# AIRCRUISING AUSTRALIA LIMITED

## ANNUAL FINANCIAL REPORT

## June 30, 2010

**A.B.N. 25 010 484 938**

BILL PEACH
JOURNEYS

**AIRCRUISING AUSTRALIA LIMITED**

**Directors**
G.Paynter (Chairman)
J.C.Musgrave
T.Patterson
N.Knudsen

**Company Secretary**
G.P.Watson

**Registered Office**
20/77 Bourke Road
ALEXANDRIA NSW 2015
Phone:(02)9693 2233

**Auditors** Storey Blackwood

**Share Registry**
Link Market Securities Limited
12/680 George Street
SYDNEY NSW 2000
Phone: (02) 8280 7519

**Solicitors** Watson Mangioni

**Country of Incorporation**
Australia

**Internet** www.billpeachjourneys.com.au

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Bankers ANZ Bank Limited

Date Listed 3rd July 1986

## AIRCRUISING AUSTRALIA LIMITED & CONTROLLED ENTITIES
## A.B.N. 25 010 484 938

# REVIEW OF OPERATIONS

The Directors report a net loss after tax of $(435,232) for the year compared to a net loss after tax of $(640,635) for the previous year. Total sales revenued has increased marginally on the 2009 year. The loss is a reduction on the previous year due mainly to a reduction in overheads. The loss for the year was increased by $143,057 following the implementation of revised accounting standard AASB 138 Intangible Assets.

**Bill Peach Journeys Aircruising Programmes:**

Total sales revenue increased by 7.3%, with the core aircruising programmes increasing by 16.5% over the previous year indicating a return to customer confidence to June 2010. It is expected that this trend will continue to improve in 2011.
A series of short break Lake Eyre aircruising programmes was also successfully introduced throughout the touring season.

**International Journeys:**

International journeys performed well with a 43% increase over the previous year.

**Select Parks Pty Limited**

The operation of the Bellinger River Tourist Park continued to be affected by incidents of flooding in the first part of the financial year. The unprecedented occurrences of flooding and resultant publicity drove the Grey Nomads, our core business, away from the coastal routes and severely affected the occupancy rates of the park.
The return of the migrating nomads to the coastal route has only really taken effect from May/June of this year.
A capital expenditure programme is currently taking place at the park by the installation of Villa's and replacement of the amenities block in the current financial year. This investment will substantially enhance the park's return to profitability and valuation.

**Other:**

The auditors report is qualified due to the valuation of the Bellinger River Tourist Park.
The directors report upon this issue in note 12 on page 25.

Although both touring and the park have increased sales turnover compared to last year, the consolidated group reported a .84% growth in sales. This is due to the LADS contract not being renewed in December 2008.

**People Of The Company:**

The company's sustainability in the last 12 months is largely due to the dedication and commitment from the people of the company. With individual salary sacrifices and dramatic cost cuts within the company, the staff of Aircruising Australia Limited showed loyalty and commitment to the company and its future. It is their passion in the product that sustains the company's excellent reputation both in the industry and target audience. As always, the directors of the company would like to thank the team for their continued hard work.

**The Year Ahead:**

Touring anticipate a continuing return to customer confidence as has been experienced in the 2010 financial year. Combined with the substantial growth in occupancy being currently experienced at the Bellinger River Tourist Park, and investment in a substantial capital expenditure programme, the Directors expect a much improved result for the 2011 year.

Jan Musgrave

T. Patterson

Jan Musgrave
Joint Managing Director

Tracey Patterson
Joint Managing Director

# DIRECTORS' REPORT

**Your directors submit their report for the year ended 30 June 2010:**

**1 Directors:**

The names and details of the directors of the company in office at the date of this report or at any time during the year:

**Guy Paynter L.L.B.** (Non-executive Chairman)

Appointed a director of the company on 12th September 2000, and Chairman since March 2002.
Mr.Paynter is a Bachelor of Laws and was a partner of the J.B.Were Group of Companies from 1975 until his retirement in September 2003. Mr. Paynter was also a director of Mirrabooka Investments Ltd, resigning on 10th October 2003.
Mr Paynter was appointed Chairman of Rural Funds Management Limited (an unlisted company) in July 2010.

**Susan Doyle** (Non-executive Director)

Appointed a director of the company on 1st December 2006.
Resigned 30th October 2009.
Susan is: Member of the Protective Commissioner Investment Advisory Committee.
Chairman ARIA Commonwealth Sector Superannuation Scheme and Public Sector Superannuation Scheme.
Deputy Chairman S.A. Water Corporation and Chairman of the Audit Committee.
Member, Takeovers Panel - Australian Government.
Member, Future Fund Board.

**Jan Musgrave** (Joint Managing Director)

Joined the company in 1987 and was appointed Marketing Manager in 1991. Jan was appointed to the board in 1994 and continues to serve the company in the capacity of Marketing Director.
Jan is also a director of Bill Peach Journeys Pty Limited, Aircruising Australia (New Zealand) Limited, Aircruising Services Pty Limited and Select Parks Pty Limited.

**Tracey Patterson** (Joint Managing Director)

Tracey joined the company in January 2001, was appointed a director of the company March 2003.
Tracey has 29 years experience in senior management roles in both the travel and aviation industries in Australia and the U.K.
Tracey is also a director of Bill Peach Journeys Pty Limited, Aircruising Australia (New Zealand) Limited, Aircruising Services Pty Limited and Select Parks Pty Limited.

**Nancy Knudsen** (Non Executive Director)

Nancy is a founding director of the company, and has over 32 years experience in the tourism industry.
Nancy is also a director of Aircruising Australia (New Zealand) Limited and Aircruising Services Pty Limited.

**Company Secretary**

The following person held the position of company secretary at the end of the financial year

**Geoffrey Watson** (Company Secretary)

Geoffrey became a member of the Australian Society of Accountants in 1972, and has over 40 years experience in commercial accounting. Geoffrey did not renew his membership of the "C.P.A" in the year 2000.

**Interest in the Shares of the Company:**

As at the date of this report, the relevant interests of the directors in the shares of the company are:

| | Ordinary Shares Fully Paid |
|---|---|
| L.G.J.Paynter | 6,264,750 |
| N.F.Knudsen | 2,270,430 |
| S Doyle | 22,000 |
| J.C.Musgrave | 1,000 |

**2 Principal Activities**

The principal activities of the company during the course of the year were the operation of special interest tour programmes, aircruises within and from Australia and the operation of a caravan park.

| **3 Earnings per Share** | **Cents** | |
|---|---|---|
| Basic & diluted earnings per share | -3.63 | Cents |

**4 Results for the Year.**

The net consolidated loss for the financial year ended 30 June 2010 after income tax was $435,232 (2009: Loss $640,635).

**5 Dividends**

The Directors recommend that no dividend be paid (2009: Nil)

**6 Employees**

The consolidated entity employed 14 employees as at 30th June 2010 (2009: 14 employees).

# DIRECTORS' REPORT

**7 Future Developments, Prospects and Business Strategies**

Likely developments, future prospects and business strategies of the operations of the economic entity and the expected results of those operations have not been included in this report as the directors believe, on reasonable grounds, that the inclusion of such information would be likely to result in unreasonable predjudice to the consolidated group.

**8 Significant Changes in the State of Affairs.**

No significant changes in the state of affairs of the company occurred during the financial year other than those noted in this report.

**9 Significant Events after Balance Date.**

No significant changes in the state of affairs of the company occurred after balance date.

**10 Share Options.**

There are no share options on issue at the date of this report.

**11 Directors Indemnity.**

The company does not have in place any contracts of insurance insuring directors of the company against costs incurred in the defending proceedings for conduct.

**12 Directors Emoluments.**

Please refer to note 22 "Notes to and Forming Part of the Financial Statements", page 31

**13 Directors Meetings.**

During the year eleven directors meetings were held. The number of meetings at which Director's were in attendance is as follows:

| Director | No. of Meetings held while in office | Meetings Attended |
|---|---|---|
| G. Paynter | 11 | 11 |
| S. Doyle | 4 | 3 |
| J. Musgrave | 11 | 11 |
| T. Patterson | 11 | 11 |
| N. Knudsen | 11 | 8 |

The company does not have an audit committee due the limited number of directors holding office.

**14 Corporate Governance**

In recognising the need for the highest standards of corporate behaviour and accountability, the directors of Aircruising Australia Limited support and have adhered to the principles of Corporate Governance.
The company's corporate governance statement is contained in the Corporate Governance section of this report on page 42.

**15 Environmental Issues.**

The company does not have any exposure to environmental issues.

**16 Non Audit Activities.**

The board of directors are satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the services disclosed in note 23 did not compromise the external audit's independence for the following reasons:

* All non-audit services are reviewed and approved by the board of directors prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor.
* The nature of the services provided do 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.

Fees paid or payable for non-audit activities are detailed in note 23.

**17 Auditor's Independence Declaration**

The lead auditor's independence declaration for the year ended 30th June 2010 has been received and can be found on page 6 of the Annual Report.

## DIRECTORS' REPORT

**18 Operating and Financial Review.**

**Touring Division:**

Recovery of sentiment has been gradual resulting in an improved turnover with deceased operational costs providing an improved result on the previous year.
Various plans have been investigated to grow the touring division beyond its current operations to take advantage of an expected continual improvement in consumer sentiment.

**Select Parks Pty Limited:**

Results for the year are again affected by two incidents of flooding at the Bellinger River Tourist Park. We have faced a major hurdle in retaining guests' confidence in the park after unprecedented occurrences of flooding last year.
The trading result of the park over the past four months have been encouraging and we are experiencing substantial growth in both occupancy and revenues over the 2008 (pre flood) levels.

The directors are confident of an improved result in this financial year.

On behalf of the Board:

Jan Musgrave

T. Patter

Jan Musgrave
Joint Managing Director
Sydney, 29th September 2010

Tracey Patterson
Joint Managing Director
Sydney, 29th September 2010

SB Storey Blackwood
CHARTERED ACCOUNTANTS
ABN 16 495 461 685

ACCOUNTING

AUDITING

TAXATION SERVICES

BUSINESS CONSULTING

PERSONAL SUPERANNUATION

COMPANY SECRETARIAL

LIQUIDATIONS

## AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF AIRCRUISING AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2010 there have been:-

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

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

Storey Blackwood

Storey Blackwood

G Adcock

Geoffrey N Adcock
Partner

Dated 29 September 2010

**PARTNERS**
I.A. JOLLY
G.N. ADCOCK

LEVEL 4, 222 CLARENCE STREET SYDNEY NSW 2000 – POSTAL ADDRESS: PO BOX Q188 QVB SYDNEY 1230
TELEPHONE: **(02) 9283 4500** FACSIMILE: (02) 9283 4643 EMAIL: mail@storeyblackwood.com.au
Member of Kreston International - a global association of independent accountants and business advisors

# AIRCRUISING AUSTRALIA LIMITED & CONTROLLED ENTITIES
## A.B.N. 25 010 484 938

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
## FOR THE YEAR ENDED 30 JUNE 2010

| | NOTES | CONSOLIDATED GROUP | | PARENT ENTITY | |
|---|---|---|---|---|---|
| | | 2010 | 2009 | 2010 | 2009 |
| | | $ | $ | $ | $ |
| SALES REVENUE | 2 | 5,695,296 | 5,647,666 | 4,936,212 | 5,023,453 |
| COST OF SALES | | (4,370,641) | (4,203,153) | (3,896,189) | (3,839,488) |
| GROSS PROFIT | | 1,324,655 | 1,444,513 | 1,040,023 | 1,183,965 |
| OTHER INCOME | 2 | 14,980 | 22,268 | 138,692 | 54,701 |
| MARKETING EXPENSE | | (895,496) | (1,216,162) | (870,329) | (1,191,491) |
| ADMINISTRATION EXPENSE | | (604,936) | (646,681) | (508,406) | (612,929) |
| FINANCE COSTS | 3 | (153,907) | (128,383) | (8,081) | (5,863) |
| DEPRECIATION AND AMORTISATION EXPENSE | 3 | (120,528) | (116,190) | (69,545) | (78,420) |
| LOSS BEFORE INCOME TAX EXPENSE | | (435,232) | (640,635) | (277,646) | (650,037) |
| INCOME TAX EXPENSE | 4 | - | - | - | - |
| LOSS FOR THE YEAR | | (435,232) | (640,635) | (277,646) | (650,037) |
| OTHER COMPREHENSIVE INCOME: | | - | - | - | - |
| TOTAL COMPREHENSIVE LOSS FOR THE YEAR. | | (435,232) | (640,635) | (277,646) | (650,037) |
| LOSS ATTRIBUTABLE TO MEMBERS OF THE PARENT ENTITY | | (435,232) | (640,635) | (277,646) | (650,037) |
| LOSS ATTRIBUTABLE TO MEMBERS OF THE PARENT ENTITY | | (435,232) | (640,635) | (277,646) | (650,037) |

| | | | | | |
|---|---|---|---|---|---|
| BASIC EARNINGS PER SHARE | 19 | (3.63 cents) | (5.34) cents | - | - |
| DILUTED EARNINGS PER SHARE | 19 | (3.63 cents) | (5.34) cents | - | - |

The accompanying notes form part of these financial statements.

## AIRCRUISING AUSTRALIA LIMITED & CONTROLLED ENTITIES
## A.B.N. 25 010 484 938

## STATEMENT OF FINANCIAL POSITION
## AS AT 30 JUNE 2010

| | NOTES | CONSOLIDATED GROUP | | PARENT ENTITY | |
|---|---|---|---|---|---|
| | | 2010 | 2009 | 2010 | 2009 |
| **ASSETS** | | $ | $ | $ | $ |
| **CURRENT ASSETS** | | | | | |
| Cash and cash equivalents | 5 | 557,445 | 987,718 | 355,039 | 570,232 |
| Trade and other receivables | 6 | 127,616 | 65,451 | 2,516,435 | 2,403,991 |
| Inventories | 7 | 74,577 | 97,885 | 71,204 | 93,996 |
| Other current assets | 8 | 294,743 | 307,130 | 259,396 | 286,037 |
| **TOTAL CURRENT ASSETS** | | 1,054,381 | 1,458,184 | 3,202,074 | 3,354,256 |
| **NON- CURRENT ASSETS** | | | | | |
| Other financial assets | 9 | - | - | 18,201 | 18,201 |
| Property, plant & equipment | 11 | 2,772,891 | 2,480,371 | 935,387 | 1,002,212 |
| Intangible assets | 12 | 1,280,624 | 1,292,677 | 96,478 | 108,531 |
| **TOTAL NON CURRENT ASSETS** | | 4,053,515 | 3,773,048 | 1,050,066 | 1,128,944 |
| **TOTAL ASSETS** | | 5,107,896 | 5,231,232 | 4,252,140 | 4,483,200 |
| **LIABILITIES** | | | | | |
| **CURRENT LIABILITIES** | | | | | |
| Advance deposits | | 784,236 | 1,189,649 | 659,879 | 1,008,000 |
| Trade and other payables | 13 | 1,375,577 | 1,052,205 | 4,099,523 | 3,653,912 |
| Borrowings | 14 | 2,696,817 | 2,181,162 | 16,878 | 37,404 |
| Short term provisions | 15 | 54,950 | 61,906 | 48,944 | 61,163 |
| **TOTAL CURRENT LIABILITIES** | | 4,911,580 | 4,484,922 | 4,825,224 | 4,760,479 |
| **NON CURRENT LIABILITIES** | | | | | |
| Borrowings | 14 | 55,711 | 161,985 | - | - |
| Other long term provisions | 15 | 35,166 | 43,654 | 25,495 | 43,654 |
| Deferred tax liabilities | 16 | 99,514 | 99,514 | - | - |
| **TOTAL NON CURRENT LIABILITIES** | | 190,391 | 305,153 | 25,495 | 43,654 |
| **TOTAL LIABILITIES** | | 5,101,971 | 4,790,075 | 4,850,719 | 4,804,133 |
| **NET ASSETS** | | 5,925 | 441,157 | (598,579) | (320,933) |
| **EQUITY** | | | | | |
| Issued Capital | 17 | 4,800,000 | 4,800,000 | 4,800,000 | 4,800,000 |
| Accumulated Losses | | (4,794,075) | (4,358,843) | (5,398,579) | (5,120,933) |
| **TOTAL EQUITY** | | 5,925 | 441,157 | (598,579) | (320,933) |

The accompanying notes form part of these financial statements

## AIRCRUISING AUSTRALIA LIMITED & CONTROLLED ENTITIES
## A.B.N. 25 010 484 938

## STATEMENT OF CHANGES IN EQUITY
## FOR THE YEAR ENDED 30 JUNE 2010

| Consolidated Group | Ordinary Shares | 2010 Retained Earnings | Total |
|---|---|---|---|
| **Balance at 1 July 2009** | 4,800,000 | (4,358,843) | 441,157 |
| Loss attributable to members of the entity | | (435,232) | (435,232) |
| **Balance at 30 June 2010** | **4,800,000** | **(4,794,075)** | **5,925** |

| | Ordinary Shares | 2009 Retained Earnings | Total |
|---|---|---|---|
| **Balance at 1 July 2008** | 4,800,000 | (3,718,208) | 1,081,792 |
| Loss attributable to members of the entity | | (640,635) | (640,635) |
| **Balance at 30 June 2009** | **4,800,000** | **(4,358,843)** | **441,157** |

| Parent Entity | Ordinary Shares | 2010 Retained Earnings | Total |
|---|---|---|---|
| **Balance at 1 July 2009** | 4,800,000 | (5,120,933) | (320,933) |
| Loss attributable to members of the entity | | (277,646) | (277,646) |
| **Balance at 30 June 2010** | **4,800,000** | **(5,398,579)** | **(598,579)** |

| | Ordinary Shares | 2009 Retained Earnings | Total |
|---|---|---|---|
| **Balance at 1 July 2008** | 4,800,000 | (4,470,896) | 329,104 |
| Loss attributable to members of the entity | | (650,037) | (650,037) |
| **Balance at 30 June 2009** | **4,800,000** | **(5,120,933)** | **(320,933)** |

## AIRCRUISING AUSTRALIA LIMITED & CONTROLLED ENTITIES
## A.B.N. 25 010 484 938
## STATEMENT OF CASHFLOWS
## YEAR ENDED 30 JUNE 2010

| | NOTES | CONSOLIDATED GROUP | | PARENT ENTITY | |
|---|---|---|---|---|---|
| | | 2010 | 2009 | 2010 | 2009 |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | | | |
| Receipts from customers | | **5,997,969** | 7,053,525 | **5,654,125** | 5,637,525 |
| Payments to suppliers and employees | | **(6,282,703)** | (8,652,431) | **(5,776,047)** | (7,298,288) |
| Finance costs | | **(167,342)** | (128,383) | **(8,081)** | (5,863) |
| Interest received | | **13,418** | 19,574 | **4,144** | 51,887 |
| **NET CASH PROVIDED BY OPERATING ACTIVITIES** | 20 | **(438,658)** | (1,707,715) | **(125,859)** | (1,614,739) |
| **CASH FLOW FROM INVESTING ACTIVITIES** | | | | | |
| Purchase of property, plant and equipment | | **(400,995)** | (289,460) | **(3,808)** | (950) |
| Proceeds from sale of property, plant and equipment | | **-** | 484 | **-** | - |
| Loans to subsidiary - Net | | **-** | - | **(65,000)** | 1,858,050 |
| **NET CASH PROVIDED BY INVESTING ACTIVITIES** | | **(400,995)** | (288,976) | **(68,808)** | 1,857,100 |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | | | |
| Proceeds from borrowing | | **578,418** | 1,727,946 | **-** | - |
| Repayment of borrowings | | **(95,953)** | (85,770) | **(20,526)** | (18,264) |
| **NET CASH USED IN FINANCING ACTIVITIES** | | **482,465** | 1,642,176 | **(20,526)** | (18,264) |
| **NET INCREASE IN CASH HELD** | | **(357,188)** | (354,515) | **(215,193)** | 224,097 |
| **CASH AT BEGINNING OF FINANCIAL YEAR** | | **396,847** | 751,362 | **570,232** | 346,135 |
| **CASH AT END OF FINANCIAL YEAR** | 5 | **39,659** | 396,847 | **355,039** | 570,232 |

The accompanying notes form part of these financial statements

This financial report includes the consolidated financial statements and notes of Aircruising Australia Limited and controlled entities ('Consolidated Group' or 'Group'), and the separate financial statements and notes of Aircruising Australia Limited as an individual entity ('Parent Entity').

## 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Basis of preparation.**

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authorative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below and have been consistently applied unless otherwise stated.

The financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non current assets, financial assets and financial liabilities.

**Going Concern**

The financial statements have been prepared on a going concern basis. The economic entity has net current liabilities of $3,857,199 (2009 $3,026,738),this is mainly due to the purchase of fixed assets in the year 2003 of $1,017,014 and 2008 of $2,315,765 funded from cash resources.
It should be noted that current liabilities include an amount of $784,236 (2009 $1,189,649) of advance deposits from customers. The consolidated entity earned an operating loss from ordinary activities after tax of $435,232 for the year ended 30 June 2010, compared with a loss of $640,635 in the previous financial period.
The cash position of the consolidated entity has decreased in the current financial period with a positive cash of $39,659 at 30 June 2010 (2009 $396,847). The reduction is a direct result of the trading loss.

The ability of the consolidated entity to continue to trade as a going concern is dependent on the consolidated entity being able to obtain additional funding either from trading profitability or from continued support of the major shareholders and the bank. If the consolidated entitity is unable to obtain such funding, they may be required to realise assets and extinguish liabilities and commitments other than in the ordinary course of business and at amounts which are different from those currently stated in the financial statements.

**a. Principles of Consolidation**

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by Aircruising Australia Limited at the end of the reporting period.
A controlled entity is any entity over which Aircruising Australia Limited has the power to govern the financial and operating policies so as to obtain benefits from the entity's activities. Control will generally exist when the parent owns, directly or indirectly through subsidiaries, more than half of the voting power of an entity. In assessing the power to govern, the existence and effect of holdings of actual and potential voting rights are also considered.

Where controlled entities have entered or left the group during the year, the financial performance of those entities are included only for the period of the year that they were controlled.
A list of controlled entities is contained in Note 10 to the financial statements.

In preparing the consolidated financial statements, all inter-company group balances and transactions between entities in the consolidated group have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those adopted by the parent entity.

Non-controlling interests, being the equity in a subsidiary not attributable, directly or indirectly, to a parent, are shown separately within the equity section of the consolidated Statement of Financial Position and Statement of Comprehensive Income. The non-controlling interests in the net assets comprise their interests at the date of the original business combination and their share of changes in equity since that date.

**Business Combinations**

Business combinations occur where an acquirer obtains control over one or more businesses and results in the consolidation of its assets and liabilities.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The acquisition method requires that for each business combination one of the combining entities must be identified as the acquirer (i.e. parent entity). The business combination will be accounted for as at the acquisition date, which is the date that control over the acquiree is obtained by the parent entity. At this date, the parent shall recognise, in the consolidated accounts, and subject to certain limited exceptions, the fair value of the identifiable assets acquired and liabilities assumed. In addition, contingent liabilities of the acquiree will be recognised where a present obligation has been incurred and its fair value can be reliably measured.

The acquisition may result in the recognition of goodwill (refer to note 1(h)) or a gain from a bargain purchase. The method adopted for the measurement of goodwill will impact on the measurement of any non-controlling interests to be recognised in the acquiree where less than 100% ownership interest is held in the acquiree.

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. Consideration may comprise the sum of the assets transferred by the acquirer, liabilities incurred by the acquirer to the former owners of the acquiree and the equity interests issued by the acquirer.

Fair value uplifts in the value of pre-existing equity holdings are taken to the statement of comprehensive income. Where changes in the value of such equity holdings has previously been recognised in other comprehensive income, such amounts are recycled to profit and loss.

Included in the measurement of consideration transferred is any asset or liability resulting from a contingent consideration arrangement. Any obligation incurred relating to contingent consideration is classified as either a financial liability or equity instrument, depending upon the nature of the arrangement. Rights to refunds of consideration previously paid are recognised as a receivable. 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 a liability is remeasured each reporting period to fair value through the statement of comprehensive income unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to the business combination are expensed to the statement of comprehensive income.

**b. Income Tax**

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

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, at the end of the reporting period. Current tax liabilities (assets) are therefore 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 directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, 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, based on tax rates enacted or substantively enacted at the end of the reporting period. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

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 legally enforceable right of set off exists, 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**

Aircruising Australia Limited and its wholly owned Australian subsidiaries have formed an income tax consolidated group under tax consolidation legislation. Each entity in 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 Tax Office that it had formed an income tax consolidated group to apply from 1 July 2003. The tax consolidated group has entered 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 the amounts of net tax assets and liabilities derecognised and the net amounts recognised pursuant to the funding arrangement are recognised as either a contribution by, or distribution to the head entity.

**c. Inventories**

Inventories are measured at the lower of cost and net realisable value.

**d. Property, plant and equipment.**

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

**Property**

Freehold land and buildings are shown at cost less subsequent depreciation for buildings.

***Plant and equipment***

Plant and equipment are measured on the cost basis.

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

The cost of fixed assets constructed within the consolidated group includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

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

***Depreciation***

The depreciable amount of all fixed assets, including buildings and capitalised leased assets, but excluding freehold land, is depreciated on a straight line basis over the asset's useful life to the consolidated group commencing from the time the asset is held ready for use.

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

| Class of Fixed Asset | 2009 | 2008 |
|---|---|---|
| Buildings | 50 Years | 50 Years |
| Plant and equipment | 4 to 15 Years | 4 to 15 Years |
| Motor vehicles | 4 Years | 4 Years |

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

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

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of comprehensive income. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

**e. Leases.**

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

Finance leases are capitalised by recording 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 charged 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.

**f. Financial Instruments**

**Initial recognition and 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**

Finance instruments are subsequently measured at either of fair value, amortised cost using the effective interest rate method, or cost. Fair value represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

*Amortised cost* is calculated as :

a. the amount at which the financial asset or financial liability is measured at initial recognition;
b. less principal repayments;
c. plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the *effective interest method*; and
d. less any reduction for impairment.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through 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 value with a consequential recognition of an income or expense in profit or loss.

The Group does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of accounting standards specifically applicable to financial instruments.

1 *Financial assets at fair value through profit or loss*

Financial assets are classified at 'fair value through profit or loss' when they are either 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 value being included in profit or loss.

2 *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.

Loans and receivables are included in current assets, except for those which are not expected to mature within 12 months after the end of the reporting period. (All other loans and receivables are classified as non-current assets.)

3 *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.

Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period. (All other investments are classified as current assets.)

4 *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets that are either not suitable to be 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.

5 *Financial Liabilities*

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

**Impairment**

At each reporting date, the Group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the statement of comprehensive income.

**Derecognition**

Financial assets are derecognised where the contractual rights to receipt of cash flows expires 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 where the related obligations are either discharged, cancelled or expired. The difference between the carrying value 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.

**g. 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 jointly controlled entities 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 to sell and value in use, to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of comprehensive income.

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 and intangible assets with indefinite lives.
(refer to note 12).

**h. Intangibles**

**Goodwill**

Goodwill is carried at cost less accumulated impairment losses. Goodwill is calculated as the excess of the sum of:

(i) the consideration transferred;
(ii) any non-controlling interest; 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 value 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 aforementioned non-controlling interest. The Group can elect 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*). The Group determines which method to adopt for each acquisition.

Under the *full goodwill method*, the fair values of the non-controlling interests are 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.

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, which represent the lowest level at which goodwill is monitored but where such level is 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 sold.

Changes in the ownership interests in a subsidiary are accounted for as equity transactions and do not affect the carrying values of goodwill.

**Patents and trademarks**

Patents and trademarks are recognised at cost of acquisition. Patents and trademarks 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 life ranging from 15 to 20 years.

**i. 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 and presentation 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 translation of monetary items are recognised in the statement of comprehensive income, 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 equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the statement of comprehensive income.

**Group companies**

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

- assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
- income and expense are translated at average exchange rates for the period; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on the translation of foreign operations are transferred directly to the group's foreign currency translation reserve in the statement of comprehensive income. These differences are recognised in the statement of comprehensive income in the period in which the operation is disposed.

**j. Employee Benefits**

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determing the liability, consideration is given to employee wage increases and the probability that the employee may satisfy vesting requirements.

**k. 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.

**l. Cash & 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 short-term borrowings in current liabilities on the statement of financial position.

**m. Revenue and other income**

Revenue from the sale of goods is recognised upon the delivery of goods to the customers.
Trip revenue is recognised at date of departure.
Revenue from the rendering of services is recognised upon the delivery of the service to the customer.
At date of departure, trip revenue has been paid in full, and the company has no further financial liability as all services have been provided.
All revenue is stated net of the amount of goods and services tax (GST).
Interest revenue is recognised using the effective interest rate method, which, for floating rate financial assets, is the rate inherent in the instrument.
All dividends received shall be recognised as revenue when the right to receive the dividend has been established.

**n. 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 expense in the period in which they are incurred.

**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 Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

**p. Comparative Figures**

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

**q. Critical Accounting Estimates and Judgements**

The directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group.

*Key Estimates - Impairment*

The group assesses impairment at 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.

No impairment has been recognised in respect of goodwill for the year ended 30 June 2010. [Refer to notes item 12].

**r. Trade and Other Payables**

Trade and other payables represent the liability outstanding at the end of the reporting period for goods and services received by the Group during the reporting period which remains unpaid. The balance is recognised as a current liability with the amount being normally paid within 30 days of recognition of the liability.

**s. Advance deposits**

Advance deposits are monies received in advance for trips which have not departed. These amounts are recorded at nominal amounts, which equates to fair value. These are recognised as a liability until the trip departs, at which time recognition is given to the revenue associated with advance deposits.

**t. Interest-bearing liabilities**

All loans are measured at the principal amount. Interest is charged as an expense as it accrues.

Bills payable are carried at principal amount plus deferred interest.

**u. Adoption of New and Revised Accounting Standards**

During the current year the Group adopted all of the new and revised Australian Accounting Standards and Interpretations applicable to its operations which became mandatory.

The adoption of these standards has impacted the recognition, measurement and disclosure of certain transactions. The following is an explanation of the impact the adoption of these standards and interpretations has had on the financial statements of Aircruising Australia Limited.

**AASB 3: Business Combinations.**

In March 2008 the Australian Accounting Standards Board revised AASB 3 and as a result, some aspects of business combination accounting have changed. The changes apply only to business combinations which occur from 1 July 2009.

**AASB 8: Operating Segments.**

In February 2007 the Australian Accounting Standards Board issued AASB 8 which replaced AASB 114: Segment Reporting. As a result management have considered the requirements of AASB 8 and resolved that it has no impact on the CGUs of each operating segment.

*Measurement Impact*

Identification and measuring of segments - AASB 8 requires the 'management approach' to the identification measurement and disclosure of operating segments. The ' management approach' requires that operating segments be identified on the basis of internal reports that are regularly reviewed by the entity's chief operating decision maker, for the purpose of allocating rersources and assessing performance. This could also include the identification of operating segments which sell primarily or exclusively to other internal operating segments. Under AASB 114, segments were identified by business and geographical areas, and only segments deriving revenue from external sources were considered.

The adoption of the 'management approach' to segment reporting has resulted in the identification of reportable segments largely consistent with the prior year.

Under AASB 8, operating segments are determined based on management reports using the 'management approach', whereas under AASB 114 financial results of such segments were recognised and measured in accordance with Australian Accounting Standards. This has resulted in changes to the presentation of segment results, with inter-segment sales and expenses such as depreciation and impairment now being reported for each segment rather than in aggregate for total group operations, as this is how they are reviewed by the chief operating decision maker.

**AASB 101: Presentation of Financial Statements.**

In September 2007 the Australian Accounting Standards Board revised AASB 101 and as a result, there have been changes to the presentation and disclosure of certain information within the financial statements. Below is an overview of the key changes and the impact on the Group's financial statements.

*Disclosure impact*

Terminology changes- The revised version of AASB 101 contains a number of terminology changes, including the amendment of the names of the primary financial statements.

Reporting changes in equity - the revised AASB 101 requires all changes in equity arising from transactions with owners, in their capacity as owners, to be presented separately from non-owner changes in equity. Owner changes in equity are to be presented in the statement of changes in equity, with non-owner changes in equity presented in the statement of comprehensive income. The previous version of AASB 101 required that owner changes in equity and other comprehensive income be presented in the statement of changes in equity.

Statement of comprehensive income - The revised AASB 101 requires all income and expenses to be presented in either one statement, the statement of comprehensive income, or two statements, a separate income statement and a statement of comprehensive income. The previous version of AASB 101 required only the presentation of a single income statement.

The Group's financial statements now contain a statement of comprehensive income.

Other comprehensive income - The revised version of AASB 101 introduces the concept of 'other comprehensive income' which comprises of income and expenses that are not recognised in profit or loss as required by other Australian Accounting Standards. Items of other comprehensive income are to be disclosed in the statement of comprehensive income. Entities are required to disclose the income tax relating to each component of other comprehensive income. The previous version of AASB 101 did not contain an equivalent concept.

AASB 138: Intangible assets; Amendments to Australian Accounting Standards arising from AASB 2008-5, Amendments to Australian Accounting Standards arising from Annual Improvements Project (Applicable for Annual reporting periods commencing on or after 1 January 2009). The revised AASB 138 seeks to clarify the use of the term "as incurred". The new paragraph states that these costs must be recognised as an expense at the time that the benefit of the goods or services being provided are actually available to the entity.

This revised accounting standard was implemented in the 2010 financial year. The impact for the year was to increase the loss by $143,057.

v. **New Accounting Standards for Application in Future Periods.**

The AASB has issued new and amended accounting standards and interpretations that have mandatory application dates for future reporting periods. The group has decided against early adoption of these standards. A discussion of those future requirements and their impact on the Group follows:

AASB 9: Financial Instruments and AASB 2009-11: Amendments to Australian Accounting Standards arising from [AASB 1,3,4,5,7,101,102,108,112,118,121,127,128,131,132,136,139,1023 & 1038 and interpretations 10 & 12] (applicable for annual reporting periods commencing on or after 1 January 2013).

These standards are applicable retrospectively and amend the classification and measurement of financial assets. The group has not yet determined the potential impact on the financial statements.

The changes made to accounting requirements include:

- simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;
- simplifying the requirements for embedded derivitatives;
- removing the tainting rules associated with held-to-maturity assets;
- removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;
- allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument; and

- reclassifying financial assets where there is a change in an entity's business model as they are initially classified based on:
  a] the objective of the entity's business model for managing the financial assets; and
  b] the characteristics of the contractual cash flows.

AASB 124: Related Party Disclosures (applicable for annual reporting periods commencing on or after 1 January 2011). This standard removes the requirement for government related entities to disclose details of all transactions with the government and other government related entities and clarifies the definition of a related party to remove inconsistencies and simplify the structure of the standard. No changes are expected to materially affect the Group.

AASB 2009-4: Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 2 and AASB 138 and AASB Interpretations 9 &16] (applicable for annual reporting periods commencing from 1 July 2009) and AASB 2009-5: Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5,8,101,107,117,118,136 & 139) (applicable for annual reporting periods commencing from 1 January 2010).

These standards detail numerous non-urgent but necessary changes to accounting standards arising from the IASB's annual improvements project. No changes are expected to materially affect the Group.

AASB 2009-8: Amendments to Australian Accounting Standards - Group Cash settled Share - based Payment Transactions [AASB 2] (applicable for annual reporting periods commencing on or after 1 January 2010).

These amendments clarify the accounting for group cash-settled share - based payment transactions in the separate or individual financial statements of the entity receiving the goods or services when the entity has no obligation to settle the share based payment transaction. The amendments incorporate the requirements previously included in Interpretation 8 and Interpretation 11 and as a consequence, these two Interpretations are superseded by the amendments. These amendments are not expected to impact the Group.

AASB 2009-9: Amendments to Australian Accounting Standards - Additional Exemptions for First-time Adopters [AASB 1] (applicable for annual reporting periods commencing on or after 1 January 2010).

These amendments specify requirements for entities using the full cost method in place of the retrospective application of Australian Accounting Standards for oil and gas assets, and exempt entities with existing leasing contracts from reassessing the classification of those contracts in accordance with Interpretation 4 when the application of their previous accounting policies would have given the same outcome. These amendments are not expected to impact the Group.

AASB 2009-10: Amendments to Australian Accounting Standards-Classification of Rights Issues [AASB 132] (applicable for annual reporting periods commencing on or after 1 February 2010).

These amendments clarify that rights, options or warrants to acquire a fixed number of an entity's own equity instruments for a fixed amount in any currency are equity instruments if the entity offers the rights, options or warrants pro-rata to all existing owners of the same class of its own non-derivative equity instruments. These amendments are not expected to impact the group.

AASB 2009-12: Amendments to Australian Accounting Standards [AASBs 5,8,108,110,112,119,133,137,139,1023 & 1031 and Interpretations 2,4,16,1039 & 1052] (applicable for annual reporting periods commencing on or after 1 January 2011).

This standard makes a number of editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of International Financial Reporting Standards by the IASB. The standard also amends AASB 8 to require entities to exercise judgement in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures.
These Amendments are not expected to impact the Group.

AASB 2009-13: Amendments to Australian Accounting Standards arising from Interpretations 19-[AASB 1] (applicable for annual reporting periods commencing on or after 1 July 2010).

This standard makes amendments to AASB 1 arising from the issue of Interpretation 19. The amendments allow a first-time adopter to apply the transitional provisions in Interpretation 19. This standard is not expected to impact the Group.

AASB 2009-14: Amendments to Australian Interpretation - Prepayment of a Minimum Funding Requirement [AASB Interpretation 14] (applicable for annual reporting periods commencing on or after 1 January 2011).
It is not expected to impact the Group.

This standard amends Interpretation 14 to address unintended consequences that can arise from the previous accounting requirements when an entity prepays future contributions into a defined benefit pension plan.

AASB Interpretation 19: Extinguishing Financial Liabilities with Equity Instruments (applicable for annual reporting periods commencing on or after 1 July 2010).

This Interpretation deals with how a debtor would account for the extinguishment of a liability through the issue of equity instruments. The Interpretation states that the issues of equity should be treated as the consideration paid to extinguish the liability, and the equity instruments issued should be recognised at their fair value unless fair value cannot be measured reliably in which case they shall be measured at the fair value of the liability extinguished. The Interpretation deals with situations where either partial or full settlement of the liability has occurred. This Interpretation is not expected to impact the Group.

The group does not anticipate the early adoption of any of the above Australian Accounting Standards.

## 2 REVENUE AND OTHER INCOME

| | CONSOLIDATED GROUP | | PARENT ENTITY | |
|---|---|---|---|---|
| | **2010** | 2009 | **2010** | 2009 |
| **Revenue from operating activities** | | | | |
| Sales Revenue | **5,695,296** | 5,647,666 | **4,936,212** | 5,023,453 |
| | **5,695,296** | 5,647,666 | **4,936,212** | 5,023,453 |
| **Revenues from non-operating activities** | | | | |
| Interest received | **10,674** | 19,574 | **14,386** | 51,887 |
| Dividend revenue | **-** | - | **120,000** | - |
| Other revenue | **4,306** | 2,694 | **4,306** | 2,814 |
| **Total revenues from non-operating activities** | **14,980** | 22,268 | **138,692** | 54,701 |
| **Total revenues from ordinary activities** | **5,710,276** | 5,669,934 | **5,074,904** | 5,078,154 |

## 3 PROFIT FOR THE YEAR

| | | | | |
|---|---|---|---|---|
| Expenses | | | | |
| Depreciation of non-current assets | | | | |
| Buildings | **24,337** | 25,564 | **15,837** | 17,064 |
| Plant and equipment | **28,757** | 18,669 | **19,167** | 11,256 |
| Leased motor vehicles | **6,187** | 6,187 | **-** | - |
| Owned motor vehicles | **5,000** | 6,915 | **1,000** | 6,915 |
| Leased plant and equipment | **44,194** | 46,802 | **21,488** | 31,132 |
| Total depreciation of non-current assets | **108,475** | 104,137 | **57,492** | 66,367 |
| Amortisation of non-current assets | | | | |
| Trade names | **12,053** | 12,053 | **12,053** | 12,053 |
| Total amortisation of non-current assets | **12,053** | 12,053 | **12,053** | 12,053 |
| **Total Depreciation and Amortisation Expense** | **120,528** | 116,190 | **69,545** | 78,420 |
| Borrowing costs | | | | |
| Interest Expense | | | | |
| Bank facilities | **128,596** | 100,981 | **5,160** | 680 |
| Finance lease | **25,311** | 27,402 | **2,921** | 5,183 |
| **Total Borrowing Costs** | **153,907** | 128,383 | **8,081** | 5,863 |

| | CONSOLIDATED GROUP | | PARENT ENTITY | |
|---|---|---|---|---|
| | **2010** | 2009 | **2010** | 2009 |
| **4 INCOME TAX EXPENSE** | | | | |
| A: The components of tax expense comprise: | | | | |
| Current tax | **(50,949)** | (117,690) | **(47,543)** | (124,740) |
| Recoupment of prior year tax losses | **-** | - | **-** | - |
| Deferred tax assets re tax losses not recognised | **50,949** | - | **47,543** | 124,740 |
| | **-** | (117,690) | **-** | - |
| B: The prima facie tax; using rates applicable in the country of operation, on profit is reconciled to the tax as follows: | | | | |
| Prima facie tax payable on profit from ordinary activities before income tax at 30% (2009 30%) New Zealand 33% (2009 33%) | | | | |
| -economic entity | **(89,250)** | (189,312) | | |
| -parent entity | | | **(83,294)** | (195,011) |
| -other members of the income tax group | | | **-** | - |
| Add tax effect of: | | | | |
| Non-deductible depreciation and amortisation | **2,936** | (3,712) | **4,265** | (3,620) |
| Other assessable items | **35,366** | 75,334 | **31,455** | 73,891 |
| Less: | | | | |
| Deferred tax asset not brought to account | **50,948** | 117,690 | **47,543** | 124,740 |
| Recoupment of prior years losses not previously booked | **-** | - | **-** | - |
| Income tax expense attributable to ordinary activities | **-** | - | **-** | - |
| **Income tax losses** | | | | |
| Deferred tax asset as a result of tax losses not brought to account at balance date | | | | |
| The deferred tax asset will only be obtained if: | | | | |
| a) Future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised; | | | | |
| b) the conditions for deductibility imposed by tax legislation continue to be complied with; and | | | | |
| c) no changes in tax legislation adversely affect the company in realising the benefit | | | | |
| d) the applicable weighted average effective tax rates are as follows | **11.71%** | 18.37% | **17.12%** | 19.19% |

| | CONSOLIDATED GROUP | | PARENT ENTITY | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| **5 CASH AND CASH EQUIVALENTS** | | | | |
| Cash at bank and in hand | **503,615** | 983,088 | **353,355** | 566,058 |
| Short-term other deposits | **53,830** | 4,630 | **1,684** | 4,174 |
| **Cash & Cash Equivalents** | **557,445** | 987,718 | **355,039** | 570,232 |
| **Reconciliation of cash** | | | | |
| Cash at the end of the financial year as shown in the cash flow statement is reconciled to items in the balance sheet as follows: | | | | |
| Cash and cash equivalents | **557,445** | 987,718 | **355,039** | 570,232 |
| Bank overdrafts | **(517,786)** | (590,871) | **-** | - |
| | **39,659** | 396,847 | **355,039** | 570,232 |

A floating charge over cash and cash equivalents has been provided for certain debts. Refer to note 14 for further details.

| | CONSOLIDATED GROUP 2010 | CONSOLIDATED GROUP 2009 | PARENT ENTITY 2010 | PARENT ENTITY 2009 |
|---|---|---|---|---|
| **6 TRADE AND OTHER RECEIVABLES** | | | | |
| **Current** | | | | |
| Trade receivables | **658** | 65,451 | **-** | 2,915 |
| Other receivables | **126,958** | - | **80,917** | 45,278 |
| Wholly owned subsidiaries | **-** | - | **2,435,518** | 2,355,798 |
| | **127,616** | 65,451 | **2,516,435** | 2,403,991 |

**Credit Risk - Trade and Other Receivables**

The Group has no significant credit risk. All monies must be paid before tour departure or accessing park sites. On a geographical basis, all debtors are Australian based.

| | CONSOLIDATED GROUP 2010 | CONSOLIDATED GROUP 2009 | PARENT ENTITY 2010 | PARENT ENTITY 2009 |
|---|---|---|---|---|
| **7 INVENTORIES** | | | | |
| Finished goods | **74,577** | 97,885 | **71,204** | 93,996 |
| **8 OTHER ASSETS (CURRENT)** | | | | |
| Prepayments | **294,743** | 307,130 | **259,396** | 286,037 |
| **9 OTHER FINANCIAL ASSETS (NON-CURRENT)** | | | | |
| **INVESTMENT AT COST:** | | | | |
| **Controlled entities - unlisted** | **-** | - | **18,201** | 18,201 |

**10 CONTROLLED ENTITIES**

| Name | Country of incorporation | Percentage of equity interest held by the parent entity 2010 % | 2009 % | Investment 2010 $ | 2009 $ |
|---|---|---|---|---|---|
| (a) Aircruising Australia (New Zealand) Ltd ^ | New Zealand | **100** | 100 | **100** | 100 |
| Aircruising Services Pty Ltd | Australia | **100** | 100 | **100** | 100 |
| Bill Peach Journeys Pty Ltd | Australia | **100** | 100 | **18,000** | 18,000 |
| Select Parks Pty Limited | Australia | **100** | 100 | **1** | 1 |
| ^ The entity is audited by Slight, Lala & Co. | | | | **18,201** | 18,201 |

During the year, Bill Peach Journeys Pty Limited paid a dividend of $120,000.00 to Aircruising Australia Limited.

## 11 PROPERTY, PLANT AND EQUIPMENT

| | CONSOLIDATED GROUP | | PARENT ENTITY | |
|---|---|---|---|---|
| | **2010** | 2009 | **2010** | 2009 |
| *Land and Buildings* | | | | |
| *Freehold land at:* | | | | |
| At Cost | **964,084** | 964,084 | **214,084** | 214,084 |
| Total land | **964,084** | 964,084 | **214,084** | 214,084 |
| Buildings at: | | | | |
| At Cost | **1,216,832** | 1,216,832 | **791,832** | 791,832 |
| Accumulated depreciation | **(143,854)** | (119,517) | **(121,896)** | (106,059) |
| Total buildings | **1,072,978** | 1,097,315 | **669,936** | 685,773 |
| Total land and buildings | **2,037,062** | 2,061,399 | **884,020** | 899,857 |
| *Furniture & Equipment owned* | | | | |
| At Cost | **136,964** | 133,156 | **136,964** | 133,156 |
| Accumulated depreciation | **(111,859)** | (100,581) | **(111,859)** | (100,581) |
| | **25,105** | 32,575 | **25,105** | 32,575 |
| *Furniture & Equipment under Lease* | | | | |
| At Cost | **280,777** | 280,777 | **53,720** | 53,720 |
| Accumulated amortisation | **(90,711)** | (46,518) | **(52,336)** | (30,848) |
| | **190,066** | 234,259 | **1,384** | 22,872 |
| *Plant and Equipment* | | | | |
| At Cost | **100,338** | 97,926 | - | - |
| Accumulated depreciation | **(20,247)** | (10,656) | - | - |
| | **80,091** | 87,270 | - | - |
| *Motor Vehicles Owned* | | | | |
| At Cost | **66,080** | 66,080 | **35,000** | 66,080 |
| Accumulated depreciation | **(49,939)** | (44,939) | **(28,000)** | (44,939) |
| | **16,141** | 21,141 | **7,000** | 21,141 |
| *Motor Vehicles under Lease* | | | | |
| At Cost | **27,499** | 27,499 | - | - |
| Accumulated amortisation | **(15,726)** | (9,539) | - | - |
| | **11,773** | 17,960 | - | - |
| *Office Improvements under Lease* | | | | |
| At Cost | **78,898** | 78,898 | **78,898** | 78,898 |
| Accumulated amortisation | **(61,020)** | (53,131) | **(61,020)** | (53,131) |
| | **17,878** | 25,767 | **17,878** | 25,767 |
| *Construction In Progress* | | | | |
| At Cost | **394,775** | - | - | - |
| | **394,775** | - | - | - |
| **Total Property, Plant and Equipment** | **2,772,891** | 2,480,371 | **935,387** | 1,002,212 |

## AIRCRUISING AUSTRALIA LIMITED & CONTROLLED ENTITIES
## A.B.N. 25 010 484 938
## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (cont'd)

**11 PROPERTY, PLANT AND EQUIPMENT (cont'd)**

**(a) Reconciliations:**

Reconciliation of the carrying amounts of property, plant and equipment between the beginning and the end of the current financial year.

| | CONSOLIDATED GROUP | | PARENT ENTITY | |
|---|---|---|---|---|
| | **2010** | 2009 | **2010** | 2009 |
| *Freehold Land* | | | | |
| Carrying amount at beginning | **964,084** | 964,084 | **214,084** | 214,084 |
| Depreciation expense | - | - | - | - |
| | **964,084** | 964,084 | **214,084** | 214,084 |
| *Buildings* Carrying amount at beginning | **1,097,315** | 1,121,652 | **685,773** | 701,610 |
| Depreciation expense | **(24,337)** | (24,337) | **(15,837)** | (15,837) |
| | **1,072,978** | 1,097,315 | **669,936** | 685,773 |
| *Furniture & Equipment owned* | | | | |
| Carrying amount at beginning | **32,693** | 25,997 | **32,574** | 25,758 |
| Disposals | - | (484) | - | (484) |
| Transferred from leased | - | 17,682 | - | 17,682 |
| Additions | **3,808** | 950 | **3,808** | 950 |
| Depreciation expense | **(11,398)** | (11,452) | **(11,278)** | (11,332) |
| | **25,103** | 32,693 | **25,104** | 32,574 |
| *Plant and Equipment* | | | | |
| Carrying amount at beginning | **87,151** | 32,991 | - | - |
| Additions | **7,412** | 61,453 | - | - |
| Transferred to Construction In Progress | **(5,000)** | | | |
| Depreciation expense | **(9,470)** | (7,293) | - | - |
| | **80,093** | 87,151 | - | - |
| *Furniture & Equipment under Lease* | | | | |
| Carrying amount at beginning | **234,258** | 64,948 | **22,871** | 64,948 |
| Additions | - | 227,057 | - | - |
| Transferred to owned | - | (17,682) | - | (17,682) |
| Amortisation expense | **(44,194)** | (40,065) | **(21,488)** | (24,395) |
| | **190,064** | 234,258 | **1,383** | 22,871 |
| *Motor Vehicles Owned* | | | | |
| Carrying amount at beginning | **21,142** | 28,057 | **21,142** | 28,057 |
| Transferred to Subsidiary | | | **(13,141)** | |
| Depreciation expense | **(5,000)** | (6,915) | **(1,000)** | (6,915) |
| | **16,142** | 21,142 | **7,001** | 21,142 |
| *Motor Vehicles under Lease* | | | | |
| Carrying amount at beginning | **17,960** | 24,147 | - | - |
| Disposals | - | - | - | - |
| Additions | - | - | - | - |
| Amortisation expense | **(6,187)** | (6,187) | - | - |
| Impairment expense | - | - | - | - |
| | **11,773** | 17,960 | - | - |
| *Construction In Progress* | | | | |
| Carrying amount at beginning | - | - | - | - |
| Additions | **377,315** | - | - | - |
| Transferred from Plant & Equipment | **5,000** | - | - | - |
| Capitalised Finance Cost | **12,460** | - | - | - |
| Depreciation expense | - | - | - | - |
| | **394,775** | - | - | - |
| *Office Improvements under Lease* | | | | |
| Carrying amount at beginning | **25,768** | 33,657 | **25,768** | 33,657 |
| Amortisation expense | **(7,889)** | (7,889) | **(7,889)** | (7,889) |
| | **17,879** | 25,768 | **17,879** | 25,768 |
| | **2,772,891** | 2,480,371 | **935,387** | 1,002,212 |
| Capitalised Finance Costs | | | | |
| Borrowing costs incurred | **12,460** | - | - | - |

| | CONSOLIDATED GROUP | | PARENT ENTITY | |
|---|---|---|---|---|
| | **2010** | 2009 | **2010** | 2009 |
| **12 INTANGIBLES** | | | | |
| Trade names at cost | **815,000** | 815,000 | **815,000** | 815,000 |
| Accumulated amortisation | **(718,522)** | (706,469) | **(718,522)** | (706,469) |
| | **96,478** | 108,531 | **96,478** | 108,531 |
| Goodwill on purchase of the Bellinger River Tourist Park | **1,184,146** | 1,184,146 | - | - |
| Total Intangibles | **1,280,624** | 1,292,677 | **96,478** | 108,531 |
| **Reconciliations:** | | | | |
| *Trade Names* | | | | |
| Carrying amount at beginning | **108,531** | 120,584 | **108,531** | 120,584 |
| Depreciation expense | **(12,053)** | (12,053) | **(12,053)** | (12,053) |
| | **96,478** | 108,531 | **96,478** | 108,531 |
| *Goodwill on purchase of the Bellinger River Tourist Park* | | | | |
| Carrying amount at beginning | **1,184,146** | 1,184,146 | - | - |
| | **1,184,146** | 1,184,146 | - | - |
| | **1,280,624** | 1,292,677 | **96,478** | 108,531 |

**Impairment Disclosures**

The directors carried out the annual impairment testing of Intangibles.

In this process, a valuation by a qualified independent valuer was obtained for the Bellinger River Tourist Park, an asset of Select Parks Pty Limited. The date of the valuation is 19th August 2010.

The valuation was $2,000,000, and is about $661,000 under the asset's carrying value in the books of account after taking into account the costs of selling the asset. Any impairment would first be charged against goodwill but the directors decided not to recognise an impairment charge.

The Directors took into account the following factors in reaching the decision:

- The valuation is based on the trading conditions experienced in the 2010 financial year.
- During the 2009 Calendar year, an unusual high incidence of flooding has been experienced in the area, including in March 2009, a 1:100 year flood.
- The above flood closed the park for three weeks, including the Easter period.
- This resulted in the "Grey Nomads", our target market, avoiding the coastal route, instead choosing the inland highways.
- Hence, the valuation is based on trading incurred during a period of time severely affected by an unusual high incidence of natural disasters, and is not a true reflection of a normal trading environment.
- Since June of this year, the park has experienced 70% increase in trading as against the same period last year, and 34% as against the same period in 2008 when trading conditions were regarded as being normal.
- The Directors are of the view that this increase in business is sustainable.
- Further, the Directors have instigated a capital expenditure programme to further develop the park by the installation of:
  4 x 2 Bedroom Villas, currently being installed,
  4 x 1 Bedroom Villas being installed in the last half of the financial year, and
  Replacement of the existing amenities block.
- Total expenditure will be $1,000,000 with $394,775 being incurred as at 30th June 2010. (Not included in the above appraisal).
- Development approvals have been granted by the appropriate authorities.
- Funding of the programme has been secured with Australian Pioneer Pty Ltd, the major shareholder of the company.

Based on the above factors, the Directors "Resolved" to leave the value of the assets in Select Parks Pty Ltd at original cost less provision for depreciation as at 30th June 2010.

## AIRCRUISING AUSTRALIA LIMITED & CONTROLLED ENTITIES
## A.B.N. 25 010 484 938
### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

| | Note | CONSOLIDATED GROUP | | PARENT ENTITY | |
|---|---|---|---|---|---|
| | | **2010** | 2009 | **2010** | 2009 |
| **13 TRADE AND OTHER PAYABLES** | | | | | |
| Unsecured liabilities | | | | | |
| Trade payables | | **818,796** | 675,583 | **773,707** | 653,258 |
| Sundry payables and accrued expenses | | **556,781** | 376,622 | **506,301** | 352,111 |
| Wholly owned subsidiaries | | **-** | - | **2,819,515** | 2,648,543 |
| | | **1,375,577** | 1,052,205 | **4,099,523** | 3,653,912 |
| **14 BORROWINGS** | | | | | |
| Current | | | | | |
| Unsecured liabilities | | | | | |
| Lease liability | 18 | **105,538** | 90,291 | **16,878** | 37,404 |
| Other | | **523,493** | - | **-** | - |
| | | **629,031** | 90,291 | **16,878** | 37,404 |
| Secured liabilities | | | | | |
| Bank overdraft | | **517,786** | 590,871 | **-** | - |
| Bank Bills | | **1,550,000** | 1,500,000 | **-** | - |
| | | **2,067,786** | 2,090,871 | **-** | - |
| Total current borrowings | | **2,696,817** | 2,181,162 | **16,878** | 37,404 |
| Non-Current | | | | | |
| Lease liability | 18 | **55,711** | 161,985 | **-** | - |
| Total non current borrowings | | **55,711** | 161,985 | **-** | - |
| Total borrowings | | **2,752,528** | 2,343,147 | **16,878** | 37,404 |

Terms and conditions relating to the above financial instrument

Finance leases have an average lease term of 3 years. The weighted average interest rate implicit in the leases is 10.86% (2009; 10.86%). Secured lease liabilities are secured by a charge over the leased assets.

The carrying amounts of assets pledged as security are:

| | | | | |
|---|---|---|---|---|
| Floating charge over all assets | **5,107,896** | 5,231,232 | **4,252,140** | 4,483,200 |

**Collateral Provided**

The bank debt is secured by a first mortgage registered mortgage over the assets owned by the group.

Covenants imposed by the bank are:

"The interest cover ratio for each financial year for the group will not, as at the compliance date, be less than 1.6:1"

Lease liabilities are secured by the underlying leased assets.

As at 30 June, the group was in breach of the above banking covenant. Note that all bank loans in the balance are classified as "Current Liabilities".

**Bills Payable**

Bills payable have been drawn as a source of short term finance. As at June 2010, the length of bills ranged from 30 to 90 days.

Average interest cost as at June 2010 is 5.07% (2009 4.4%)

The bank loan facility for the variable rate commercial bill facility expires on 30.11.2010 ($1,550,000)

**Bank Overdraft**

The term on the bank overdraft facility ($950,000) is:

"the facility will continue until either or both (whichever occurs earlier) a review event or an event of default (as defined in the finance conditions of use) occurs".

## 15 PROVISIONS

| | Current Employee Benefit | Non-Current Employee Benefit | Total |
|---|---|---|---|
| **ECONOMIC ENTITY** | | | |
| Opening balance at 1 July 2009 | 61,906 | 43,654 | 105,560 |
| Moved to current | - | - | - |
| Additional provisions | 38,793 | (8,488) | 30,305 |
| Amount used | (45,749) | - | (45,749) |
| Balance as at 30 June 2010 | 54,950 | 35,166 | 90,116 |
| **PARENT ENTITY** | | | |
| Opening balance at 1 July 2009 | 61,163 | 43,654 | 104,817 |
| Transfer to Subsidiary | 894 | (7,008) | (6,114) |
| Additional provisions | 26,318 | (11,151) | 15,167 |
| Amount used | (39,431) | - | (39,431) |
| Balance as at 30 June 2010 | 48,944 | 25,495 | 74,439 |

A provision has been recognised for employee entitlements relating to long service leave. In calculating the present value of future cash flows, in respect of long service leave, the probability of long service leave being taken is based on historical data. The measurement and recognition criteria relating to employee benefits has been included in note 1 to this report.

| | CONSOLIDATED GROUP | | PARENT ENTITY | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| **16 TAX** | | | | |
| **Liabilities** | | | | |
| Non current | | | | |
| Deferred tax liability | 99,514 | 99,514 | - | - |
| **Consolidated Group** | | | | |
| **Deferred Tax Liability** | | | | |
| Property Plant and Equipment tax allowance | 99,514 | 99,514 | - | - |
| **17 CONTRIBUTED EQUITY** | | | | |
| **Issued and paid up-capital** | | | | |
| 12,000,000 fully paid ordinary shares (2009: 12,000,000) | 4,800,000 | 4,800,000 | 4,800,000 | 4,800,000 |

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held. At 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.

**Capital Management**

Management controls the capital of the group in order to maintain a good debt to equity ratio, provide the shareholders with adequate returns and ensure that the group can fund its operations and continue as a going concern.

The group's debt and capital includes ordinary share capital and financial liabilities, supported by financial assets.

There are no 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, distribution to shareholders and share issues.

There have been no changes in the strategy adopted by management to control the capital of the group since the prior year. The gearing ratios for the year ended 30 June 2010 and 30 June 2009 are as follows:

| | Note | Consolidated Group | | Parent Entity | |
|---|---|---|---|---|---|
| | | **2010** | 2009 | **2010** | 2009 |
| Total borrowings | 14 | **2,752,528** | 2,343,147 | **16,878** | 37,404 |
| Less cash and cash equivalents | 5 | **557,445** | 987,718 | **355,039** | 570,232 |
| Net debt | | **2,195,083** | 1,355,429 | **(338,161)** | (532,828) |
| Total Equity | | **5,925** | 441,157 | **(598,579)** | (320,933) |
| Total Capital | | **2,201,008** | 1,796,586 | **(936,740)** | (853,761) |
| Gearing ratio | | **80.0%** | 75.50% | **N/A** | N/A |

## 18 CAPITAL AND LEASE COMMITMENTS

**Lease expenditure commitments**

| | Note | Consolidated Group 2010 | Consolidated Group 2009 | Parent Entity 2010 | Parent Entity 2009 |
|---|---|---|---|---|---|
| *Finance leases* | | | | | |
| - not later than one year | | **118,569** | 133,154 | **17,585** | 41,032 |
| - between one year and not later than five years | | **58,157** | 180,196 | **-** | - |
| - Total minimum lease payments | | **176,726** | 313,350 | **17,585** | 41,032 |
| - future finance charges | | **(15,477)** | (61,074) | **(707)** | (3,628) |
| - Lease liability | | **161,249** | 252,276 | **16,878** | 37,404 |
| current liability | 14 | **105,538** | 90,291 | **16,878** | 37,404 |
| non-current liability | 14 | **55,711** | 161,985 | **-** | - |
| | | **161,249** | 252,276 | **16,878** | 37,404 |
| **Capital Expenditure Commitments** | | | | | |
| Plant and equipment purchases | | **605,225** | 51,455 | **Nil** | 51,455 |

## 19 OPERATING SEGMENTS

Segment Information

Identification of reportable segments

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

The Group is managed primarily on the basis of product category and services offerings as the diversification of the Group's operations inherently have notably different risk profiles and performance assessment criteria. Operating segments are therefore determined on the same basis.

Reportable segments disclosed are based on aggregating operating segments where the segments are considered to have similar economic characteristics and are also similar with respect to the following:

- the services provided by the segment;
- the type or class of customer for the products or services;
- the distribution method; and
- any external regulatory requirements.

Types of products and services by segment.

(1) Travel.

Aircruising Australia Limited with wholly owned subsidiaries Aircruising Services Pty Limited, Bill Peach Journeys Pty Limited and Aircruising Australia (New Zealand) Limited operate tours both within Australia and internationally.

The distribution process is both by direct sales and sales generated through tour agents and wholesalers.

(2) Caravan Park.

Through the wholly owned subsidiary, Select Parks Pty Limited, the company operates a caravan park at Repton New South Wales called the "Bellinger River Tourist Park".

This is the only site operating and customers either book ahead or arrive at the park.

Basis of accounting for purposes of reporting by operating segments.

**(a) Accounting policies adopted**

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

**(b) Inter-segment transactions**

An internally determined transfer price is set for all inter-segment sales. This price is based on "at arms length prices". All such transactions are eliminated on consolidation of the Group's statements. The only related party transaction is reported at note 25.

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

**(c) Segment assets**

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

**(d) Segment liabilities**

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

**(e) Unallocated items**

There are no unallocated items.

**(f) Comparative information**

This is the first reporting period in which AASB 8 has been adopted. Comparative information has been restated to conform to the requirements of this standard.

**Segment performance**

| **30th June 2010** | **Touring** | **Caravan Park** | **Total** |
|---|---|---|---|
| Revenue | | | |
| External sales | 5,388,861 | 306,435 | 5,695,296 |
| **Total segment revenue** | **5,388,861** | **306,435** | **5,695,296** |
| **Segment Net Profit/(Loss) before tax** | **(247,933)** | **(187,299)** | **(435,232)** |
| **30th June 2009** | | | |
| Revenue | | | |
| External sales | 5,368,964 | 278,702 | 5,647,666 |
| **Total segment revenue** | **5,368,964** | **278,702** | **5,647,666** |
| **Segment Net Profit/(Loss) before tax** | **(458,242)** | **(182,393)** | **(640,635)** |
| **Segment assets** | | | |
| **30th June 2010** | **2,025,685** | **3,082,210** | **5,107,895** |
| **30th June 2009** | **2,542,729** | **2,688,503** | **5,231,232** |
| **Segment liabilities** | | | |
| **30th June 2010** | **1,573,282** | **3,528,688** | **5,101,970** |
| **30th June 2009** | **1,842,392** | **2,947,683** | **4,790,075** |

| | **30th June 2010** | **30th June 2009** |
|---|---|---|
| **Revenue by geographical region** | | |
| All revenue is attributable to Australia. | **5,695,296** | **5,647,666** |
| **Assets by geographical region** | | |
| Australia | **4,877,609** | 5,226,562 |
| New Zealand | **230,286** | 4,670 |
| **Total assets** | **5,107,895** | 5,231,232 |

**Major customers**

All customers are individual clients, hence we have no major customers.

# AIRCRUISING AUSTRALIA LIMITED & CONTROLLED ENTITIES
## A.B.N. 25 010 484 938
## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (cont'd)

### 20 STATEMENT OF CASH FLOWS

| | CONSOLIDATED GROUP | | PARENT ENTITY | |
|---|---|---|---|---|
| | **2010** | 2009 | **2010** | 2009 |
| **(a) Reconciliation of the operating loss after tax to the net cash flows** | | | | |
| Operating loss after tax | (435,232) | (640,635) | (277,646) | (650,037) |
| **Non cash flows in loss** | | | | |
| Depreciation | 58,094 | 57,886 | 36,004 | 35,235 |
| Amortisation | 62,434 | 58,305 | 33,541 | 43,135 |
| Gain or (loss) on sale of fixed asset | - | - | - | 348 |
| **Changes in assets and liabilities** | | | | |
| (increase)/decrease trade receivables | (62,165) | 129,997 | (99,303) | 116,969 |
| (increase)/decrease inventory | 23,308 | (398) | 22,792 | (913) |
| (increase)/decrease other current assets | 12,387 | 260,245 | 26,641 | 264,149 |
| increase/(decrease) trade creditors - current | 323,373 | (991,713) | 510,611 | (952,608) |
| increase/(decrease) advance deposits | (405,413) | (505,500) | (348,121) | (396,306) |
| increase (decrease) employee entitlements | (15,444) | (75,902) | (30,378) | (74,711) |
| Net cash flow from operating activities | (438,658) | (1,707,715) | (125,859) | (1,614,739) |

**(b) Loan Facilities**

At balance date, the following financing facilities had been negotiated and were available:

| | CONSOLIDATED GROUP 2010 | 2009 | PARENT ENTITY 2010 | 2009 |
|---|---|---|---|---|
| Loan facilities | **2,500,000** | 2,500,000 | **350,000** | 350,000 |
| Amount utilised | **(2,067,786)** | (2,090,871) | - | - |
| | **432,214** | 409,129 | **350,000** | 350,000 |
| Facilities provided are: | | | | |
| Bank overdraft | **950,000** | 950,000 | **350,000** | 350,000 |
| Bank Bills | **1,550,000** | 1,550,000 | - | - |
| | **2,500,000** | 2,500,000 | **350,000** | 350,000 |

Bank overdraft is subject to banking covenants, and reviewed on a yearly basis.
Bank Bills facility is due for renewal on 30.11.2010

### 21 EARNINGS PER SHARE

| | CONSOLIDATED GROUP 2010 $ | 2009 $ |
|---|---|---|
| The following reflects the income and share data used in the calculation of basic and diluted earnings per share | | |
| Net profit/(loss) | **(435,232)** | (640,635) |
| Adjustments | - | - |
| Earnings used in calculating basic and diluted earnings per share: | **(435,232)** | (640,635) |
| | **Number of Shares** | **Number of Shares** |
| Weighted average number of shares used in calculating basic earnings per share. | **12,000,000** | 12,000,000 |
| **Effect of dilutive securities** | | |
| Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share | **12,000,000** | 12,000,000 |

## 22 REMUNERATION OF DIRECTORS AND EXECUTIVES

(a) Names and positions held of parent entity directors and specified directors and specified executives in office at any time during the financial year.

**Parent Entity Directors**

| | |
|---|---|
| Mr.G.Paynter | Chairman - Non-Executive |
| Mrs. S Doyle | Director-Non Executive |
| Mrs.J.Musgrave | Director-Joint Managing Director |
| Mrs.T Patterson | Director-Joint Managing Director |
| Mrs.N.Knudsen | Director-Non Executive |

**Specified Executives**

| | |
|---|---|
| Mr.S.Weatherstone | Chief Pilot |
| Mrs.J.Faiella | Company Accountant |
| Mrs.P.Anderson | Product Manager |
| Mr.G.Watson | Company Secretary |

(b) **Parent Entity Remuneration**

| | | Primary Benefits | | | |
|---|---|---|---|---|---|
| | | Salary, Fees & Commissions | Superannuation | Non Cash Benefit | Total |
| 2010 | Mr.G.Paynter | - | - | - | - |
| | Mrs.S Doyle | 6,567 | 591 | - | 7,158 |
| | Mrs.J.Musgrave | 93,085 | 8,661 | - | 101,746 |
| | Mrs.T Patterson | 81,602 | 7,344 | 12,032 | 100,978 |
| | Mrs.N.Knudsen | - | - | - | - |
| | | 181,254 | 16,596 | 12,032 | 209,882 |
| 2009 | Mr.G.Paynter | - | - | - | - |
| | Mrs.S Doyle | 11,114 | 1,000 | | 12,114 |
| | Mrs.J.Musgrave | 115,115 | 9,000 | 13,060 | 137,175 |
| | Mrs.T Patterson | 117,202 | 8,585 | 7,310 | 133,097 |
| | Mrs.N.Knudsen | | | | - |
| | | 243,431 | 18,585 | 20,370 | 282,386 |

The service and performance criteria set to determine remuneration are included per note (e).

(c) **Specified Executives Remuneration**

| | | | | | |
|---|---|---|---|---|---|
| 2010 | Mr.S.Weatherstone | 61,849 | 80,035 | | 141,884 |
| | Mrs.J.Faiella | 67,891 | 6,110 | | 74,001 |
| | Mrs.P.Anderson | 49,209 | 4,429 | | 53,638 |
| | Mr.G.Watson | 27,661 | 2,490 | | 30,151 |
| | | 206,610 | 93,064 | - | 299,674 |
| 2009 | Mr.S.Weatherstone | 30,088 | 80,035 | | 110,123 |
| | Mrs.J.Faiella | 72,102 | 6,297 | | 78,399 |
| | Mrs.P.Anderson | 58,245 | 4,900 | | 63,145 |
| | Mr.G.Watson | 28,685 | 2,582 | | 31,267 |
| | Mr.W.Gronebech | 67,015 | 10,025 | | 77,040 |
| | | 256,135 | 103,839 | - | 359,974 |

| (d) **Shareholding** | Opening Number | Purchases | Disposals | Closing Balance |
|---|---|---|---|---|
| Parent Entity Directors | | | | |
| Mr.G.Paynter | 6,264,750 | - | - | 6,264,750 |
| Mrs.S.Doyle | 22,000 | - | - | 22,000 |
| Mrs.J.Musgrave | 1,000 | - | - | 1,000 |
| Mrs.N.Knudsen | 2,270,430 | - | - | 2,270,430 |
| Specified Executives | | | | |
| Mr.G.Watson | 88,800 | - | - | 88,800 |

(e) **Remuneration Packages**

The group's policy for determing the nature and amount of emoluments of board members and senior executives of the company is as follows:

The remuneration structure for executive officers, including executive directors, is based on a number of factors, including length of service, particular experience of the individual concerned, and overall performance of the company. The contracts for service between the company and specified directors and directors and executives are on a continuing basis the terms of which are not expected to change in the immediate future. Upon retirement specified directors and executives are paid employee benefit entitlements accrued to date of retirement.

The group seeks to emphasise payment for results through providing various cash bonus reward schemes to executive directors, specifically, the incorporation of incentive payments based on the achievement of sales targets and return on equity ratios. The objective of the reward schemes is to both reinforce the short and long term goals of the company and to provide a common interest between management and shareholders.

There were no payments during the 2010 financial year.

| | CONSOLIDATED GROUP | | PARENT ENTITY | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| | $ | $ | $ | $ |
| **23 AUDITORS REMUNERATION** | | | | |
| Amounts received or due and receivable by Storey Blackwood as auditors of Aircruising Australia Limited: | | | | |
| - an audit or review of the financial report of the entity and any other entity in the consolidated group | 31,500 | 31,200 | 27,500 | 25,000 |
| - Tax advice | 3,000 | 7,150 | 3,000 | 2,200 |
| | 34,500 | 38,350 | 30,500 | 27,200 |
| Amounts received or due and receivable by auditors other than the auditors of Aircruising Australia Limited for: | | | | |
| - an audit or review of the financial report of subsidiary entities. | 2,473 | 3,849 | - | - |
| | 36,973 | 42,199 | 30,500 | 27,200 |

## 24 DIVIDENDS PAID OR PROPOSED

There are no franking credits available for distribution
The Directors' have not recommended the payment of a final dividend (2009: Nil), and do not propose to pay unfranked dividends in the forthcoming year.

## 25 RELATED PARTY TRANSACTIONS

**Directors**

The directors of Aircruising Australia Limited during the financial year were:

- L.G.J.Paynter
- S.Doyle
- N.F.Knudsen
- J.C.Musgrave
- T.Patterson

**Equity instruments of directors**

**Interests at balance date**

Interests in the equity instruments of Aircruising Australia Limited held by the directors of the reporting entity and their director-related entities:

| | Ordinary Shares Fully Paid | | Options over Ordinary Shares | |
|---|---|---|---|---|
| | 2010 Number | 2009 Number | 2010 Number | 2009 Number |
| - L.G.J.Paynter | 6,264,750 | 6,264,750 | - | - |
| - N.F.Knudsen | 2,270,430 | 2,270,430 | - | - |
| - J C Musgrave | 1,000 | 1,000 | - | - |
| - S.Doyle | 22,000 | 22,000 | - | - |
| | 8,558,180 | 8,558,180 | 0 | 0 |

**Wholly-owned group transactions**

**Loans**

Aircruising Australia (New Zealand) Limited undertakes the group's New Zealand operations on behalf of Aircruising Australia Limited on normal commercial terms and conditions.
Interest free loans are provided by Aircruising Australia Limited.
Select Parks Pty Limited operate Bellinger River Tourist Park. Loans are at the rate of 4.15% P.A.

**Other**

Aircruising Services Pty Limited at present is a non operating company.

**Other related party transactions**

The management fee for accounting and administrative services received by Aircruising Australia Limited and paid by Bill Peach Journeys Pty Limited of $50,437 (2009:$49,813) is based on amounts negotiated between the respective companies, based on commercial terms and conditions.

Aircruising Australia Limited paid agents' commission to its associate Bill Peach Journeys Pty Limited of $56,041 (2009: $55,348) during the year under normal agency/principal arrangements and conditions.

A capital expenditure programme has been undertaken at the Bellinger River Tourist Park, an asset of Select Parks Pty Limited, a subsidiary of Aircruising Australia Limited. The estimated value is $1,000,000.00

Finance has been secured with Australian Pioneer Pty Limited, a company associated with the Chairman.

As at 30th June 2010, the amount drawn down against this facility is $519,636.00.

The agreed terms of the loan are:

- Interest rate: presently 7.25%, subject to review when the RBA adjusts rates.
- Interest payments: six monthly from date of original drawdown.
- Prinicipal repayment when cash flow permits.

**Directors transactions**

**Loans**

There were no directors' transactions during the year.

## 26 SUBSEQUENT EVENTS

There have been no matters arising since the end of the financial year, which have significantly affected, or may significantly affect, the operations, results of those operations or the state of affairs of the group in subsequent future financial periods.

## 27 CONTINGENT LIABILITIES

The company does not have any contingent liabilities at the balance sheet date.

## 28 FINANCIAL RISK MANAGEMENT

**Financial Risk Management Policies**

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

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:

| | NOTES | CONSOLIDATED GROUP | | PARENT ENTITY | |
|---|---|---|---|---|---|
| | | 2010 | 2009 | 2010 | 2009 |
| | | $ | $ | $ | $ |
| Financial assets | | | | | |
| Cash and cash equivalents | 5 | **557,445** | 987,718 | **355,039** | 570,232 |
| Trade & other receivables | 6 | **127,616** | 65,451 | **2,516,435** | 2,403,991 |
| | | **685,061** | 1,053,169 | **2,871,474** | 2,974,223 |
| Financial Liabilities | | | | | |
| Financial liabilities at amortised cost | | | | | |
| Trade and other payables | 12 | **1,375,577** | 1,052,205 | **4,099,523** | 3,653,912 |
| Borrowings | 13 | **2,752,528** | 2,343,147 | **16,878** | 37,404 |
| Advance deposits | | **784,236** | 1,189,649 | **659,879** | 1,008,000 |
| | | **4,912,341** | 4,585,001 | **4,776,280** | 4,699,316 |

**Financial Risk Management Policies**

A finance committee consisting of senior executives of the Group meets on a regular basis to analyse financial risk exposure and to evaluate treasury management strategies in the context of the most recent economic conditions and forecasts.

The committee's overall risk management strategy seeks to assist the consolidated group in meeting its financial targets, whilst minimising potential adverse effects on financial performance.

The finance committee operates under policies approved by the board of directors. Risk management policies are approved and reviewed by the Board on a regular basis. This review includes future cash flow requirements.

**Financial Risk Exposures and Management.**

The main risks the Group is exposed to through its financial instruments are interest rate risk, foreign currency risk, liquidity risk, credit risk and price risk. Note that as a travel company, all tours are paid in full before departure.

**Interest rate risk**

Interest rate risk is managed by utilising bank bills only. The company experiences cash flow shortfall between November to March of the following year as a result of the seasonal nature of our touring product.
As at June 2010, there was no fixed debt owing by the company.

**Foreign currency risk**

The Group is exposed to fluctuations in foreign currencies arising from the sale and purchase of goods and services in currencies other than the Group's measurement currency.

**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 analysis in relation to its operations
- monitoring undrawn credit facilities
- obtaining funding from a variety of sources
- maintain a reputable credit profile
- managing credit risk related to financial assets
- investing surplus cash only with major financial institutions

The group's policy is to ensure that all borrowings are at a mix of short and medium periods of finance to take advantage of the fluctuating levels of advance deposits.

Financial liability and financial asset maturity analysis

| | Within 1 Year | | Over 1 Year | |
|---|---|---|---|---|
| | **2010** | 2009 | **2010** | 2009 |
| | **$** | $ | **$** | $ |
| Consolidated Group | | | | |
| Financial liabilities due for payment | | | | |
| Bank overdraft | **517,786** | 590,871 | - | - |
| Bank Bills | **1,550,000** | 1,500,000 | - | - |
| Trade and other payables | **1,375,577** | 1,052,205 | - | - |
| Finance Leases | **105,538** | 90,291 | **55,711** | 161,985 |
| Total contracted outflows | **3,548,901** | 3,233,367 | **55,711** | 161,985 |
| Less bank overdrafts | **(517,786)** | (590,871) | - | - |
| Total expected outflows | **3,031,115** | 2,642,496 | **55,711** | 161,985 |
| Financial assets - cash flows realisable | | | | |
| Cash and cash equivalents | **557,445** | 987,718 | - | - |
| Trade and other receivables | **127,616** | 65,451 | - | - |
| Total anticipated inflows | **685,061** | 1,053,169 | - | - |
| Net outflow on financial instruments | **2,346,054** | 1,589,327 | **55,711** | 161,985 |

Parent Entity
Financial liabilities due for payment

| | | | | |
|---|---|---|---|---|
| Bank overdraft | - | - | - | - |
| Bank Bills | - | - | - | - |
| Trade and other payables | **4,099,523** | 3,653,912 | - | - |
| Finance Leases | **16,878** | 37,404 | - | - |
| Total contracted outflows | **4,116,401** | 3,691,316 | - | - |
| Less bank overdrafts | - | - | - | - |
| Total expected outflows | **4,116,401** | 3,691,316 | - | - |
| Financial assets - cash flows realisable | | | | |
| Cash and cash equivalents | **355,039** | 570,232 | - | - |
| Trade and other receivables | **2,516,435** | 2,403,991 | - | - |
| Total anticipated inflows | **2,871,474** | 2,974,223 | - | - |
| Net outflow on financial instruments | **1,244,927** | 717,093 | - | - |

*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 14 Borrowings for further details.

**Foreign exchange risk**

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

With instruments being held by overseas operations, fluctuations in NZ Dollar may impact on the Group's financial results unless those exposures are appropriately hedged.

The following table shows the foreign currency risk on the financial assets and liabilities of the Group's operations, denominated in the currency other than the functional currency of the operations.
The foreign currency risk in the books of the parent entity is considered immaterial and is therefore not shown.

Consolidated — Net financial assets/(liabilities) in AUD $

| | NZ | |
|---|---|---|
| | **2010** | 2009 |
| New Zealand Dollar | **(270,075)** | (412,779) |

*Forward exchange contracts*

The Group has open forward exchange contracts at balance date relating to highly probable forecast transactions and recognised financial assets and financial liabilities. These contracts commit the group to buy and sell specified amounts of foreign currencies in the future at specified exchange rates. The Group has a policy of requiring that forward exchange contracts be entered into where future commitments are entered into requiring settlement at a time in excess of two months. Contracts are taken out with terms that reflect the underlying settlement terms of the commitment to the maximum extent possible so that hedge ineffectiveness is minimised. Aircruising Australia Limited operates tours in New Zealand, and when appropriate, we hedge against the NZ dollar to maximise results.

The following table summarises the notional amounts of the group's commitments in relation to forward exchange contracts. The notional amounts do not represent amounts exchanged by the transaction counter parties and are therefore not a measure of the exposure of the group through the use of these contracts. These contracts relate to the parent entity only.

| | Notional Amounts | | Average Exchange Rate | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| | $ | $ | $ | $ |
| Buy $ NZ less than 6 months | **180,000** | 67,000 | **1.2740** | 1.2456 |
| 6 months to one year | **90,000** | - | **1.2681** | - |

**Credit risk**

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

Credit risk is minimised as all monies due must be paid before departure of tour.

Risk is also minimised through investing surplus funds in financial institutions that maintain a high credit rating.

The following table provides information regarding credit risk relating to cash and money market securities.

| | Consolidated Group | | Parent Entity | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| AA rated | 53,830 | 641,426 | 1,684 | 468,775 |

**Price risk**

The group is exposed to commodity price risk by the use of aviation fuel in the aircraft provided for Air tours. Price changes are monitored closely, and where appropriate, passengers are charged a fuel surcharge.

**Net 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 values as presented in the balance sheet. Fair values are those amounts at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

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

Differences between fair values and carrying values of financial instruments with fixed interest rates are due to the change in discount rates being applied by the market since their initial recognition by the group. Most of these instruments which are carried at amortised cost (i.e. term receivables, held-to-maturity assets and loan liabilities) are to be held until maturity and therefore the net fair value figures calculated bear little relevance to the group.

| | 2010 | | 2009 | |
|---|---|---|---|---|
| **Consolidated Group** | Carrying Amount | Net Fair Value | Carrying Amount | Net Fair Value |
| **Financial Assets** | | | | |
| Available for sale financial assets at fair value | - | - | - | - |
| Receivables | **127,616** | 127,616 | **65,451** | 65,451 |
| | **127,616** | 127,616 | **65,451** | 65,451 |
| **Financial Liabilities** | | | | |
| Other Loans and Amounts Due | **161,249** | 161,249 | **252,276** | 252,276 |
| Advance Deposits | **784,236** | 784,236 | **1,189,649** | 1,189,649 |
| Other Liabilities | **1,375,577** | 1,375,577 | **1,052,205** | 1,052,205 |
| | **2,321,062** | 2,321,062 | **2,494,130** | 2,494,130 |

| Parent Entity | 2010 | | 2009 | |
|---|---|---|---|---|
| | Carrying Amount | Net Fair Value | Carrying Amount | Net Fair Value |
| **Financial Assets** | | | | |
| Available for sale financial assets at fair value | - | - | - | - |
| Receivables | **2,516,435** | 2,516,435 | **2,403,991** | 2,403,991 |
| | **2,516,435** | 2,516,435 | **2,403,991** | 2,403,991 |
| **Financial Liabilities** | | | | |
| Other Loans and Amounts Due | **16,878** | 16,878 | **37,404** | 37,404 |
| Advance Deposits | **659,879** | 659,879 | **1,008,000** | 1,008,000 |
| Other Liabilities | **4,099,523** | 4,099,523 | **3,653,912** | 3,653,912 |
| | **4,776,280** | 4,776,280 | **4,699,316** | 4,699,316 |

Fair values are materially in line with carrying values.

**Sensitivity Analysis**

The following table illustrates sensitivities to the Group's exposure to changes in interest rates, and selling prices. The table indicates the impact on how profit and equity values reported at balance date would have been effected by changes in the relevant risk variables that management considers to be reasonably possible. These sensitivities assume that the movement in a particular variable is independent of other variables.

| | Consolidated Group | | Parent Entity | |
|---|---|---|---|---|
| | Profit | Equity | Profit | Equity |
| **Year ended 30 June 2010** | | | | |
| Plus or minus 2% in: | | | | |
| Selling Price | **+/- 30,000** | +/- 30,000 | **+/- 23,600** | +/- 24,000 |
| Interest Rates | **+/- 53,400** | +/- 53,400 | - | - |
| **Year ended 30 June 2009** | | | | |
| Plus or minus 2% in: | **+/- 30,000** | +/- 30,000 | **+/- 24,000** | +/- 24,000 |
| Selling Price | **+/- 42,000** | +/- 42,000 | - | - |
| Interest Rates | | | | |

**29 Company details:**

Registered office:

20/77 Bourke Road
ALEXANDRIA NSW 2015

Principal place of business:

20/77 Bourke Road
ALEXANDRIA NSW 2015

## AIRCRUISING AUSTRALIA LIMITED & CONTROLLED ENTITIES
## A.B.N. 25 010 484 938

## DIRECTORS DECLARATION

The directors of the company declare that:

1 the financial statements and notes, as set out on pages 7 to 38 , are in accordance with the Corporations Act 2001 and:

(a) comply with Accounting Standards and
(b) give a true and fair view of the financial position as at 30 June 2010 and of the performance for the year ended on that date of the company and consolidated group;

2 The Chief Executive Officer and Chief Finance Officer have each declared that:

(a) the financial records of the company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;
(b) the financial statements and notes for the financial year comply with the Accounting Standards; and
(c) the financial statements and notes for the financial year give a true and fair view.

3 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.

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

Jan Musgrave

Jan Musgrave
Joint Managing Director
Sydney, 29th September 2010

T. Patter

Tracey Patterson
Joint Managing Director
Sydney, 29th September 2010

SB Storey Blackwood
CHARTERED ACCOUNTANTS
ABN 16 495 461 685

ACCOUNTING

AUDITING

TAXATION SERVICES

BUSINESS CONSULTING

PERSONAL SUPERANNUATION

COMPANY SECRETARIAL

LIQUIDATIONS

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AIRCRUISING AUSTRALIA LIMITED**

**Report on the Financial Report**

We have audited the accompanying financial report of Aircruising Australia Limited (the company) and its Controlled Entities (the consolidated entity), which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes 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 and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that the financial report, comprising the financial statements and notes, complies 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 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.

**Independence**

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

**PARTNERS**
I.A. JOLLY
G.N. ADCOCK

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SB Storey Blackwood
CHARTERED ACCOUNTANTS
ABN 16 495 461 685

ACCOUNTING

AUDITING

TAXATION SERVICES

BUSINESS CONSULTING

PERSONAL SUPERANNUATION

COMPANY SECRETARIAL

LIQUIDATIONS

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AIRCRUISING AUSTRALIA LIMITED**

**Going Concern**

In forming our opinion, we have considered the adequacy of the disclosures made in note 1 to the financial statements concerning the preparation of the financial statement on a going concern basis. The ability of the consolidated entity to continue to trade as a going concern is dependent on the consolidated entity being able to obtain additional funding either from trading profitability or from continued support of the major shareholders and the bank. In view of the significance of this, we consider that these disclosures should be brought to your attention. Our opinion is not qualified in this respect.

**Basis for Qualified Auditor's Opinion**

As discussed in Note 12 to the financial statements, the company obtained an independent valuation for the Bellinger River Tourist Park which was about $661,000 below the carrying value of the asset. The carrying value includes goodwill of $1,184,146. The directors decided not to recognise an impairment charge against goodwill. In our opinion, this is not in accordance with Australian Accounting Standards. The impairment charge for the year ended 30 June 2010 should be $661,000. Accordingly, the intangible assets should be reduced by an impairment of $661,000, and the loss for the year and accumulated losses should both be increased by $661,000.

**Qualified Auditor's Opinion**

In our opinion, except for the effect on the financial statements of the matter referred to in the preceding paragraph:

(a) the financial report of Aircruising Australia Limited and its Controlled Entities is in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2010 and of their performance for the year ended on that date; and

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

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1.

Storey Blackwood

Storey Blackwood

G N Adcock

G N Adcock
Partner

Level 4, 222 Clarence Street
Sydney NSW 2000
Dated 29 September 2010

## AIRCRUISING AUSTRALIA LIMITED & CONTROLLED ENTITIES
## A.B.N. 25 010 484 938

## CORPORATE GOVERNANCE STATEMENT

**30th June 2010**

Aircruising Australia Limited supports the A.S.X Corporate Governance Councils Principles of Good Corporate Governance, and has complied with the Council's Best Practice Recommendations to the extent considered appropriate, given the Company's relative size and other circumstances.

The Board of Directors are responsible for the Corporate Governance of the economic entity of Aircruising Australia Limited. The Board of Directors monitors the business and affairs of Aircruising Australia Limited on behalf of the shareholders by whom they are elected and to whom they are accountable.

**Composition of the Board**

The board comprises two executive directors and two non executive directors. During the 2009/2010 financial year the non-executive director acted as Chairman.

The board met 11 times during the year to consider, and if appropriate accept, the reports provided by the heads of the individual departments and to formulate future company policy. Reports and other matters for consideration are distributed to the board one week prior to the meeting to facilitate informed discussion of all agenda items.

The directors in office at the date of this statement are:

| | |
|---|---|
| Guy Paynter | Non Executive Chairman |
| Jan Musgrave | Joint Managing Director |
| Tracy Patterson | Joint Managing Director |
| Nancy Knudsen | Non Executive Director |

The names of independent directors are:

Guy Paynter
Nancy Knudsen

The Directors retire in rotation in accordance with the Articles of Association. In effect each director is elected or replaced every third year.

The company is small in public company terms, all the directors meet frequently, as at the date of this report the Directors have no formal policy guidelines relating to the composition of the Board, reviewing the performance of the Board members or nomination of the Auditors, nor do the Directors consider that a series of sub committees serves any useful purpose in a company of this size.

As at the date of this report the directors consider that the capacity of the board is adequate to meet the Corporate Governance of the company.

Each Director is able to obtain independent advice at the expense of the company on matters that relate to their duties to the shareholder subject to approval by the board of the expenditure.

**Board Responsibilities and Risk Management**

As the board acts on behalf of the shareholders and is accountable to the shareholders, the board seeks to identify the expectations of the shareholders, as well as other regulatory and ethical expectations and obligations. In addition, the board is responsible for identifying area's of significant business risk and ensuring arrangements are in place to adequately manage those risks. The board seeks to discharge these responsibilities in a number of ways.

The responsibility of the operation and administration of the economic entity is delegated to the joint managing directors and the executive team. The board ensures that this team is appropriately qualified and experienced to discharge their responsibilities and has in place procedures to assess the performance of the joint managing directors and the executive team.

The board is responsible for ensuring that managements objectives and activities are aligned with the expectations and risks identified by the board. The board has a number of mechanisms in place to ensure this is achieved. These mechanisms include the following;

- board approval of a strategic plan, which encompasses the entity's vision. Mission and strategy statements, designed to meet shareholders needs and manage business risk.
- the strategic plan is a dynamic document and the Board is actively involved in developing and approving initiatives and strategies designed to ensure the continued growth and success of the entity.
- implementation of operating plans and budgets by management and Board monitoring of progress against budget - this includes the establishment and monitoring of key performance indicators (both financial and non-financial) for all significant business process.

- the directors meet 11 times per year to review operating results to plan, measurement of key objectives, and review of any risks, whether they be financial or non financial, are discussed and reviewed by the directors. The agreed action to be taken on the identified risks are included in the minutes of the meeting and reviewed again at the following meeting of directors.
- The company has a "Code of Conduct" to guide compliance with legal and other obligations to legitimate stakeholders. There have been no departures from the "Code of Conduct" during the financial year in which this report relates to.
- Trading in company securities by directors and key management staff is controlled by company policy. There is a consensus among Directors and key management staff that share trading by "designated officers" is openly discussed at the meeting of directors. There is an understanding of "Insider Trading", "Blackout Periods", and"Trading Windows". The last recorded transaction in dealing in company securities by Directors and Key Management staff was in January 2007.

**Monitoring of the Board's Performance and Communication to Shareholders.**

The Board of Directors aims to ensure that the shareholders, on behalf of whom they act, are informed of all information necessary to assess the performance of the Directors. Information is communicated to the shareholders through;

- the annual report which is distributed to all shareholders
- the half yearly report distributed to all shareholders; and
- the annual general meeting and other meetings so called to obtain approval for board action as appropriate.

**Attendance of External Auditor to annual general meeting.**

The external auditors, Storey Blackwood, are requested in writing to be in attendance at the annual general meeting of the company to reply to any questions about the conduct of the audit and the preparation and content of the auditors report.

**Retirement Benefits for Non-Executive Directors.**

The company does not have in place any agreed retirement benefits for non-executive directors. Remuneration to non-executive directors are, details in note 22.

**Integrity in Financial Reporting.**

The chief executive officer and the chief financial officer have stated in writing to the board that the company's financial reports present a true and fair view, in all material respects, of the company's financial condition and operational results and are in accordance with relevant accounting standards.

The chief executive officer and the chief financial officer have also stated to the board in writing that the company's financial condition and operating results are in accordance with relevant accounting standards. The financial statements are prepared from a sound system of risk management and internal compliance which implements the policies adopted by the board.
The company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

**Make timely and balanced disclosures.**

The company understands and respects that timely disclosure of price sensitive information is central to the efficient operation of the securities market and has adopted a Market Disclosure Policy covering:

- announcements to the ASX;
- prevention of selective or inadvertent disclosure;
- conduct of investor and analysts briefings;
- media communications;
- commenting on expected earnings;
- communication black-out periods; and
- review of briefings and communications.

Under the Market Disclosure Policy, the company secretary, as the nominated disclosure officer, has responsibility for overseeing and co-ordinating the disclosure of information by the company to the ASX and for administrating the policy and the company's continuous disclosure education programme.

As Aircruising Australia Limited is a small company, the Board of Directors combined form the function of " Disclosure Committee".

The company's Market Disclosure Policy is consistent with ASX Principle 5. A copy of the policy is available from the company's web site.

**Encourage Enhanced Performances.**

*Performance review*

The performance of key executives is monitored at each meeting of directors (10 times per year).

Measurement is against:

- agreed budget, and strategic plan;
- past statistics; and
- industry standards.

The agenda for performance review include:

- operating results;
- customer satisfaction;
- sales;
- occupancy rates.

*Facilitating Performance by Education.*

New directors have an induction process that includes:

- product familiarisation;
- discussions with joint managing directors and company secretary.

The same procedure is in place for new key executives.

It is always the aim of the directors that new appointments add value and strength to the board.

*Access to information.*

Directors and key executives have access to continuing education to enhance skills both in the position and the industry.

*Reporting.*

There is an agreed monthly reporting package in place that is distributed to all directors before the board meeting (10 times per year).

The directors and key executives have free access to any employees to further discuss the contents of the reporting package.

*Company Secretary.*

The company secretary is accountable to the board through the chairperson on all governance matters.

The company secretary monitors that board policy and procedures are followed, and co-ordinates and despatches the board agenda and supporting papers before the date of the board meeting.

**Remunerate Fairly and Responsibly.**

*Board Remuneration.*

*Remuneration Pool.*

As Aircruising Australia Limited is a small company, the Board of Directors combined form the function of "Remuneration Committee"

The current annual remuneration pool for non-executive directors is $15,000 P.A.

This fee was approved by attending shareholders at the annual general meeting held on 26th November 2009.

Details of annual fees are set out in the remuneration report on page 27 of the Annual Financial Report.

*Non-Executive Director Share Plan.*

At the date of this report, there is no share plan in existence for non-executive directors.

*Remuneration of Executive Directors and Senior Executives.*

Details of remuneration for executive directors and senior executives are set out in the Remuneration Report, which forms part of the Annual Financial Report on page 27.

The remuneration report also sets out details of remuneration practices and policies of the company.

*Executive Directors and Senior Executives Share Plan.*

At the date of this report, there is no share plan in existence for executive directors and senior executives.

*Remuneration Committee.*

As Aircruising Australia Limited is a small company, the Board of Directors combined form the function of "Remuneration Committee".

The remuneration committee's responsibilities include:

- reviewing fixed and variable remuneration for the Non Executive Directors and Joint Managing Directors including incentive schemes.
- reviewing and approving recommendations from the Joint Managing Directors on fixed and variable remuneration for senior executives including incentive schemes.

The composition, operation and responsibilities of the Remuneration Committee are consistent with ASX principle 8.

The committee, as a process of the meeting of directors, meet 11 times per year.

## AIRCRUISING AUSTRALIA LIMITED & CONTROLLED ENTITIES
## A.B.N. 25 010 484 938

## ADDITIONAL INFORMATION

Additional information required by the Australian Stock Exchange and not shown elsewhere in this report is as follows;

The distribution of shareholders is:

| | | | | | |
|---|---|---|---|---|---|
| 1 | - | 1,000 | shares | 72 | 66,689 |
| 1,001 | - | 5,000 | shares | 97 | 327,217 |
| 5,001 | - | 10,000 | shares | 32 | 270,166 |
| 10,001 | - | 100,000 | shares | 26 | 840,183 |
| 100,001 | - | and over | shares | 10 | 10,495,745 |
| | | | | 237 | 12,000,000 |

| | | |
|---|---|---|
| The number of shareholders holding less than a marketable parcel of shares are: | 181 | 473,906 |

*Statement of Shareholdings*

The 20 largest shareholders entered on the share registered held 91.93 percent of the issued share capital. The names of the 20 largest shareholders and their holdings are:

| Name of 20 Largest Shareholders | Fully Paid Ordinary Shares | % Held |
|---|---|---|
| Australian Pioneer Pty Ltd | 6,149,250 | 51.24% |
| Knudsen Enterprises Pty Ltd | 2,225,430 | 18.55% |
| Mr Ian Mitchell | 564,790 | 4.71% |
| Cairnglen Investments Pty Ltd | 450,000 | 3.75% |
| Trevor Hay | 321,775 | 2.68% |
| Mecdan Pty Ltd | 200,000 | 1.67% |
| Teramere Holdings Pty Ltd | 200,000 | 1.67% |
| Helen Mary Porter | 150,000 | 1.25% |
| Leslie Guy Julian Paynter | 109,500 | 0.91% |
| Swaywood Pty Ltd | 88,800 | 0.74% |
| M.K. and S.J. Marschall | 75,262 | 0.63% |
| Emyr Wyn Jones | 63,911 | 0.53% |
| Peter Shrimpton | 60,000 | 0.50% |
| Paulina Moon | 50,000 | 0.42% |
| Rosscat Pty Ltd | 50,000 | 0.42% |
| George Edward Frampton | 40,000 | 0.33% |
| Rodney Malcolm Paynter | 40,000 | 0.33% |
| Mrs Nancy Knudsen | 33,000 | 0.28% |
| Pastis Pty Ltd | 125,000 | 1.04% |
| Amaka Pty Ltd | 35,210 | 0.29% |
| Total 20 Largest Shareholders | 11,031,928 | 91.93% |
| Various | 968,072 | 8.07% |
| Total | 12,000,000 | 100.00% |

*Voting rights:*

All ordinary shares carry one vote per share without restriction