the consolidated financial statements for the half year ended 31 December 2014

1. Summary of significant accounting policies

Basis of Preparation

These special purpose interim financial statements for half-year reporting period ended 31 December 2014 have been prepared in accordance with Australian Accounting Standard AASB 134: Interim Financial Reporting. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

This interim financial report is intended to provide users with an update on the latest annual financial statements of Skydive the Beach Group Limited and its controlled entities (referred to as the "Consolidated Group" or "Group").

These interim financial statements were authorised for issue on 9 February 2015.

Accounting Policies

a) 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.

As at 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 for the sum of \$8,337,581, in return for 166,751,620 shares 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. See Note 6 for further details in respect of this transaction.

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

Skydive the Beach and Beyond Sydney Wollongong Pty Ltd
Skydive the Beach and Beyond Central Coast Pty Ltd
Skydive the Beach and Beyond Hunter Valley Pty Ltd
Skydive the Beach and Beyond Melbourne Pty Ltd
Skydive the Beach and Beyond Yarra Valley Pty Ltd
Skydive the Beach and Beyond Great Ocean Road Pty Ltd
Skydive the Beach and Beyond Perth Pty Ltd
Skydive the Beach and Beyond Airlie Beach Pty Ltd
Skydive the Beach and Beyond Newcastle Pty Ltd
Skydive.com.au Pty Ltd
STBAUS Pty Ltd
Bill & Ben Investments Pty Ltd
B & B No 2 Pty Ltd
Aircraft Maintenance Centre Pty Ltd
Skydive Holdings 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.
- the potential uplift in the fair value of net assets of \$3,442,347 being the difference between the shares issued of \$8,337,581 (Note 3) and carrying value of assets transferred of \$4,895,334 (Note 6) is not brought into account in the consolidated financial statements.

Financial 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.

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Notes to the consolidated financial statements for the half year ended 31 December 2014

1. Summary of significant accounting policies (continued)

b) Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value which is calculated as the sum of the acquisition-date fair values of assets transferred by the Consolidated Group, liabilities incurred by the Consolidated Group to the former owners of the acquiree and the equity instruments issued by the Consolidated Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- i. deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with AASB 112 'Income Taxes' and AASB 119 'Employee Benefits' respectively;
- ii. liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with AASB 2 'Share-based Payment' at the acquisition date; and
- iii. assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 'Non-current Assets Held for Sale and Discontinued Operations' are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Where the consideration transferred by the Consolidated Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or liability is remeasured at subsequent reporting dates in accordance with AASB 139, or AASB 137 'Provisions, Contingent Liabilities and Contingent Assets', as appropriate, with the corresponding gain or loss being recognised in profit or loss.

Where a business combination is achieved in stages, the Consolidated Group's previously held interests in the acquired entity are re-measured to fair value at the acquisition date (i.e. the date the Skydive the Beach Group attains control) and the resulting gain or loss, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting year in which the combination occurs, the Skydive the Beach Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement year, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement year is the year from the date of acquisition to the date the Skydive the Beach Group obtains complete information about facts and circumstances that existed as of the acquisition date – and is subject to a maximum of one year.

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Notes to the consolidated financial statements for the half year ended 31 December 2014

1. Summary of significant accounting policies (continued)

c) Fair value of assets and liabilities

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

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

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

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

d) Inventories

Inventories are measured at the lower of cost and net realisable value. Net realisable value represents the estimated selling prices of inventories less all estimated costs to make the sale.

e) Property, plant and equipment

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

Plant and equipment

Plant and equipment are measured on the cost basis and are therefore carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount. A formal assessment of recoverable amount is made when impairment indicators are present (refer to Note 1(g) for details of impairment).

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

Depreciation

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

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

Class of fixed asset	Depreciation rate
Plant and equipment (including planes, engines, rigs)	5 – 25%
Office equipment	25%
Motor vehicles	10%
Leasehold improvements	2.5%

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

Skydive the Beach Group Limited and Controlled Entities

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Notes to the consolidated financial statements for the half year ended 31 December 2014

1. Summary of significant accounting policies (continued)

e) Property, plant and equipment (continued)

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

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

f) 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 the 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 their estimated useful lives where it is likely that the Group will obtain ownership of the asset, or over the term of the lease.

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 life of the lease term.

g) Impairment of assets

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

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

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

h) Intangibles other than goodwill

Trademarks and licences

Trademarks and licences are capitalised only when it is clear that they will deliver future economic benefits and these benefits can be measured reliably.

i) Employee benefits

Short-term employee benefits

Provision is made for the Consolidated 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 Consolidated 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.

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Notes to the consolidated financial statements for the half year ended 31 December 2014

1. Summary of significant accounting policies (continued)

i) Employee benefits (continued)

Other long-term employee benefits

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Upon the remeasurement of obligations for other long-term employee benefits, the net change in the obligation is recognised in profit or loss as a part of employee benefits expense.

The Consolidated Group's obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the Consolidated 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.

j) Provisions

Provisions are recognised when the company 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 at the best estimate of the amounts required to settle the obligation at the end of the reporting period.

k) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

l) Revenue and other income

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

Revenue from the rendering of a service is recognised once the service has been provided.

Interest revenue is recognised using the effective interest method, which, for floating rate financial assets is the rate inherent in the instrument.

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

m) Trade and other receivables

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

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

n) 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.

o) 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).

Skydive the Beach Group Limited and Controlled Entities

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Notes to the consolidated financial statements for the half year ended 31 December 2014

1. Summary of significant accounting policies (continued)

o) Goods and services tax (GST) (continued)

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.

p) Income tax

The income tax expense (income) for the period 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 period 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, 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.

Skydive the Beach Group Limited (the 'head entity') and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. The head entity and each subsidiary in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the 'group allocation' approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, the head entity also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from each subsidiary in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the tax consolidated group. The tax funding arrangement ensures that the intercompany charge equals the current tax liability or benefit of each tax consolidated group member, resulting in neither a contribution by the head entity to the subsidiaries nor a distribution by the subsidiaries to the head entity.

Skydive the Beach Group Limited and Controlled Entities

ABN 56 167 320 470

Notes to the consolidated financial statements for the half year ended 31 December 2014

2. Dividends

No dividends have been paid or declared for the half year ended 31 December 2014.

3. Issued capital

Consolidated Group

193,369,700 (30 June 2014: 26,618,080) fully paid ordinary shares

Consolidated Group	
As at 31 December 2014	As at 30 June 2014
\$	\$

Parent Entity

Balance at the beginning of the reporting period

Shares issued during the period

Issued share capital of the Parent Entity at the end of the period

	26,618	26,618
26,618		-
8,337,581		26,618
8,364,199		26,618

Consolidated Group fully paid ordinary shares

Balance at the beginning of the reporting period

Shares issued during the period *

Balance at the end of the reporting period

As at 31 December 2014 No.	As at 30 June 2014 No.
26,618,080	-
166,751,620	26,618,080
193,369,700	26,618,080

* Shares issued during the period represents the companies that were wholly acquired by Skydive the Beach Group Limited as disclosed in note 1a and note 6.

4. Consolidated entities

Skydive the Beach Group Limited has the following interests in group companies as at the reporting period.

	2014 %	2013 %
Bill & Ben Investments Pty Ltd	100	-
B & B No 2 Pty Ltd	100	-
Aircraft Maintenance Centre Pty Ltd	100	-
Skydive Holdings Pty Ltd	100	-
STBAUS Pty Ltd	100	-
Skydive.com.au Pty Ltd	100	-
Skydive the Beach and Beyond Sydney Wollongong Pty Ltd	100	-
Skydive the Beach and Beyond Melbourne Pty Ltd	100	-
Skydive the Beach and Beyond Central Coast Pty Ltd	100	-
Skydive the Beach and Beyond Hunter Valley Pty Ltd	100	-
Skydive the Beach and Beyond Perth Pty Ltd	100	-
Skydive the Beach and Beyond Yarra Valley Pty Ltd	100	-
Skydive the Beach and Beyond Great Ocean Road Pty Ltd	100	-
Skydive the Beach and Beyond Airlie Beach Pty Ltd	100	-
Skydive the Beach and Beyond Newcastle Pty Ltd	100	-

Skydive the Beach Group Limited and Controlled Entities

ABN 56 167 320 470

Notes to the consolidated financial statements for the half year ended 31 December 2014

5. Contingent liabilities

The Group had no contingent liabilities at 31 December 2014.

6. Group reorganisation

As at 1 July 2014, the STB Group was reorganised as described in Note 1a, and the assets and liabilities of the STB Group were effectively transferred to Skydive the Beach Group Limited in exchange for 166,751,620 shares valued at \$8,337,581. No goodwill or other asset fair value adjustments are accounted for on the basis that the reorganisation is a "common control" transaction, outside the scope of AASB 3 Business Combinations.

Below is a list of the carrying value of assets and liabilities that were transferred to Skydive the Beach Group Limited:

	As at 30 June 2014 \$
Current assets	3,318,723
Non-current assets	11,642,376
Total assets	14,961,099
Current liabilities	4,328,399
Non-current liabilities	5,737,366
Total liabilities	10,065,765
Carrying value of net assets acquired in group reorganisation	4,895,334

7. Events after the end of the interim period

On 30 January 2015, the shareholders of Skydive the Beach Group Limited approved in principle an Employee Share Scheme (ESS) subject to some further amendments which were approved by the Directors on 9 February 2015.

The ESS to be known as the Skydive the Beach Share Option Plan (SOP), will enable the Company, within the limits imposed, to offer employees, executives and directors interests based on performance, options and service rights.

The initial grants offered total 10,300,000 at an exercise price of \$0.25 per share and are based on achieving or exceeding service conditions over 3 years.

Other than the above, no other matters or circumstances have arisen since the end of the period which significantly affected or may significantly affect the operations of the Consolidated Group, the results of those operations, or the state of affairs of the Consolidated Group in future financial years.

Skydive the Beach Group Limited and Controlled Entities

ABN 56 167 320 470

Directors' Declaration

In accordance with a resolution of the directors of Skydive the Beach Group Limited, the directors of the company declare that:

1. The financial statements and notes, as set out on pages 5 to 16:

- (a) comply with Accounting Standard AASB 134: Interim Financial Reporting; and
- (b) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date.

2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.



Anthony Boucaut
Director

Dated: 17/2/2015

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Skydive the Beach Group Limited and Controlled Entities which comprises the condensed consolidated statement of financial position as at 31 December 2014, the condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, 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 half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of Skydive the Beach Group Limited are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting*. As the auditor of Skydive the Beach Group Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the Australian professional accounting bodies.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Skydive the Beach Group Limited is not in accordance with the Australian Accounting Standards including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting*

RSM Bird Cameron Partners

RSM BIRD CAMERON PARTNERS

 **Gary Sherwood**
Partner

Sydney, NSW
Dated: 19 February 2015