AIRCRUISING AUSTRALIA LIMITED

ANNUAL FINANCIAL REPORT

June 30, 2012

A.B.N. 25 010 484 938

AIRCRUISING AUSTRALIA LIMITED

Directors
G.Paynter (Chairman)
J.C.Musgrave
T.Patterson (resigned)
G.P.Watson

Company Secretary
G.P.Watson

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

Auditors BCS Assurance Pty Ltd.

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
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REVIEW OF OPERATIONS

The Directors report a net loss after tax of $(644,822) for the year compared to a net loss after tax of $(601,646) for the previous year. Total sales revenue decreased by 8.1% on the 2011 year.

The financial year continued with lower demand for domestic products, and stronger demand for International products. This has been addressed by the company by introducing increased products for International touring. A major contributor to the year's loss has been the Aircraft supplier walking away from a three year agreement on supply of Aircraft in favour of pursuing more lucrative mining contracts. We were given 4 weeks notice, and have scrambled all year endeavouring to secure alternate aircraft to operate programmes resulting in some departures being cancelled and higher than budgeted aviation costs.

The 2013 financial year will see more emphasis on products with low fixed costs and high variable cost. Reliance on supply of Aircraft will become a smaller part of our business.

Costs at the **Bellinger River Tourist Park** have been brought under control, however, business decreased over the last 6 months of the financial year. We assume due to the uncertain economic conditions and higher than usual rainfall during the Autumn months. January was affected by flooding again, the park being closed from two days before the Australia Day weekend for about 10 days.
With a lower cost base, as occupancy increases, we will be well placed to return to profit.

Other:

The auditors report is qualified due to the **valuation** of the Bellinger River Tourist Park.
The directors report upon this issue in note 11 on page 26.

The Directors have also been in discussion with the ASX Limited about **delisting** the company's securities.
The Company has made this request as the cost of being listed, against the very small volume of turnover on the exchange, outweigh the benefits.
A vote of shareholders will be held at the AGM. For further details, refer to the announcement to the ASX on Friday 14th September 2012.

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:
With a restructured touring programme and lower cost base at the caravan park, the Directors expect a much improved result in the 2013 financial year than experienced over the last two years.

Jan Musgrave

Jan Musgrave
Managing Director

G Watson

Geoffrey Watson
Director / Secretary

DIRECTORS' REPORT

Your directors submit their report for the year ended 30 June 2012:

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.

Jan Musgrave (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 Managing 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.

Geoffrey Watson (Director and 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. Geoffrey was appointed a director 25th May 2011.

Geoffrey is also a director of Bill Peach Journeys Pty Limited, Aircruising Australia (New Zealand) Limited, Aircruising Services Pty Limited and Select Parks Pty Limited.

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
J.C.Musgrave	1,000
G.P. Watson	88,800

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 - 5.37 Cents

4 Results for the Year.

The net consolidated loss for the financial year ended 30 June 2012 after income tax was $644,822 (2011: Loss $601,646).

5 Dividends

The Directors recommend that no dividend be paid (2011: Nil)

6 Employees

The consolidated entity employed 12 employees as at 30th June 2012 (2011: 11 employees).

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 prejudice 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 19 of the Directors' Report on page 5.

DIRECTORS' REPORT

13 Directors Meetings.

During the year ten 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	10	10
J. Musgrave	10	10
T. Patterson	1	0
G. Watson	10	10

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 behavior 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 40.

15 Environmental Issues.

As mentioned last year, the Bellinger River Tourist Park operates a septic system. Being close to the Bellinger River, we are very conscious of environmental conditions, and review the system of operation on a regular basis.

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 21 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 21.

17 Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 30th June 2012 has been received and can be found on page 7 of the Annual Report.

18 Proceedings on Behalf of Company

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

DIRECTORS' REPORT

19 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.J.Musgrave	Director-Joint Managing Director
Mrs.T Patterson	Director-Joint Managing Director
Mr.G.Watson	Company Secretary

Specified Executives

Mrs.J.Faiella	Company Accountant
Mrs.K.Walker	Operations Manager
Mrs.A.Portus	Marketing Manager

(b) **Parent Entity Remuneration**

		Primary Benefits			
		Salary, Fees & Commissions	Superannuation	Non Cash Benefit	Total
2012	Mr.G.Paynter	-	-	-	-
	Mrs.J.Musgrave	97,093	8,738	3,649	109,480
	Mrs.T Patterson	-	-	-	-
	Mr.G.Watson	47,197	4,248	-	51,445
		144,290	12,986	3,649	109,480
2011	Mr.G.Paynter	-	-	-	-
	Mrs.J.Musgrave	92,326	8,309	-	100,635
	Mrs.T Patterson	94,500	5,331	-	99,831
	Mr.G.Watson	32,311	2,908	-	35,219
		219,137	16,548	-	235,685

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

(c) **Specified Executives Remuneration**

2012	Mrs.J.Faiella	71,613	6,445	-	78,058
	Mrs.K.Walker	50,333	4,530	-	54,863
	Mrs.A.Portus	65,554	5,900	-	71,454
		187,500	16,875	-	204,375
2011	Mrs.K.Walker	46,713	4,204	-	50,917
	Mrs.J.Faiella	69,931	6,294	-	76,225
	Mrs.A.Portus	62,686	5,641	-	68,327
		179,330	16,139	-	195,469

(d) **Shareholding**

Parent Entity Directors	Opening Number	Purchases	Disposals	Closing Balance
Mr.G.Paynter	6,264,750	-	-	6,264,750
Mrs.J.Musgrave	1,000	-	-	1,000
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 2012 financial year.

20 Operating and Financial Review.

Touring Division:

The continuing strong Australian Dollar has resulted in International touring to be more affordable. A more balanced portfolio of products is being introduced with less reliance on high fixed cost products.

Select Parks Pty Limited:

Operating costs of the Park have been brought under control. When business conditions improve, we are well placed to return to profitable trading.

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

On behalf of the Board:

Jan Musgrave

Jan Musgrave
Joint Managing Director
Sydney, 28th September 2012

G Watson

Geoffrey Watson
Director / Secretary
Sydney, 28th September 2012

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

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2012 there have been:

(a) no contraventions of the auditor independence requirements of the Corporations Act in relation to the review; and

(b) no contraventions of any applicable code of professional conduct in relation to the review.

BCS ASSURANCE PTY LTD
Chartered Accountants

HANOZE UDACHIA
Director

Sydney, 28 September 2012

AIRCRUISING AUSTRALIA LIMITED & CONTROLLED ENTITIES
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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2012

	NOTES	CONSOLIDATED GROUP	
		2012	2011
		$	$
SALES REVENUE	2	**5,626,139**	6,122,939
COST OF SALES		**(4,353,818)**	(4,764,280)
GROSS PROFIT		**1,272,321**	1,358,659
OTHER INCOME	2	**14,377**	3,172
MARKETING EXPENSE		**(1,018,772)**	(988,553)
ADMINISTRATION EXPENSE		**(586,174)**	(689,977)
FINANCE COSTS	3	**(221,909)**	(175,123)
DEPRECIATION AND AMORTISATION EXPENSE	3	**(104,665)**	(109,824)
LOSS BEFORE INCOME TAX EXPENSE		**(644,822)**	(601,646)
INCOME TAX EXPENSE	4	**-**	-
LOSS FOR THE YEAR		**(644,822)**	(601,646)
OTHER COMPREHENSIVE INCOME:		**-**	-
TOTAL COMPREHENSIVE LOSS FOR THE YEAR.		**(644,822)**	(601,646)
LOSS ATTRIBUTABLE TO MEMBERS OF THE PARENT ENTITY		**(644,822)**	(601,646)
LOSS ATTRIBUTABLE TO MEMBERS OF THE PARENT ENTITY		**(644,822)**	(601,646)

BASIC EARNINGS PER SHARE	20	**(5.37 cents)**	(5.00 cents)
DILUTED EARNINGS PER SHARE	20	**(5.37 cents)**	(5.00 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 2012

	NOTES	CONSOLIDATED GROUP	
		2012	2011
ASSETS		**$**	$
CURRENT ASSETS			
Cash and cash equivalents	**5**	**283,500**	1,028,602
Trade and other receivables	**6**	**48,194**	46,912
Inventories	**7**	**49,865**	78,867
Other current assets	**8**	**197,290**	231,952
TOTAL CURRENT ASSETS		**578,849**	1,386,333
NON- CURRENT ASSETS			
Other financial assets	**9**	**-**	-
Property, plant & equipment	**10**	**2,694,659**	2,775,548
Intangible assets	**11**	**1,256,518**	1,268,570
TOTAL NON CURRENT ASSETS		**3,951,177**	4,044,118
TOTAL ASSETS		**4,530,026**	5,430,451
LIABILITIES			
CURRENT LIABILITIES			
Advance deposits		**1,273,496**	1,360,725
Trade and other payables	**12**	**936,248**	1,633,058
Borrowings	**13**	**1,133,228**	2,207,958
Short term provisions	**14**	**35,648**	76,908
TOTAL CURRENT LIABILITIES		**3,378,620**	5,278,649
NON CURRENT LIABILITIES			
Borrowings	**13**	**2,230,877**	637,566
Other long term provisions	**14**	**61,558**	10,443
Deferred tax liabilities	**15**	**99,514**	99,514
TOTAL NON CURRENT LIABILITIES		**2,391,949**	747,523
TOTAL LIABILITIES		**5,770,569**	6,026,172
NET ASSETS		**(1,240,543)**	(595,721)
EQUITY			
Issued Capital	**16**	**4,800,000**	4,800,000
Accumulated Losses		**(6,040,543)**	(5,395,721)
TOTAL EQUITY		**(1,240,543)**	(595,721)

The accompanying notes form part of these financial statements

AIRCRUISING AUSTRALIA LIMITED & CONTROLLED ENTITIES
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STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2012

Consolidated Group	Ordinary Shares	2012 Retained Earnings	Total
Balance at 1 July 2011	4,800,000	(5,395,721)	(595,721)
Loss attributable to members of the entity	-	(644,822)	(644,822)
Balance at 30 June 2012	**4,800,000**	**(6,040,543)**	**(1,240,543)**

	Ordinary Shares	2011 Retained Earnings	Total
Balance at 1 July 2010	4,800,000	(4,794,075)	5,925
Loss attributable to members of the entity	-	(601,646)	(601,646)
Balance at 30 June 2011	**4,800,000**	**(5,395,721)**	**(595,721)**

AIRCRUISING AUSTRALIA LIMITED & CONTROLLED ENTITIES
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STATEMENT OF CASH FLOWS
YEAR ENDED 30 JUNE 2012

	NOTES	CONSOLIDATED GROUP 2012	CONSOLIDATED GROUP 2011
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		**6,226,898**	7,684,997
Payments to suppliers and employees		**(7,268,222)**	(7,037,954)
Finance costs		**(221,909)**	(166,220)
Interest received		**4,457**	2,954
NET CASH PROVIDED BY OPERATING ACTIVITIES	**19**	**(1,258,776)**	483,777
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(55,514)**	(202,404)
Proceeds from sale of property, plant and equipment		**50,607**	96,788
NET CASH PROVIDED BY INVESTING ACTIVITIES		**(4,907)**	(105,616)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowing		**1,929,921**	947,733
Repayment of borrowings		**(1,213,856)**	(534,435)
NET CASH USED IN FINANCING ACTIVITIES		**716,065**	413,298
NET INCREASE IN CASH HELD		**(547,618)**	791,459
CASH AT BEGINNING OF FINANCIAL YEAR		**831,118**	39,659
CASH AT END OF FINANCIAL YEAR	**5**	**283,500**	831,118

The accompanying notes form part of these financial statements

These consolidated financial statements and notes represent those of Aircruising Australia Limited and controlled entities (the "consolidated group' or 'group').

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

The financial statements were authorised for issue on 27th September 2012 by the directors of the company.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation.

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other 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 statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards as issued by the IASB. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless otherwise stated.

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

Going Concern

The financial statements have been prepared on a going concern basis. The economic entity has net current liabilities of $2,799,771 (2011 $3,892,316),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 $1,273,496 (2011 $1,360,725) of advance deposits from customers. The consolidated entity earned an operating loss from ordinary activities after tax of $644,822 for the year ended 30 June 2012, compared with a loss of $601,646 in the previous financial period.

The cash position of the consolidated entity has deteriated in the current financial period with a positive cash of $283,500 at 30 June 2012 (2011 $1,028,602).

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 shareholder. If the consolidated entity 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 ability and right to govern the financial and operating policies so as to obtain benefits from the entity's activities.

Where controlled entities have entered or left the group during the year, the financial performance of those entities is included only for the period of the year that they were controlled.

A list of controlled entities is contained in Note 9 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.

Non-controlling interests, being the equity in a subsidiary not attributable, directly or indirectly, to a parent, are shown are reported 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.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control.

The business combination will be accounted for from the date that control is attained, whereby the fair value of the identifiable assets and liabilities (including contingent liabilities) assumed is recognised (subject to certain limited exemptions).

When measuring the consideration transferred in the business combination, any asset or liability resulting from a contingent consideration arrangement is also included. Subsequent to initial recognition, contingent consideration

classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability is remeasured each reporting period to fair value, recognising any change to fair value in profit or loss, unless the change in value can be identified as existing at acquisition date.
All transaction costs incurred in relation to the business combination are expensed to the statement of comprehensive income.
The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase.

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 profit or loss is the tax payable on taxable income
Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.
Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.
Current and deferred income tax expense (income) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss.
Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability, where there is no effect on accounting or taxable profit or loss.
Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.
Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.
Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (a) a legally enforceable right of set off exists, and (b) the deferred tax asset 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 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 and therefore carried at cost less accumulated depreciation. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised either in profit or loss or as a revaluation decrease if the impairment losses relate to a revalued asset. A formal assessment of recoverable amount is made when impairment indicators are present (refer to note 1(G) for details of impairment).

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. 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	**2012**	**2011**
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 recognised as expenses in the periods in which they are incurred.

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

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.

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

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, references to similar instruments and option pricing models.

The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) 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.

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.

They are subsequently measured at fair value with changes in such fair value (i.e. gains or losses) recognised in other comprehensive income (except for impairment losses and foreign exchange gains and losses). When the financial asset is derecognised, the cumulative gain or loss pertaining to that asset previously recognised in other comprehensive income is reclassified into profit or loss.

Available-for-sale financial assets are included in non-current assets where they are expected to be sold within 12 months after the end of the reporting period. All other financial assets are classified as current assets.

5 *Financial Liabilities*

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

Impairment

At the end of each reporting period, the Group assesses whether there is objective evidence that a financial instrument has been financially 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 profit or loss. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified to profit or loss at this point.

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 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 amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard (e.g. in accordance with the revaluation model in AASB 116). Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

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

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.
(refer to note 11).

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 acquisition date fair value of the consideration transferred for a business combination plus the acquisition date faire value of any previously held equity interest shall form the cost of the investment in the separate financial statements.
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 had previously been recognised in other comprehensive income, such amounts are recycled to profit or loss.

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

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

Refer to note 11 for information on the goodwill policy adopted by the Group for acquisitions.

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

FINANCIAL STATEMENTS FOR THE

Goodwill is tested for impairment annually and is allocated to the Group's cash generating units or groups of cash generating units, representing the lowest level at which goodwill is monitored not larger than the operating segment. Gains and losses on the disposal of an entity include the carrying amount of goodwill related to the entity disposed of. Changes in the ownership interests in a subsidiary are accounted for as equity transactions and do not affect the carrying values of goodwill.

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 profit or loss, except where deferred in equity as a qualifying cash flow or net investment hedge.

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

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

- assets and liabilities are translated at exchange rates prevailing at the end of reporting period;
- 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 with functional currencies other than Australian dollars are recognised in other comprehensive income and included in the foreign currency translation reserve in the statement of financial position. These differences are recognised in profit or loss in the period in which the operation is disposed.

j. Employee Benefits
Provision is made for the Group's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be settled within 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. Those cash flows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows.

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

l. Cash & cash equivalents.
Cash and cash equivalents include cash on hand, deposits available on demand with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.
Bank overdrafts are reported 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 (ATO).
Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position.
Cash flows are presented on a gross basis. The GST component of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

p. 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 Judgments

The directors evaluate estimates and judgments incorporated into the financial statements 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 2012. [Refer to notes item 11].

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 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 and which the group has decided not to early adopt. The directors have considered the requirements and impact of the new standards on the Group and believe the same to be minimal given the simple nature of the Group's operations. In most cases, the new requirements are irrelevant or immaterial to the financial results of the Group in the future.

2 REVENUE AND OTHER INCOME

	CONSOLIDATED GROUP	
	2012	2011
Revenue from operating activities		
Sales Revenue	**5,626,139**	6,122,939
	5,626,139	6,122,939
Revenues from non-operating activities		
Interest received	**4,457**	2,948
Other revenue	**9,920**	224
Total revenues from non-operating activities	**14,377**	3,172
Total revenues from ordinary activities	**5,640,516**	6,126,111

3 PROFIT FOR THE YEAR

Expenses		
Depreciation of non-current assets		
Buildings	**49,452**	25,676
Plant and equipment	**29,474**	40,146
Leased motor vehicles	**7,215**	6,187
Owned motor vehicles	**541**	5,917
Leased plant and equipment	**5,931**	19,845
Total depreciation of non-current assets	**92,613**	97,771
Amortisation of non-current assets		
Trade names	**12,052**	12,053
Total amortisation of non-current assets	**12,052**	12,053
Total Depreciation and Amortisation Expense	**104,665**	109,824
Borrowing costs		
Interest Expense		
Bank facilities	**54,293**	141,990
Finance lease	**7,834**	10,735
Other	**159,782**	22,398
Total Borrowing Costs	**221,909**	175,123

4 INCOME TAX EXPENSE

A: The components of tax expense comprise:		
Current tax	**(193,447)**	(162,144)
Recoupment of prior year tax losses	**-**	-
Deferred tax assets re tax losses not recognised	**193,447**	162,144
	-	-
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% (2010 30%) New Zealand 33% (2010 33%) -economic entity	**(193,447)**	(177,923)
Add tax effect of:		
Non-deductible depreciation and amortisation	**-**	3,616
Other assessable items	**-**	12,163
Less:		
Deferred tax asset not brought to account	**193,447**	162,144
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	**(1,778,601)**	(1,585,154)

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 **30.00%** 26.95%

	CONSOLIDATED GROUP	
	2012	2011
5 CASH AND CASH EQUIVALENTS		
Cash at bank and in hand	**281,664**	1,022,459
Short-term other deposits	**1,836**	6,143
Cash & Cash Equivalents	**283,500**	1,028,602
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	**283,500**	1,028,602
Bank overdrafts	**-**	(197,484)
	283,500	831,118

A floating charge over cash and cash equivalents has been provided for certain debts. Refer to note 13 for further details.

	2012	2011
6 TRADE AND OTHER RECEIVABLES		
Current		
Trade receivables	**684**	-
Other receivables	**47,510**	46,912
	48,194	46,912

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.

	2012	2011
7 INVENTORIES		
Finished goods	**49,865**	78,867
8 OTHER ASSETS (CURRENT)		
Prepayments	**197,290**	231,952

9 CONTROLLED ENTITIES

Name	Country of incorporation	Percentage of equity interest held by the parent entity		Investment	
		2012 %	2011 %	**2012 $**	2011 $
(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

10 PROPERTY, PLANT AND EQUIPMENT

	CONSOLIDATED GROUP	
	2012	2011
Land and Buildings		
Freehold land at:		
At Cost	**964,084**	964,084
Total land	**964,084**	964,084
Buildings at:		
At Cost	**1,736,902**	1,736,028
Accumulated depreciation	**(233,659)**	(183,333)
Total buildings	**1,503,243**	1,552,695
Total land and buildings	**2,467,327**	2,516,779
Furniture & Equipment owned		
At Cost	**236,197**	170,513
Accumulated depreciation	**(183,388)**	(119,538)
	52,809	50,975
Plant & Equipment under Lease		
At Cost	**19,784**	97,511
Accumulated amortisation	**(6,924)**	(25,456)
	12,860	72,055
Plant and Equipment		
At Cost	**137,124**	101,430
Accumulated depreciation	**(49,049)**	(29,607)
	88,075	71,823
Motor Vehicles Owned		
At Cost	**1,300**	35,000
Accumulated depreciation	**(207)**	(30,000)
	1,093	5,000
Motor Vehicles under Lease		
At Cost	**32,465**	27,499
Accumulated amortisation	**(5,410)**	(21,913)
	27,055	5,586
Office Improvements		
At Cost	**78,898**	78,898
Accumulated amortisation	**(76,800)**	(68,910)
	2,098	9,988
Construction In Progress		
At Cost	**43,342**	43,342
	43,342	43,342
Total Property, Plant and Equipment	**2,694,659**	2,775,548

10 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 2012	CONSOLIDATED GROUP 2011
Freehold Land			
	Carrying amount at beginning	**964,084**	964,084
	Depreciation expense	**-**	-
		964,084	964,084
Buildings	Carrying amount at beginning	**1,552,695**	1,072,978
	Transferred from Construction In Progress	**-**	519,196
	Additions	**-**	
	Depreciation expense	**(49,452)**	(39,479)
		1,503,243	1,552,695
Furniture & Equipment owned			
	Carrying amount at beginning	**50,975**	25,103
	Disposals	**-**	-
	Transferred from leased	**-**	-
	Additions	**11,964**	33,551
	Depreciation expense	**(10,130)**	(7,679)
		52,809	50,975
Plant and Equipment			
	Carrying amount at beginning	**71,823**	80,093
	Additions	**9,785**	1,090
	Transferred from Lease	**17,921**	-
	Depreciation expense	**(11,454)**	(9,360)
		88,075	71,823
Plant & Equipment under Lease			
	Carrying amount at beginning	**72,055**	190,064
	Disposals	**(35,343)**	(96,752)
	Transferred to owned	**(17,921)**	-
	Amortisation expense	**(5,931)**	(21,257)
		12,860	72,055
Motor Vehicles Owned			
	Carrying amount at beginning	**5,000**	16,142
	Additions	**1,300**	
	Disposals	**(4,666)**	(5,225)
	Depreciation expense	**(541)**	(5,917)
		1,093	5,000
Motor Vehicles under Lease			
	Carrying amount at beginning	**5,586**	11,773
	Disposals	**(3,781)**	-
	Additions	**32,465**	-
	Amortisation expense	**(7,215)**	(6,187)
		27,055	5,586
Construction In Progress			
	Carrying amount at beginning	**43,342**	394,775
	Additions	**-**	150,922
	Transferred from Plant & Equipment	**-**	(519,196)
	Capitalised Finance Cost	**-**	16,841
		43,342	43,342
Office Improvements			
	Carrying amount at beginning	**9,988**	17,879
	Amortisation expense	**(7,890)**	(7,891)
		2,098	9,988
		2,694,659	2,775,548
Capitalised Finance Costs			
	Borrowing costs incurred	**-**	16,841

11 INTANGIBLES

	CONSOLIDATED GROUP 2012	CONSOLIDATED GROUP 2011
Trade names at cost	**815,000**	815,000
Accumulated amortisation	**(742,628)**	(730,576)
	72,372	84,424
Goodwill on purchase of the Bellinger River Tourist Park	**1,184,146**	1,184,146
Total Intangibles	**1,256,518**	**1,268,570**
Reconciliations:		
Trade Names		
Carrying amount at beginning	**84,424**	96,478
Depreciation expense	**(12,052)**	(12,054)
	72,372	84,424
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
	1,256,518	1,268,570

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 21st July 2011.

The valuation was commissioned by the company's bankers, ANZ Bank Limited.

The valuation was $1,850,000, and is about $1,259,496 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 Capital expenditure of installing four x two bedroom luxury Villa's at the Park at a total installed cost of $520,070 takes time to generate business and receive a return on the investment.
- Advertising by Television has been done over the last 12 months, and an improved return on this expense is expected over the next 12 month period.
- The Directors expect that a 5 year period of trading would be acceptable to measure a return on the asset.
- 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 2012.

It should also be noted that the book carrying value of the Alexandria property is $239,188 below valuation.

The Group impact is $1,020,308.

12 TRADE AND OTHER PAYABLES

	CONSOLIDATED GROUP 2012	CONSOLIDATED GROUP 2011
Unsecured liabilities		
Trade payables	**602,105**	781,270
Sundry payables and accrued expenses	**334,143**	851,788
	936,248	1,633,058

13 BORROWINGS

	Note	CONSOLIDATED GROUP 2012	2011
Current			
Unsecured liabilities			
Lease liability	17	**9,358**	44,586
Other		**1,123,870**	830,888
		1,133,228	875,474
Secured liabilities			
Bank overdraft		**-**	197,484
Bank Bills		**-**	1,135,000
		-	1,332,484
Total current borrowings		**1,133,228**	2,207,958
Non-Current			
Unsecured liabilities		**2,199,284**	629,284
Lease liability	17	**31,593**	8,282
Total non current borrowings		**2,230,877**	637,566
Total borrowings		**3,364,105**	2,845,524

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% (2011; 10.86%). Secured lease liabilities are secured by a charge over the leased assets.

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

	2012	2011
Bank overdraft	**-**	197,484
Bank Bills	**-**	1,135,000
	-	**1,332,484**

(b) The carrying amounts of non-current assets pledged as security

	2012	2011
Freehold land and buildings	**2,467,327**	2,516,779
Floating charge over other assets	**1,483,850**	2,681,720
	3,951,177	**5,198,499**

Collateral Provided

There is no bank debt as at 30th June 2012. The bank loans were paid out in full by the major shareholder, Australian Pioneer Pty Limited on 30th December 2011.
The Bank relinquished the charge over the assets of the company in September 2012.
Australian Pioneer Pty Limited has taken First Mortgage over the assets of the company.

Lease liabilities are secured by the underlying leased assets.

14 PROVISIONS

ECONOMIC ENTITY

	Current Employee Benefit	Non-Current Employee Benefit	Total
Opening balance at 1 July 2011	**76,908**	**10,443**	**87,351**
Moved to current	**-**	**-**	**-**
Additional provisions	**1,323**	**51,115**	**52,438**
Amount used	**(42,583)**	**-**	**(42,583)**
Balance as at 30 June 2012	**35,648**	**61,558**	**97,206**

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	
	2012	2011
15 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
16 CONTRIBUTED EQUITY		
Issued and paid up-capital		
12,000,000 fully paid ordinary shares (2011: 12,000,000)	**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 2012 and 30 June 2011 are as follows:

	Note	Consolidated Group 2012	Consolidated Group 2011
Total borrowings	13	**3,364,105**	2,845,524
Less cash and cash equivalents	5	**283,500**	1,028,602
Net debt		**3,080,605**	1,816,922
Total Equity		**(1,240,543)**	(595,721)
Total Capital		**1,840,062**	1,221,201
Gearing ratio		**167.42%**	148.80%

17 CAPITAL AND LEASE COMMITMENTS

Lease expenditure commitments

	Note	2012	2011
Finance leases			
- not later than one year		**9,491**	47,210
- between one year and not later than five years		**31,593**	8,502
- Total minimum lease payments		**41,084**	55,712
- future finance charges		**(133)**	(2,844)
- Lease liability		**40,951**	52,868
current liability	13	**9,358**	44,586
non-current liability	13	**31,593**	8,282
		40,951	52,868

Capital Expenditure Commitments

		2012	2011
Plant and equipment purchases		**Nil**	Nil

18 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 23.

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.

Segment performance

30th June 2012	**Touring**	**Caravan Park**	**Total**
Revenue			
External sales	5,319,315	306,824	5,626,139
Total segment revenue	**5,319,315**	**306,824**	**5,626,139**
Segment Net Profit/(Loss) before tax	**(440,448)**	**(204,374)**	**(644,822)**
30th June 2011			
Revenue			
External sales	5,778,566	344,373	6,122,939
Total segment revenue	**5,778,566**	**344,373**	**6,122,939**
Segment Net Profit/(Loss) before tax	**(391,840)**	**(209,806)**	**(601,646)**
Segment assets			
30th June 2012	**1,568,270**	**2,961,756**	**4,530,026**
30th June 2011	**2,391,765**	**3,038,686**	**5,430,451**
Segment liabilities			
30th June 2012	**1,947,946**	**3,822,623**	**5,770,569**
30th June 2011	**2,330,992**	**3,695,180**	**6,026,172**

	30th June 2012	**30th June 2011**
Revenue by geographical region		
All revenue is attributable to Australia.	**5,626,139**	6,122,939
Assets by geographical region		
Australia	**4,523,217**	5,380,459
New Zealand	**6,809**	49,992
Total assets	**4,530,026**	5,430,451

Major customers

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

19 STATEMENT OF CASH FLOWS

	CONSOLIDATED GROUP	
	2012	2011
(a) Reconciliation of the operating loss after tax to the net cash flows		
Operating loss after tax	(644,822)	(601,646)
Non cash flows in loss		
Depreciation	104,665	109,824
Amortisation	-	-
Gain or (loss) on sale of fixed asset	(6,817)	5,189
Changes in assets and liabilities		
(increase)/decrease trade receivables	(1,282)	80,704
(increase)/decrease inventory	29,002	(4,290)
(increase)/decrease other current assets	34,662	62,791
increase/(decrease) trade creditors - current	(696,810)	257,481
increase/(decrease) advance deposits	(87,229)	576,489
increase (decrease) employee entitlements	9,855	(2,765)
Net cash flow from operating activities	(1,258,776)	483,777

(b) Loan Facilities

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

	2012	2011
Loan facilities	**3,299,284**	1,685,000
Amount utilised	**(3,299,284)**	(1,332,484)
	-	352,516
Facilities provided are:		
Bank overdraft	**-**	550,000
Bank Bills	**-**	1,135,000
Australian Pioner Pty Limited	**3,299,284**	1,444,284
	3,299,284	3,129,284

20 EARNINGS PER SHARE

	CONSOLIDATED GROUP	
	2012	**2011**
	$	**$**
The following reflects the income and share data used in the calculation of basic and diluted earnings per share		
Net profit/(loss)	**(644,822)**	(601,646)
Adjustments	**-**	-
Earnings used in calculating basic and diluted earnings per share:	**(644,822)**	(601,646)
	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

	CONSOLIDATED GROUP	
	2012	2011
	$	$
21 AUDITORS REMUNERATION		
Amounts received or due and receivable by BCS Assurance Pty Ltd 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	30,000	30,000
- Tax advice	-	-
	30,000	30,000
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.	2,500	2,500
	32,500	32,500

22 DIVIDENDS PAID OR PROPOSED

There are no franking credits available for distribution
The Directors' have not recommended the payment of a final dividend (2011: Nil), and do not propose to pay unfranked dividends in the forthcoming year.

23 RELATED PARTY TRANSACTIONS

Directors

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

- L.G.J.Paynter
- J.C.Musgrave
- T.Patterson
- G.P.Watson

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	
	2012 Number	2011 Number	**2012 Number**	2011 Number
- L.G.J.Paynter	**6,264,750**	6,264,750	**-**	-
- J C Musgrave	**1,000**	1,000	**-**	-
- G.Watson	**88,800**	88,800	**-**	-
	6,354,550	**6,354,550**	**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 4.5% P.A.

Other

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

Remuneration to directors.

Refer to details provided in the Directors report for further details (p5).

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 $75,048 (2011:$56,530) 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 $83,386 (2011: $62,811) 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 last year was $1,000,000. This has been revised down to $562,538, and the balance of the programme is placed on hold until the existing investment provides a satisfactory return

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

a) As at 30th June 2012, the amount drawn down against this facility is $629,284.00.

The agreed terms of the loan are:

- Interest rate: presently 4.25%, subject to review when the RBA adjusts rates.
- Interest payments: Monthly in arrears.
- Principal repayment when cash flow permits.
- Term of Loan This is treated as a long term loan.

b) Australian Pioneer Pty Limited has advanced further funds to replace the ANZ Bank Limited Facility, and provide additional working capital. Total advanced to 30th June 2012 is $2,670,000.

The agreed terms of the loan are:

- Interest rate: presently 6.75%, subject to review when the RBA adjusts rates.
- Interest payments: Monthly in arrears.
- Principal repayment when cash flow permits.
- Term of Loan $1,100,000 is treated as short term, the balance of $1,570,000 is treated as long term

The agreement on loan a) above is that when the official interest rate decreases, the rate on this loan increases by the same percentage points.

Directors transactions

Loans

There were no directors' transactions during the year.

24 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.

25 CONTINGENT LIABILITIES

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

26 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	
		2012	2011
		$	$
Financial assets			
Cash and cash equivalents	5	**283,500**	1,028,602
Trade & other receivables	6	**48,194**	46,912
		331,694	1,075,514
Financial Liabilities			
Financial liabilities at amortised cost			
Trade and other payables	12	**936,248**	1,633,058
Borrowings	13	**3,364,105**	2,845,524
Advance deposits		**1,273,496**	1,360,725
		5,573,849	5,839,307

Financial Risk Management Policies

The Board of Directors meet 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 Board overall risk management strategy seeks to assist the consolidated group in meeting its financial targets, whilst minimising potential adverse effects on financial performance.

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

All loans are with the mahor shareholder, Australian Pioneer Pty Limited. The rates of interest being charged are detailed on page on the previous page.
The rate of interest is related directly to the Official RBA Rate.
As at June 2012, there was fixed debt owing by the company to Australian Pioneer Pty Limited of $3,299,284.

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	
	2012	2011	**2012**	2011
	$	$	**$**	$
Consolidated Group				
Financial liabilities due for payment				
Bank overdraft	**-**	197,484	**-**	-
Bank Bills	**-**	1,135,000	**-**	-
Loans from shareholder	**1,100,000**	1,444,284	**2,199,284**	-
Trade and other payables	**936,248**	1,633,058	**-**	-
Finance Leases	**9,358**	44,586	**31,593**	8,282
Total contracted outflows	**2,045,606**	4,454,412	**2,230,877**	8,282
Less bank overdrafts	**-**	(197,484)	**-**	-
Total expected outflows	**2,045,606**	4,256,928	**2,230,877**	8,282
Financial assets - cash flows realisable				
Cash and cash equivalents	**283,500**	1,028,602	**-**	-
Trade and other receivables	**48,194**	46,912	**-**	-
Total anticipated inflows	**331,694**	1,075,514	**-**	-
Net outflow on financial instruments	**1,713,912**	3,181,414	**2,230,877**	8,282

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 US 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 $

Consolidated	$	
	2012	2011
New Zealand Dollar	**-**	(270,075)
US Dollar	**-**	
	-	(270,075)

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 US Dollars, and when appropriate, we hedge against the NZ $ US dollar to maximise rates.

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**	
	2012	2011	**2012**	2011
	$	$	**$**	$
Buy $ US less than 6 months	**-**	**35,000**	0	**1.0376**
6 months to one year	**-**	**60,000**	0	**1.0263**

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	
	2012	2011
AA rated	2,090	10,524

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.

	2012		2011	
Consolidated Group	**Carrying Amount**	**Net Fair Value**	**Carrying Amount**	**Net Fair Value**
Financial Assets				
Receivables	**48,194**	**48,194**	46,912	46,912
	48,194	**48,194**	46,912	46,912
Financial Liabilities				
Other Loans and Amounts Due	**52,868**	**52,868**	52,868	52,868
Loan from shareholder	**3,299,284**	**3,299,284**	1,444,284	1,444,284
Advance Deposits	**1,273,496**	**1,273,496**	1,360,725	1,360,725
Other Liabilities	**936,248**	**936,248**	1,633,058	1,633,058
	5,561,896	**5,561,896**	4,490,935	4,490,935

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	
	Profit	**Equity**
Year ended 30 June 2012		
Plus or minus 2% in:		
Selling Price	**+/- 112,000**	**+/- 112,000**
Interest Rates	**+/- 44,000**	**+/- 44,000**
Year ended 30 June 2011		
Plus or minus 2% in:		
Selling Price	**+/- 122,500**	+/- 122,500
Interest Rates	**+/- 50,000**	+/- 50,000

27 PARENT INFORMATION

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

	2012	2011
STATEMENT OF FINANCIAL POSITION		
ASSETS		
Current assets	**3,055,467**	3,370,383
TOTAL ASSETS	**4,080,248**	4,407,054
LIABILITIES		
Current liabilities	**(5,606,035)**	(5,435,163)
TOTAL LIABILITIES	**(5,667,593)**	(5,492,917)
EQUITY		
Issued capital	**4,800,000**	4,800,000
Retained earnings	**(6,387,344)**	(5,885,863)
TOTAL EQUITY	**(1,587,344)**	(1,085,863)
STATEMENT OF COMPREHENSIVE INCOME		
Total profit/(loss)	**(501,481)**	(487,284)
Total comprehensive income	**(501,481)**	(487,284)

Guarantees

Aircruising Australia Limited has not entered into any guarantees, in the current or previous financial year in relation to the debts of its subsidiaries.

Contingent liabilities

At 30June 2012, Aircruising Australia Limited did not have any contingent liabilities.

Contractural commitments

At 30 June 2012, Aircruising Australia Limited had not entered into any contractural commitments for the acquisition of property, plant & equipment. (2011 nil).

28 Company details:

Registered office and prinicipal 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 8 to 35 , 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 2012 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
Managing Director
Sydney, 28th September 2012

Geoffrey Watson
Director / Secretary
Sydney, 28th September 2012

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS 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 2012, the consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards (IFRS).

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. Those 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 judgment, 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.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF AIRCRUISING AUSTRALIA LIMITED (Cont'd)

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of Aircruising Australia Limited on 30 June 2012, would be in the same terms if provided to the directors as at the date of this auditor's report.

Going Concern

In forming our opinion, we have considered the adequacy of disclosures made in Note 1 to the financial statements concerning the preparation of the financial statements 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 the continued support of the major shareholders. In view of the significance of this, we consider 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 11 to the financial statements, the company obtained an independent valuation of the Bellinger River Tourist Park in July 2011 which was about $1,259,000 below the carrying value of the asset as at 30 June 2012. The carrying value includes goodwill of $1,184,146. For reasons explained in Note 11, the directors decided not to recognize 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 2012 should be $1,259,000. Accordingly, the intangible assets should be reduced by an impairment charge of $1,259,000, and the loss for the year and the accumulated losses should both be increased by $1,259,000.

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 consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and

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

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

Chartered accountants since 2003
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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF AIRCRUISING AUSTRALIA LIMITED (Cont'd)

Report on the Remuneration Report

We have audited the remuneration report included in the directors' report for the year ended 30 June 2012. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Accounting Standards.

Auditor's Opinion

In our opinion, the remuneration report of Aircruising Australia Limited for the year ended 30 June 2012, complies with section 300A of the Corporations Act 2001.

BCS ASSURANCE PTY LTD
Chartered Accountants

HANOZE UDACHIA
Director

Sydney, 28 September 2012

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

CORPORATE GOVERNANCE STATEMENT

30th June 2012

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 one non executive director. During the 2011/2012 financial year the non-executive director acted as Chairman.

The board met 10 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	Managing Director
Geoffrey Watson	Company Secretary/ Director

The name of the independent director is:

Guy Paynter

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 met 10 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, BCS Assurance Pty Ltd, 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 is detailed in the directors report on page 5.

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 which forms part of the Directors' 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 Directors' Report.

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, met 10 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	70	65,751
1,001	-	5,000	shares	96	323,217
5,001	-	10,000	shares	33	278,452
10,001	-	100,000	shares	27	846,573
100,001	-	and over	shares	10	10,486,007
				236	12,000,000

The number of shareholders holding less than a marketable parcel of shares are:	172	424,968

Statement of Shareholdings

The 20 largest shareholders entered on the share registered held 91.44 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%
M.K. and S.J. Marschall	115,262	0.96%
Swaywood Pty Ltd	88,800	0.74%
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%
Amaka Pty Ltd	35,210	0.29%
Mrs Nancy Knudsen	33,000	0.28%
Mrs Lisa Iliffe	26,334	0.22%
Total 20 Largest Shareholders	10,973,262	91.44%
Various	1,026,738	8.56%
Total	12,000,000	100.00%

Voting rights:

All ordinary shares carry one vote per share without restriction