



Alliance Aviation Services Limited  
ACN 153 361 525 | ABN 96 153 361 525

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[www.allianceairlines.com.au](http://www.allianceairlines.com.au)

11<sup>th</sup> August 2021

ASX Market Announcement Office  
10 Bridge Street  
SYDNEY NSW 2000

Via ASX Online

Dear Sir / Madam

**Announcement for release via Market Announcement Platform**

Please find attached an announcement titled "Alliance Aviation Services Limited Appendix 4E and Annual Report" ("**Announcement**") for release via the ASX Market Announcement Platform.

For further information regarding this Announcement, please contact:

Marc Devine  
Chief Financial Officer & Company Secretary  
P: + 61 7 3212 1201

By Order of the Board.

A handwritten signature in blue ink, appearing to read "Nicola Clark", written over a light blue circular stamp.

**Nicola Clark**  
Company Secretary

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**Alliance Aviation Services Limited**  
**ABN 96 153 361 525**  
**ASX code: AQZ**

**ASX Appendix 4E**  
**Preliminary Final Report**  
**For Year Ended 30 June 2021**  
(Previous reporting period year ended 30 June 2020)

The following sets out the requirements of Appendix 4E with the stipulated information either provided here or cross-referenced to the 2021 Financial Report and associated documents as released to the Australian Stock Exchange and as published on the Company's website [www.allianceairlines.com.au](http://www.allianceairlines.com.au).

**Results for announcement to the market**

Revenue and profit after tax Comparison to previous period	Increase / Decrease	Change %		To \$'000
Revenue from ordinary activities	Increase	3.4	to	308,685
Profit from ordinary activities after tax attributable to members	Increase	24.8	to	33,671
Profit for the period attributable to members	Increase	24.8	to	33,671

**Dividends/distributions**

There is no dividend declared for the year ending 30 June 2021.

**Additional information**

**Net tangible asset backing**

	2021	2020
Net tangible asset backing per ordinary share	1.82	1.72

**Audit status**

This report has been based on the consolidated financial statements for the year ended 30 June 2021 which have been subject to an audit review by PricewaterhouseCoopers. The audit report contains no qualifications.

**Additional information and commentary**

The statement of comprehensive income, balance sheet, statement of cash flows, statement of changes in equity and the accompanying notes to these statements is contained in the Financial Report for the year ended 30 June 2021 as released on the Australian Stock Exchange and published on the Company's website [www.allianceairlines.com.au](http://www.allianceairlines.com.au).

**Control**

Alliance Aviation Services Limited has gained or lost control of the following entities.

<b>Entity Name</b>	<b><i>Date Gained Control</i></b>	<b><i>Date Lost Control</i></b>
Unity Aviation Maintenance Pty Ltd	30 November 2020	

*For more information contact:*

*Marc Devine  
Chief Financial Officer  
Alliance Aviation Services Limited  
+61 7 3212 1201*



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**ALLIANCE AVIATION SERVICES LIMITED**

**ACN: 153 361 525**

**ASX Code: AQZ**

**ANNUAL REPORT**

**For the year ended 30 June 2021**

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# Directors Report

For the year ended 30 June 2021

## DIRECTORS REPORT

Your Directors present their report on the consolidated entity (referred to hereafter as the “Group”) consisting of Alliance Aviation Services Limited (the “Company” or “Alliance”) and the entities it controlled at the end of, or during, the year ended 30 June 2021.

### DIRECTORS

The following persons were Directors of Alliance for the entire financial year ended 30 June 2021:

Name	Role	Period of Directorship
Stephen Padgett, OAM	Chairman, Non-executive Director	Appointed 26 October 2011
Scott McMillan	Managing Director	Appointed 26 October 2011
Peter Housden	Independent non-executive Director	Appointed 26 October 2011
David Crombie, AM	Independent non-executive Director	Appointed 26 October 2011
Lee Schofield	Chief Executive Officer	Appointed 28 May 2015

### PRINCIPAL ACTIVITIES

The principal activities of the Group are the provision of contract, charter and allied aviation services to the mining, energy, tourism and government sectors both domestically and internationally. The Group also provides specialised aviation services to airlines and clients including aircraft wet leasing, airport management, aircraft trading, parts sales, engine leasing and engineering services.

### KEY MESSAGES

The key messages from this report are:

- The Group has delivered a statutory profit before tax (PBT) for the year of \$48.3 million, an increase on the previous year of \$7.6m million or 18.7% (2020: \$40.7 million);
- Alliance reports an underlying PBT result for the year of \$51.0 million. The underlying adjustments are summarised below however include costs of \$11.5 million related to the introduction of the E190 fleet in the second half of the financial year and an adjustment for \$8.8 million of government aviation related support received throughout the year;
- Revenue from continuing operations increased to \$308.7 million (2020: \$298.6 million);
- Flight hours were stable at 37,913 for the financial year (2020: 37,620 hours). Contract, RPT and charter all increased hours however these increases were offset by the reduction in wet lease hours during the year;
- The Group’s existing contract, charter and RPT activity continued to increase in the year with four material contracts renewed in the period;
- Five E190 aircraft were added to the fleet bringing the total fleet numbers to 48 as at 30 June 2021 (2020: 42); and
- Debt increased by \$101.9 million during the year, bringing the debt balance to \$156.3 million as at 30 June 2021 (2020: \$54.4 million). This increase in debt is to fund the E190 acquisition programme.

# Directors Report

For the year ended 30 June 2021

## FINANCIAL REVIEW

Alliance Aviation Services Limited has recorded an increased statutory net profit before tax of \$48.3 million and a statutory net profit after tax of \$33.7 million for the financial year ended 30 June 2021. This is an increase in net profit before tax of \$7.6 million or 18.7% when compared to the year ended 30 June 2020.

Key financial metrics in respect of FY2021 are included in the table below with the prior financial period included to facilitate a direct comparison between years. The table below contains both the statutory and underlying results.

Item	Statutory 30 June 2021 \$m	Underlying Adjustments \$m	Underlying 30 June 2021 \$m	30 June 2020 \$m
Total Revenue (\$m)	306.6	-	306.6	298.2
Earnings before Interest, Tax, Depreciation and Amortisation	87.8	2.7	85.1	78.6
Profit Before Tax	48.3	2.7	51.0	40.7
Income Tax Expense*	(14.6)	(0.0)	(14.6)	(13.7)
Net Profit After Tax	33.7	2.7	36.4	27.0
Earnings per share - cents	21.0		22.6	21.1
Total dividends paid / payable in relation to the financial period – cents	-	-	-	-
Net assets	320.2	2.7	322.9	282.1
Net operating cash flow	39.8	36.1	75.9	44.0

\* This figure represents tax expense of \$13.4 million and tax paid of \$1million for FY2021

The underlying comprises:

1. \$11.5 million of operational costs incurred as part of the addition of the E190 fleet. These included costs such as additional flight crew, cabin crew, engineers and corporate staff employed by the Group, training costs and air operators certificate variation costs.
2. \$8.8 million of COVID-19 aviation assistance funding from the Department of Infrastructure, Transport, Regional Development and Communications.

## REVENUE

Revenue from continuing operations increased 3.4% to \$308.7 million (2020: \$298.6 million). Contract and ad-hoc charter revenues increased throughout the year and aviation services revenues were stable. There was a significant reduction in the wet lease revenue as Alliance's airline clients continued to operate reduced schedules as a result of the COVID-19 pandemic.

- Contract revenues were \$214.2 million for the year, an increase on last year of 6% (2020: \$202.5 million). The increase in contract revenue has been driven by sustained activity within the resources sectors and the addition of two new resource sector and two new tourism sector clients. Contracts with four key clients were extended during FY2021.
- Charter revenue rose by 65.5% to \$43.7 million when compared to the prior year (2020: \$26.4 million). There was a general increase in demand for charter services. Several new resource sector clients and sporting teams as well domestic tourism clients all required capacity during the year.
- Wet lease revenue decreased by 68% in the year to \$7.9 million. This resulted from the continued suspension of the Group's contracted wet lease agreements because of COVID-19. Services for Virgin Australia recommenced at substantially lower levels in the second quarter of the financial year and increased somewhat during the remainder of the year. The Group also commenced services under a wet lease agreement with Qantas. This will result in significantly higher activity in the FY2022 as they take up more E190 aircraft.
- Regular public transport (RPT) revenue decreased by \$1.0 million, or 3% for the year. Increased revenues were experienced in the latter part of the financial year as travel restrictions and border closures implemented by various states and territories within Australia were removed.



# Directors Report

For the year ended 30 June 2021

- Aviation services revenue of \$8.0 million (2020: \$10.0 million) was generated in the financial year. The Group continues to operate ground handling and aerodrome management services for a number of key clients and the sales of spare parts and parts leasing has increased throughout the year.

## CASH FLOW

Operating cash flow for the year was \$39.8 million, a decrease of 10% or \$4.2 million from the previous financial year. The second half operating cash flows of \$7.2 million were substantially lower than that of the first half (\$47 million) due to large inventory purchases (\$33.4 million) and E190 establishment costs (\$11.5 million). The Company was also in receipt \$8.8 million of aviation related government support in the year.

Sustained Fokker operational activity ensured that underlying operational cash flows remained strong throughout the year

Cash outflows related to investing activities for the year were \$205.6 million, an increase of \$174.8 million on the prior year. \$165.4 million was expended on aircraft and asset acquisition costs relating to the E190 programme. Five of the E190 aircraft have been inducted into the operational fleet in FY2021 with the balance scheduled throughout FY2022 and FY2023. In addition, the Group acquired the Unity Aviation Maintenance Pty Ltd maintenance facility in Brisbane. This strategic acquisition has provided increased hangar space and licensed engineering coverage which will be vital for the E190 fleet maintenance capabilities.

The Group successfully completed a Share Purchase Plan in July 2020 on the back of the June 2020 capital raising. This raised a combined total of \$95 million.

The Group increased its debt facilities by \$119.4 million. This comprised a \$100 million long term fixed rate debt instrument and \$19.4 million short term banking facility. The purpose of the debt increase is to fund the E190 programme.

# Directors Report

For the year ended 30 June 2021

## CAPITAL EXPENDITURE

Capital expenditure for the period was \$224.6 million (2020: \$47.8 million).

Capital expenditure on pre-existing fleet and services was \$35.7 million (2020: \$34.5 million). Other capital expenditure incurred during the year for the expansion of the Alliance business was \$188.9 million which included the addition of 27 aircraft into the fleet with five of these operational at balance date. The investment in these aircraft meets the future operational requirements of the Group. The remaining aircraft will enter the fleet throughout financial years 2022 and 2023.

A reconciliation of this investment including the relationship with the cash flow is included below.

Reconciliation of Capital Expenditure and Cash Flow	2021 \$m	2020 \$m
<b>Fleet Maintenance</b>		
<b>Cash outflows</b>		
Base maintenance providers	5.6	7.9
Engine care program	14.3	15.0
Other miscellaneous	2.6	0.7
Operating costs capitalised (from operating cash flow)	2.4	2.5
<b>Total Cash outflows</b>	<b>24.9</b>	<b>26.1</b>
<b>Non-cash</b>		
Parts from inventory used in base maintenance	10.8	8.4
<b>Total existing fleet maintenance</b>	<b>35.7</b>	<b>34.5</b>
<b>Growth capital expenditure</b>		
<b>Cash outflows</b>		
Entry into service maintenance providers	0.6	7.3
Costs associated with E190 program	175.9	-
Unity Acquisition	6.6	-
Operating costs capitalised (from operating cash flow)	1.6	1.4
<b>Total Cash outflows</b>	<b>184.7</b>	<b>8.7</b>
<b>Non-cash</b>		
Parts from inventory used in base maintenance	4.2	4.6
<b>Total growth fleet maintenance</b>	<b>188.9</b>	<b>13.3</b>
<b>Total capital expenditure</b>	<b>224.6</b>	<b>47.8</b>

## SUMMARY OF OPERATIONAL METRICS

The metrics below represent key indicators the Group uses to monitor operational performance.

Details	2021	2020	% Change
Aircraft in Service	48	42	14%
Contracted Flight Hours	25,873	23,733	9.0%
Wet Lease Flight Hours	2,262	6,297	(64%)
Regular Public Transport (RPT) Hours	4,759	4,612	3%
Charter Flight Hours	4,479	2,453	83%
Other Flight Hours (incl. Maintenance)	540	525	3%
<b>Total Flight Hours</b>	<b>37,913</b>	<b>37,620</b>	<b>0.8%</b>
Average Staff Numbers	601	551	9%
Revenue per Employee	\$514k	\$542k	(5%)
Contract Revenue as a % of Total Revenue	69%	68%	2%

# Directors Report

For the year ended 30 June 2021

Contract charter and ad-hoc charter hours increased during the period as existing and new clients required capacity across the network. The COVID-19 pandemic continued to have a negative impact on the Group's wet lease and RPT flights hours however increases in both these categories were seen in the second half of the year.

As at 30 June 2021, Alliance employed 717 full time equivalent staff which is an increase of 183 (34%) from the previous financial year (2020: 534). This increase provides staffing for the additional aircraft and associated support services.

The Group continues to have a broad operational footprint, with bases in Brisbane, Townsville, Cairns, Adelaide, Melbourne, Perth, Darwin, Rockhampton, and Alice Springs.

Alliance continues to hold an enviable industry leading on time performance record with an average of 93% (2020: 95%) for the year ended 30 June 2021. This is one of the major factors that sets Alliance's performance apart from its competitors.

## SAFETY

Safety continues to be the most important operational requirement for the Group and remains one of the Group's three core values. It is paramount to the success of the Group in winning new contracts and renewing existing contracts.

During this reporting period, Alliance successfully maintained its IOSA accreditation and BARS Gold Status. Both are globally recognised and in conjunction with Australian regulatory oversight, provide a robust Safety, Security and Quality Framework for all operations.

There is a continued focus on COVID-19 and the impact the pandemic has on the health and wellbeing of our employees, contractors, clients and passengers. The Alliance response to COVID-19 included temperature screening of all staff and passengers, social distancing on aircraft and changes to operations to ensure that the health advice as issued by respective governments was adhered to. A number of these measures continue today, and Alliance has implemented a vaccination policy that requires that all staff are vaccinated for COVID19 and the flu.

## FLEET

### CURRENT FLEET

Alliance operates a fleet of Fokker and Embraer aircraft. The fleet consists of three types of Fokker aircraft namely the F100 (100 seat jet aircraft), F70 (80 seat jet aircraft) and the F50 (50 seat turboprop aircraft) and one type of Embraer aircraft, the E190 (two cabin configurations, either a 94 or 99 seat jet aircraft).

The total number of Alliance aircraft in service as at 30 June 2021 is shown below:

Aircraft	2021	2020
F50	5	5
F70	14	13
F100	24	24
E190	5	-
<b>Total Aircraft</b>	<b>48</b>	<b>42</b>

The Group continues to utilise a number of base maintenance providers including Hawker Pacific in Cairns, KLM UK Engineering in the United Kingdom, Fokker Services Asia in Singapore, Austrian Airlines Technik in Slovakia and COOPESA in Central America.

In February 2020, Alliance entered into an extension and expansion of its Rolls-Royce contract which will see the expanded fleet of 46 TAY650 engines covered under the Rolls-Royce Total Care Fractional Power Agreement.

Under this agreement operational risk for major engine maintenance, unplanned engine maintenance and shop visits rests with Rolls-Royce until at least 2024 with an option to extend to December 2026.

# Directors Report

For the year ended 30 June 2021

## THE INTRODUCTION OF THE EMBRAER FLEET

On the 3<sup>rd</sup> August 2020, the Group announced it had entered an agreement with Azorra Aviation LLC of the United States to acquire 14 E190 regional jet aircraft. Further to this in December 2020 the Group announced it had entered an agreement with Jetran LLC to acquire 16 E190 regional jet aircraft and in late June 2021 the Group announced it had acquired an additional two E190 aircraft from Azorra Aviation LLC. Throughout FY2021 the following milestones have been achieved relating to the induction of the Embraer E190 fleet:

- The Group has paid for on 27 of the 32 E190 aircraft during the year;
- The Group paid for the E190 simulator, seven spare engines and a number of spare parts packages during the year;
- Five Embraer E190 have been added to the Group's AOC as at 30 June 2021;
- Qantas has exercised options for eight out of 18 E190 aircraft under contract, with flights commencing in May 2021; and
- The installation and commissioning of the E190 simulator.

## OUTLOOK AND DIVIDEND

### OUTLOOK

Alliance retains a positive outlook for the FY2022 with organic growth opportunities geographically and across contract, charter and wet lease revenue streams. Alliance is entering the new financial year with strong momentum and intends to build on this momentum with the E190 fleet expansion despite recent COVID-19 lockdowns and travel restrictions.

- Resource and energy sector services are expected to increase organically across the network during the year and will benefit from the capacity five additional Fokker aircraft will bring;
- Alliance expects to have 14 E190 aircraft in service by December 2021. These aircraft will be servicing a mixture of wet lease and contracted clients;
- The introduction of E190 aircraft will also provide Alliance with capacity for more ad-hoc charter services. Charter services are typically an output of idle capacity of the Group and due to recent growth idle capacity has been limited;
- Alliance has one E190 on dry lease at signing date and expects this number to grow during the year; and
- Alliance will continue to focus on cost management during the year, thus ensuring that profitability margins are maintained and where possible increased.

Whilst COVID-19 and subsequent government border closures continue to cause disruption to the aviation sector in general, Alliance's robust and diverse business model means that the majority of its operations have been largely unaffected and Alliance's core business remains strong. Subject to ongoing impacts of COVID-19 on domestic travel Alliance retains a positive outlook for FY2022.

### DIVIDEND

Since February 2020 the Company's share price has risen by 170%.

The Directors have formed the view that capital is best retained within the business to complete the substantial expansion program which will lay the foundation for an annualised increase of up to 3 times the flight hours by the end of FY2022.

As a result, the Board has decided not to declare a final dividend for the year ending 30 June 2021. This will be revisited at the end of the first half of FY2022.

# Directors Report

For the year ended 30 June 2021

## OTHER RELEVANT FACTS

### ENVIRONMENTAL REGULATION

The Group's operations are subject to a significant range of Commonwealth, State, Territory and international environmental legislation. The Group is committed to environmental sustainability with high standards for environmental performance. The Board places particular focus on the environmental aspects of operations through the Executive Safety Action Group (ESAG) which is responsible for monitoring compliance with these regulations and reporting to the Directors.

The Directors are satisfied that the Group has adequate systems in place for the management of the Group's environmental exposure and environmental performance. The Directors are not aware of any breaches of any environmental legislation or of any material environmental incidents during the year.

### SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

In the opinion of the Directors, there were no significant changes in the state of affairs of the Group which occurred during the reporting period that have not been disclosed previously in this report.

## CORPORATE GOVERNANCE STATEMENT

The Corporate Governance statement for Alliance Aviation Services Limited is located at <http://www.allianceairlines.com.au/investor-centre/corporate-governance>

# Directors Report

For the year ended 30 June 2021

## INFORMATION ON DIRECTORS

The following information is current as at the date of this report.

**MR STEPHEN PADGETT, OAM**  
(Chairman and Non-Executive Director)

### EXPERIENCE AND EXPERTISE

Mr Padgett was a founding shareholder and inaugural Chairman of entities formed in 2002 which were predecessors of the current Group.

Mr Padgett has extensive aviation experience in his own private companies since pre-1980, having founded Aeromil Australia / Aeromil Pacific which was the Cessna aircraft and parts distributor for Australasia and which was sold to Hawker Pacific where he was Deputy Chairman, Australia. Mr Padgett is a life member of the Regional Aviation Association of Australia, chairman of the Australian Aviation Hall of Fame (AAHOF) and member of the National Council for the Air Force cadets (AAFC). Mr Padgett was awarded the Medal of the Order of Australia (OAM) for services to the aviation industry in 2020.

### OTHER CURRENT LISTED COMPANY DIRECTORSHIPS

None.

### FORMER LISTED DIRECTORSHIPS IN THE LAST THREE YEARS

None.

### SPECIAL RESPONSIBILITIES

Chairman of the Board and a member of the Nomination and Remuneration and Risk and Audit committees.

### INTERESTS IN SHARES, OPTIONS AND RIGHTS

6,203,269 ordinary shares held.

**MR PETER HOUSDEN**  
(Non-Executive Director)

### EXPERIENCE AND EXPERTISE

Mr Housden has over 50 years' experience in accounting, finance and management across a range of industries, including over 30 years as a Director of ASX listed companies.

### OTHER CURRENT LISTED COMPANY DIRECTORSHIPS

None.

### FORMER LISTED DIRECTORSHIPS IN THE LAST THREE YEARS

Royal Wolf Holdings Limited and GrainCorp Limited.

### SPECIAL RESPONSIBILITIES

Chairman of the Risk and Audit committee and a member of the Nomination and Remuneration committee.

### INTERESTS IN SHARES, OPTIONS AND RIGHTS

49,698 ordinary shares held.

**MR DAVID CROMBIE, AM**  
(Non-Executive Director)

### EXPERIENCE AND EXPERTISE

Mr Crombie has extensive experience in the agricultural industry founding GRM International (now Palladium Group) a company managing development projects in Australia and overseas.

### OTHER CURRENT LISTED COMPANY DIRECTORSHIPS

ECP Emerging Growth Limited.

### FORMER LISTED DIRECTORSHIPS IN THE LAST THREE YEARS

Australian Agricultural Company Ltd.

### SPECIAL RESPONSIBILITIES

Chairman of the Nomination and Remuneration committee and member of the Risk and Audit Committee.

### INTERESTS IN SHARES, OPTIONS AND RIGHTS

179,466 ordinary shares held.

# Directors Report

For the year ended 30 June 2021

**MR SCOTT MCMILLAN**  
(Managing Director)

## EXPERIENCE AND EXPERTISE

Mr McMillan was a founding shareholder and Managing Director of the entities formed in 2002 which were the predecessors of the Group. He has extensive aviation experience as prior to joining Alliance he held senior positions with Ansett Australia and Flight West. Mr McMillan qualified as a chartered accountant with Peat Marwick Mitchell.

## OTHER CURRENT LISTED COMPANY DIRECTORSHIPS

None.

## FORMER LISTED DIRECTORSHIPS IN THE LAST THREE YEARS

None.

## SPECIAL RESPONSIBILITIES

Managing Director.

## INTERESTS IN SHARES, OPTIONS AND RIGHTS

3,700,000 ordinary shares held and 25,425 rights that are performance qualified.

## COMPANY SECRETARIES

Mrs Nicola Clark and Mr Marc Devine were appointed as joint Company Secretaries on 18th August 2017. Mr Marc Devine is also the Chief Financial Officer of the Group.

**MR LEE SCHOFIELD**  
(Executive Director and Chief Executive Officer)

## EXPERIENCE AND EXPERTISE

Mr Schofield has broad experience as a solicitor working in corporate, commercial and transport matters. His specific aviation experience includes legal and commercial roles with an international aircraft leasing company, and he was a member of the executive team at an Australian based airline prior to joining Alliance.

## OTHER CURRENT LISTED COMPANY DIRECTORSHIPS

None.

## FORMER LISTED DIRECTORSHIPS IN THE LAST THREE YEARS

None.

## SPECIAL RESPONSIBILITIES

Chief Executive Officer.

## INTERESTS IN SHARES, OPTIONS AND RIGHTS

144,989 ordinary shares held and 18,579 rights that are performance qualified.

## MEETINGS OF DIRECTORS

The number of meetings of the Company's Board of Directors and of each board committee held during the year ended 30 June 2021, and the number of meetings attended by each Director were:

Directors	Full Meeting of Directors		Meetings of Committees			
	Attended	Held	Audit*		Nomination and Remuneration*	
			Attended	Held	Attended	Held
S Padgett	6	6	3	3	3	3
P Housden	6	6	3	3	3	3
D Crombie	5	6	3	3	3	3
S McMillan	6	6	-	-	-	-
L Schofield	6	6	-	-	-	-

\*Mr Schofield and Mr McMillan were present at these meetings as invitees only.

# Remuneration Report

For the year ended 30 June 2021

## REMUNERATION REPORT

### NON-EXECUTIVE DIRECTOR REMUNERATION POLICY

Fees and payments made to Non-Executive Directors reflect the demands which are made on, and the responsibilities of, the Directors. Non-Executive Directors' fees and payments are reviewed annually by the Board. There has been no change to Directors fees in the financial year.

#### NON-EXECUTIVE DIRECTOR'S FEES

An annual base fee has been set for the Chairman and other Directors. Additional fees are paid to Non-Executive Directors who chair a committee. The Chairman's remuneration is inclusive of committee fees.

Non-Executive Directors' fees are determined within an aggregate Directors' fee annual pool limit, which is periodically recommended for approval by shareholders. The approved maximum currently stands at \$700,000 per annum.

This limit can only be changed by approval of shareholders at a general meeting.

The following table outlines the Non-Executive Director fee rates that were applicable during the financial year:

Fee Type	2021 (Fees inclusive of superannuation) \$	2020 (Fees inclusive of superannuation) \$
<b>Base fees</b>		
Chair	192,780	192,780
Other Non-Executive Directors	80,920	80,920
<b>Additional Fees</b>		
Committee - chair	14,455	14,455

Superannuation contributions required under the Australian superannuation guarantee legislation will continue to be made and are inclusive to the Directors' overall fee entitlements.

Alliance does not pay benefits (other than statutory entitlements) on retirement of Directors.

### EXECUTIVE REMUNERATION STRATEGY AND FRAMEWORK

The Nomination and Remuneration committee reviews and determines the remuneration policy and structure annually to ensure it remains aligned to business needs, and meets the principles contained in the Nomination and Remuneration committee charter. From time to time, the committee may also engage external remuneration consultants to assist with remuneration reviews.

The Group's executive remuneration strategy is designed to attract, retain and motivate a highly qualified and experienced executive management team with the necessary skills required to lead the Group in achieving its business and strategic objectives.

The strategy also ensures that the executive management team is able to work towards meeting key performance targets that are clear, easily understood and aligned with the Group's overall objectives. The strategy also allows for identification of performance outcomes which are a direct result of the actions of the individual executive management team member.

The Board ensures that executive remuneration satisfies the following key criteria to ensure good remuneration practices are in place:

- competitive and reasonable, enabling the Company to attract and retain key talent.
- aligned to the Company's strategic and business objectives and the creation of shareholder value.
- transparent and easily understood, and
- acceptable to shareholders.



# Remuneration Report

For the year ended 30 June 2021

The executive remuneration and reward framework has a number of components:

- Base pay and benefits, including superannuation (referred to as “Total Fixed Annual Remuneration” or “TFAR”); and;
- A target performance incentive plan that combines traditional short-term (cash) and long-term (equity) performance incentives (referred to as the “Performance Incentive Plan” or “PIP”).

The combination of the above comprises an executive’s Total Target Annual Remuneration (“TTAR”).

The PIP also contains stretch targets, which if met, allow for additional remuneration to be provided to the employees covered under the plan.

## TOTAL FIXED ANNUAL REMUNERATION (TFAR)

Executives receive their base pay, superannuation and any other prescribed benefits as a total fixed annual remuneration (TFAR) package. Executives can elect to salary sacrifice certain items and may also receive non-monetary benefits.

The TFAR provides a base level of reward for each executive for completion of role and business specific accountabilities. The TFAR is set with reference to the role, qualifications, responsibilities, skill and prior experience.

There is no guaranteed TFAR increases included in any executive management employment contract. TFAR is reviewed annually by the Nomination and Remuneration committee.

## PERFORMANCE INCENTIVE PLAN (PIP)

The Board is committed to a remuneration reward framework that is focused on creating sustainable shareholder value, which is supported by an equity ownership culture which is made available to Key Management Personnel (“KMP”) and other members of the executive management team.

The Performance Incentive plan combines the features of short-term incentive (STI) and long-term incentive (LTI) plans and ensures alignment with longer term business strategy. The vesting and exercise requirements of the equity-based incentives ensures Key Management Personnel and executive management team members interests are aligned with the long-term interests of the Group and its shareholders.

The PIP sets a target amount as a percentage of fixed remuneration (Target Opportunity) and an additional percentage for stretch performance (Stretch Target Opportunity). These targets are assessed against a scorecard of KPIs. This target amount is split 50/50 into cash bonuses and performance rights. Refer to Note H2 of Notes to the Consolidated Financial Statements for further details of the PIP.

The Board considers that this model achieves the goal of providing a transparent and simple remuneration framework.

## FY2021 KEY MANAGEMENT PERSONNEL PIP TARGETS

The performance right grant is based on a 5-day volume weighted average share price of \$3.5529, calculated from 6 August 2020. The performance period is 1 July 2020 to 30 June 2021 and performance is assessed against a scorecard of internal key performance indicators as determined by the Board.

Once assessed, the performance rights become performance qualified, and vesting is then based on continuous service. These vesting periods assist the Group with its targeted retention strategy of Key Management Personnel and executive management team. The vesting schedule is 50% of the qualified rights vest in August 2022 and 50% vest in August 2023.

## TOTAL TARGET ANNUAL REMUNERATION

Key Management Personnel’s total target annual remuneration (TTAR) package comprises three components :

- Total Fixed Annual Remuneration which represents 50% of TTAR
- Target Incentive which represents 30% of TTAR and is awarded 50% in cash and 50% in deferred rights
- Stretch target which represents 20% of TTAR and is awarded 50% in cash and 50% in deferred rights.

# Remuneration Report

For the year ended 30 June 2021

## PERFORMANCE INCENTIVE PLAN (PIP) SUMMARY

The following outlines the key terms of the Performance Incentive plan which is effective from 1 July 2020.

<b>Performance incentive structure</b>	Performance Incentive Plan to be delivered in the form of up to 50% cash and 50% performance rights (each right equates to a right to one ordinary share)
<b>Performance incentive quantum</b>	<p>Target Incentive for FY2021:</p> <p>30% of Total Fixed Annual Remuneration (TFAR).</p> <p>There is an opportunity to earn up to 50% of TFAR for exceptional performance. (Stretch Target)</p>
<b>Grant date and allocation methodology</b>	<p>Performance Incentive plan rights are allocated on an annual basis.</p> <p>Performance rights will be granted at the start of each 12-month performance period (i.e., financial year) and where required shareholder approval will be sought.</p> <p>The allocation methodology is as follows:</p> <ol style="list-style-type: none"> <li>1. The value of the equity portion of the performance incentive is calculated.</li> <li>2. The number of performance rights to be granted is calculated by dividing the maximum possible equity incentive award dollar value (i.e., include stretch targets) by a 5-day average VWAP from around the time of the grant date; and</li> <li>3. The total number of Performance Rights is granted post shareholder approval and will vest subject to achievement of the required KPI's.</li> </ol>
<b>Performance period</b>	Performance is assessed over the financial year – for this incentive plan allocation the financial year ends 30 June 2021.
<b>Performance criteria</b>	<p>Performance will be assessed over a 12-month period against a scorecard of KPIs determined by the Board. These KPIs will include a majority of financial metrics (50% or more together with a small number of operational metrics).</p> <ul style="list-style-type: none"> <li>• Meet or exceed a PBT of \$42.5m for the financial year</li> <li>• On time performance in excess of 95% for QQ Charter flights and in excess of 92% for wet lease and RPT operations.</li> <li>• The Company's safety record is preserved as measured by: (1) maintaining IOSA accreditation; (2) maintaining BARS Gold; (3) No serious incidents during the year; and (4) no insurance claims greater than the insurance deductible.</li> </ul>
<b>Performance Rights vesting conditions</b>	<p>Once the performance criteria have been met and the financial statements are released with unqualified audit opinion, vesting is based purely on service i.e., for performance rights to vest the participant must remain continuously employed by the Group at each vesting date.</p> <p>Any performance rights which do not vest due to the holder not meeting the KPI targets will lapse.</p> <p>The vesting schedule is as follows:</p> <ul style="list-style-type: none"> <li>• 50% of the rights will vest on the later of 15th August 2022 or the date on which the Group's FY22 financial statements with unqualified audit opinion are released to the ASX.</li> <li>• 50% of the rights will vest on the later of 15th August 2023 or the date on which the Group's FY23 financial statements with unqualified audit opinion are released to the ASX.</li> </ul>
<b>Exercise of rights</b>	The rights will be deemed exercised on the date of provision of the vesting and confirmation notice or, if the individual is not permitted to trade securities under the Groups securities trading policy on such date, the first subsequent day that the individual is permitted to trade such securities.
<b>Expire Date of Rights</b>	The rights will expire 36 months after the grant date.
<b>Exercise price</b>	Nil
<b>Cash incentives</b>	Once performance has been assessed, the cash incentives payments are made post the release of the Groups unqualified FY2021 financial statements to the ASX.
<b>Board Discretion</b>	The Board has discretion to adjust remuneration outcomes up or down to prevent any inappropriate reward outcomes, including reducing (down to zero, if appropriate) any deferred PI award.

# Remuneration Report

For the year ended 30 June 2021

The table below summarises a number of key financial measures from the last five years:

	2021	2020	2019	2018	2017
Profit for the year attributable to Alliance Aviation Services Ltd (\$'000)	33,069	26,972	22,735	18,111	18,547
Basic Earnings per share (Cents)	20.62	21.09	18.65	14.72	15.26
Dividend Payments (\$'000)	-	11,061	16,278	6,755	2,420
Dividend Payout ratio (%)	-	41.0	71.6	37.3	13.0
Increase / (Decrease) in share price (%)	50.2	17.4	33.7	99.0	94.0

## ASSESSMENT OF PERFORMANCE

Performance against the performance targets is assessed by the Board. The Managing Director and the Executive Directors' performances are assessed against the individual KPIs by the Nomination and Remuneration committee which then makes recommendations to the Board. The performance of other Key Management Personnel against their individual KPIs is assessed by the Managing Director, who confers with the Nomination and Remuneration committee and then the Board regarding this assessment.

The Board believes the method of assessment is rigorous and provides a balanced evaluation of the Managing Director, Executive Director and other KMP performance.

The qualification of performance incentives is generally considered by the Nomination and Remuneration committee and the Board after the financial accounts for that performance period (financial year) have been audited. Post this review the Board approves the payment of any cash bonuses and confirms the quantum of performance rights that have become qualified rights. An estimation of these amounts is accrued in the financial year results.

## KEY MANAGEMENT PERSONNEL AND EXECUTIVE MANAGEMENT TEAM PERFORMANCE INCENTIVE OUTCOMES

To support the business plan for the financial year, the Board set performance targets for each member of the Key Management Personnel and the executive management team. These targets were linked to financial, safety and strategic objectives of the Group. Financial targets include the achievement of the forecast FY2021 PBT. Non-financial targets include safety and on time performance targets.

The table below show the performance incentive plan outcomes for Key Management Personnel. The FY2021 performance targets for PBT and on-time performance were not met and as a result the Board exercised its discretion to deem the PIP criteria were not achieved for FY2021.

The performance incentive target opportunity is set at 30% of TFAR and the stretch target opportunity is 50% of TFAR. These targets are measured against a scorecard of key performance indicators as shown below. 50% of the PIP will be delivered by way of a grant of performance rights and 50% by way of a cash bonus.

KPI Target Results	TFAR	PI Target as per KPI	KPI Outcome	Stretch KPI Outcome	Total PI awarded	Cash Bonus awarded (50% of total)	Performance Rights awarded (50% of Total)
		\$			\$	\$	\$
Scott McMillan <b>Managing Director</b>	565,201	169,560	0%	0%	-	-	-
Lee Schofield <b>Executive Director and Chief Executive Officer</b>	413,007	123,902	0%	0%	-	-	-
Marc Devine <b>Chief Financial Officer</b>	294,818	88,446	0%	0%	-	-	-
Stewart Tully <b>Chief Operating Officer<sup>1</sup></b>	61,000	18,300	0%	0%	-	-	-
Robert Nelson <b>Chief Commercial Officer<sup>2</sup></b>	63,562	19,068	0%	0%	-	-	-

# Remuneration Report

For the year ended 30 June 2021

1: Stewart Tully was appointed as a Key Management Personnel on 19 April 2021.

2: Robert Nelson was appointed as a Key Management Personnel on 11 April 2021.

## CESSATION OF EMPLOYMENT

Under the service agreements for Key Management Personal and other members of the executive management team, if a member ceased employment with the Group before performance against targets were assessed, they would generally not be entitled to receive any awards, unless otherwise determined by the Board.

## SERVICE AGREEMENTS

On appointment to the Board, all Non-Executive Directors enter into a service agreement with the Company in the form of a letter of appointment. This letter of appointment summarises the Board's policies and terms and includes remuneration details relevant to the Director.

Remuneration and other terms of employment for the Managing Director, Executive Director and the other Key Management Personnel are formalised in employment agreements. These agreements provide for remuneration in the form of TFAR and any other applicable benefits. The service agreements are summarised below:

Name	Commencement Date	Term of Employment Contract	Base Salary & Superannuation	Termination Benefits	Notice Period
<b>S McMillan</b> Managing Director	12-Apr-02	On-going	565,201	Nil	12 months
<b>L Schofield</b> Chief Executive Officer	12-Jun-12	On-going	413,007	Nil	12 months
<b>M Devine</b> Chief Financial Officer / Company Secretary	9-May-16	On-going	294,818	Nil	12 months
<b>S Tully<sup>1</sup></b> Chief Operating Officer	25-Oct-15	On-going	305,000	Nil	3 months
<b>R Nelson</b> General Manager Commercial, Aviation Business Development	11-Apr-21	On-going	290,000	Nil	3 months

1: Stewart Tully was appointed as a Key Management Personnel on 19 April 2021.

# Remuneration Report

For the year ended 30 June 2021

## DETAILS OF REMUNERATION PAID AND ACCRUED

The following tables show details of the remuneration received by the Directors and the Key Management Personnel of the Group for the current and previous financial year.

2021	Fixed Remuneration			Variable Remuneration			Total \$
	Short-term Employee Benefits		Post Employment Benefits	Short-term Employee Benefits	Long Term Benefits	Share Based Payments <sup>1,2</sup>	
	Cash Salary \$	Annual Leave \$	Super-annuation \$	Long Service Leave \$	Cash Bonus as per PIP \$	Termination Benefits \$	Performance Rights per PIP \$
<b>Non-Executive Directors</b>							
S Padgett	176,055	-	16,725	-	-	-	192,780
D Crombie	87,100	-	8,275	-	-	-	95,375
P Housden	95,375	-	-	-	-	-	95,375
<b>Sub-total Non-Executive Directors</b>	<b>358,530</b>	<b>-</b>	<b>25,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>383,530</b>
<b>Executive Directors</b>							
S McMillan	540,201	19,634	25,000	7,261	84,780 <sup>3</sup>	-	701,749
L Schofield	391,313	(14,388)	21,694	11,238	61,951 <sup>3</sup>	-	490,550
<b>Other Key Management Personnel</b>							
M Devine	273,124	10,639	21,694	2,847	44,223 <sup>3</sup>	-	365,623
S Tully	81,250	14,026	5,993	12,277	-	-	113,546
R Nelson <sup>4</sup>	59,188	5,134	5,623	178	-	-	70,123
S Edwards <sup>4</sup>	142,613	(9,597)	13,548	(13,031)	47,363 <sup>3</sup>	-	196,660
<b>Sub-total Executive Directors and other Key Management Personnel</b>	<b>1,487,689</b>	<b>25,448</b>	<b>93,552</b>	<b>20,770</b>	<b>238,317</b>	<b>-</b>	<b>1,938,252</b>
<b>Total Key Management Personnel compensation (group)</b>	<b>1,846,219</b>	<b>25,448</b>	<b>118,552</b>	<b>20,770</b>	<b>238,317</b>	<b>-</b>	<b>2,321,782</b>

1: Rights to deferred shares granted under the executive STI scheme are expensed over the performance period, which includes the year to which the bonus relates and the subsequent vesting period of the rights.

2: Equity-settled share-based payments as per Corporations Regulation 2M.3.03(1) Item 11. These include negative amounts for options and rights forfeited during the year.

3: Ex-gratia bonus paid relating to FY20

4: The amount reported relates to the remuneration made while acting as Key Management Personnel

# Remuneration Report

For the year ended 30 June 2021

2020	Fixed Remuneration				Variable Remuneration			Total \$
	Short-term Employee Benefits		Post Employment Benefits	Long Term Employee Benefits	Short-term Employee Benefits	Long Term Benefits	Share Based Payments *	
	Cash Salary \$	Annual Leave \$	Super-annuation \$	Long Service Leave \$	Cash Bonus as per PIP \$	Termination Benefits \$	Performance Rights per PIP \$	
<b>Non-Executive Directors</b>								
S Padgett	176,055	-	16,725	-	-	-	-	192,780
D Crombie	87,100	-	8,275	-	-	-	-	95,375
P Housden	95,375	-	-	-	-	-	-	95,375
<b>Sub-total Non-Executive Directors</b>	<b>358,530</b>	<b>-</b>	<b>25,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>383,530</b>
<b>Executive Directors</b>								
S McMillan	537,976	137	25,000	(43,281)	111,260	-	187,883*	818,975
L Schofield	387,634	6,515	23,747	10,958	81,301	-	142,682*	652,837
<b>Other Key Management Personnel</b>								
M Devine	272,655	(3,787)	21,003	3,582	58,035	-	99,167*	450,655
S Edwards	284,727	8,708	25,000	5,137	62,157	-	109,543*	495,272
<b>Sub-total Executive Directors and other Key Management Personnel</b>	<b>1,482,992</b>	<b>11,573</b>	<b>94,750</b>	<b>(23,604)</b>	<b>312,753</b>	<b>-</b>	<b>539,275</b>	<b>2,417,739</b>
<b>Total Key Management Personnel compensation (group)</b>	<b>1,841,522</b>	<b>11,573</b>	<b>119,750</b>	<b>(23,604)</b>	<b>312,753</b>	<b>-</b>	<b>539,275</b>	<b>2,801,269</b>

\*Due to COVID-19 the FY 2020 Performance rights granted to the KMP were cancelled by the Board in March 2020. According to AASB 2 the full value of the rights is required to be disclosed in the year of cancellation. KMP were not entitled to any FY2020 performance rights.

# Remuneration Report

For the year ended 30 June 2021

## OTHER KEY MANAGEMENT PERSONNEL DISCLOSURES

### KEY MANAGEMENT PERSONNEL – RIGHTS HOLDINGS

The number of performance rights held by Directors and other Key Management Personnel of the Group during the financial year are shown below:

Performance Rights	FY 2021					Balance at 30 June
	Balance at 1 July	Granted as Remuneration	Cancelled	Exercised and vested*	Forfeited	
<b>Directors</b>						
S McMillan	71,745	39,770	-	(46,320)	(39,770)	<b>25,425</b>
L Schofield	61,587	29,061	-	(43,008)	(29,061)	<b>18,579</b>
<b>Other Key Management Personnel</b>						
M Devine	39,402	20,745	-	(26,140)	(20,745)	<b>13,262</b>
S Tully <sup>o</sup>	32,173	20,758	-	(21,780)	(20,758)	<b>10,393</b>
R Nelson	-	3,674	-	-	(3,674)	-
S Edwards	47,863	22,218	-	(47,864)	(22,218)	-

Performance Rights	FY2020					Balance at 30 June
	Balance at 1 July	Granted as Remuneration <sup>^</sup>	FY 2020 Cancelled	Exercised and Vested**	Forfeited	
<b>Directors</b>						
S McMillan	92,641	55,683	(55,683)	(20,896)	-	<b>71,745</b>
L Schofield	86,017	40,689	(40,689)	(24,430)	-	<b>61,587</b>
<b>Other Key Management Personnel</b>						
M Devine	52,280	29,045	(29,045)	(12,878)	-	<b>39,402</b>
S Edwards	67,319	31,108	(31,108)	(19,456)	-	<b>47,863</b>

\*Share price at date exercised - \$3.51. These rights relate to vested rights from Tranche2 of the FY18 grant (November 2017) and Tranche1 of the FY19 grant (October 2018) which vested 15 August 2020.

\*\* Share price at date exercised - \$2.56. These rights relate to vested rights from Tranche1 of the FY18 grant (November 2017) which vested on 15 August 2019

<sup>^</sup> This grant was cancelled by the Board due to COVID-19

<sup>o</sup> Stewart Tully was appointed to a newly created role of Chief Operating Officer on 19 April 2021. Prior to this date Stewart held the role of General Manager Operations and held 32,173 rights.

Grant Date	Vesting Date Tranche 1	Vesting Date Tranche 2	Fair Value at Grant Date \$
2 November 2017	15 August 2019	15 August 2020	1.50
30 October 2018	15 August 2020	15 August 2020	2.38
30 October 2019	15 August 2021	15 August 2022	2.51
16 September 2020	15 August 2022	15 August 2023	3.70

# Remuneration Report

For the year ended 30 June 2021

## RIGHTS TO ORDINARY SHARES - REMUNERATION

For each grant of rights to ordinary shares, the percentage of the grant that vested in the financial year, and the percentage that was forfeited because the KMP did not meet the service and performance criteria are set out below. The minimum value of the rights yet to vest is nil, as the rights will be forfeited if the service condition is not met. The maximum value of the rights yet to vest is determined as the amount of the grant date fair value that is yet to be expensed to the income statement.

## PERFORMANCE RIGHTS

Name	FY Granted	Number Granted	Share Price at Grant Date	Vested %	Vested Number	Qualified* %	Forfeited %	Vesting Date^	Estimated Maximum Value Yet to Vest (\$)
<b>Directors</b>									
S McMillan	2021	39,770	3.70	0%	-	0%	100%	15 Aug 2022 15 Aug 2023	-
	2020	55,683	2.51	0%	-	0%	100%	n/a	-
	2019	63,563	2.38	40%	25,425	80%	20%	15 Aug 2020 15 Aug 2021	2,484
	2018	83,581	1.50	50%	41,791	50%	50%	15 Aug 2019 15 Aug 2020	-
	2017	108,972	0.78	80%	87,177	0%	20%	15 Aug 2018	-
L Schofield	2021	29,061	3.70	0%	-	0%	100%	15 Aug 2022 15 Aug 2023	-
	2020	40,689	2.51	0%	-	0%	100%	n/a	-
	2019	46,447	2.38	40%	18,579	80%	20%	15 Aug 2020 15 Aug 2021	1,815
	2018	61,075	1.50	80%	48,860	80%	20%	15 Aug 2019 15 Aug 2020	-
	2017	79,628	0.78	80%	63,703	0%	20%	15 Aug 2018	-
KMP	2021	20,745	3.70	0%	-	0%	0%	15 Aug 2022 15 Aug 2023	-
	2020	29,045	2.51	0%	-	0%	100%	n/a	-
	2019	33,155	2.38	40%	13,262	80%	20%	15 Aug 2020 15 Aug 2021	1,296
	2018	32,195	1.50	80%	25,756	80%	20%	15 Aug 2019 15 Aug 2020	-
	2017	38,708	0.78	80%	30,967	0%	20%	15 Aug 2018	-
S Tully	2021	20,758	3.70	0%	-	0%	0%	15 Aug 2022 15 Aug 2023	-
	2020	22,760	2.51	0%	-	0%	100%	n/a	-
	2019	25,981	2.38	40%	10,392	80%	20%	15 Aug 2020 15 Aug 2021	1,388
R Nelson	2021	2,204	3.70	0%	-	0%	0%	15 Aug 2022 15 Aug 2023	-

\* Once non-market vesting conditions defined as part of PIP are met, the performance rights become qualified.

^ Due to the COVID-19 pandemic the Board at its meeting held in Brisbane on 16 April 2020 cancelled the PIP for FY2020.

S Edwards had nil performance rights as at 30 June 2021.



# Remuneration Report

For the year ended 30 June 2021

## KEY MANAGEMENT PERSONNEL SHAREHOLDINGS

The number of ordinary shares held by Directors and Key Management Personnel (and their related parties) of the Group during the financial year are as follows:

Ordinary Shares - number	Balance at 1 July 2020	Exercise of Rights	FY 2021 Other Additions	Disposals	Balance at 30 June 2021
<b>Directors</b>					
S McMillan	4,174,179	46,320	10,527	(531,026)	<b>3,700,000</b>
L Schofield	91,454	43,008	10,527	-	<b>144,989</b>
S Padgett	7,392,742	-	10,527	(1,200,000)	<b>6,203,269</b>
D Crombie	168,939	-	10,527	-	<b>179,466</b>
P Housden	39,171	-	10,527	-	<b>49,698</b>
<b>Other Key Management Personnel</b>					
M Devine	18,048	26,140	10,527	(6,000)	<b>48,715</b>
S Tully <sup>a</sup>	44,422	21,780	10,527	-	<b>76,729</b>
R Nelson	-	-	-	-	<b>-</b>
S Edwards	16,319	47,864	10,021	-	<b>74,204</b>

Ordinary Shares - number	Balance at 1 July 2019	Exercise of Rights	FY 2020 Other Additions	Disposals	Balance at 30 June 2020
<b>Directors</b>					
S McMillan	4,001,697	20,895	151,587	-	<b>4,174,179</b>
L Schofield	63,703	24,430	3,321	-	<b>91,454</b>
S Padgett	7,365,191	-	277,551	(250,000)	<b>7,392,742</b>
D Crombie	162,804	-	6,135	-	<b>168,939</b>
P Housden	37,749	-	1,422	-	<b>39,171</b>
<b>Other Key Management Personnel</b>					
M Devine	4,515	12,878	655	-	<b>18,048</b>
S Edwards	25,655	19,456	1,318	(30,110)	<b>16,319</b>

<sup>a</sup>Stewart Tully was appointed to a newly created role of Chief Operating Officer on 19 April 2021. Prior to this date Stewart held the role of General Manager Operations and held 44,422 shares.

## LOANS TO DIRECTORS AND KEY MANAGEMENT PERSONNEL

There have been no loans to Directors or Key Management Personnel during the financial year.

## SHARES UNDER OPTION

There were no ordinary shares of Alliance Aviation Services Limited under option at the date of the report.

**The end of the audited remuneration report**

# Directors Report

For the year ended 30 June 2021

## INSURANCE AND INDEMNITY OF OFFICERS

During the financial year, Alliance and its controlled entities paid premiums to insure the Directors and Company Secretaries of the Group companies.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the Group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

## PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the *Corporations Act 2001*.

## NON-AUDIT SERVICES

The Company may decide to employ the audit firm on assignments additional to their statutory audit duties where the audit firms expertise and experience with the Group are important.

Details of the amounts paid or payable to the audit firm (PricewaterhouseCoopers) for audit and non-audit services provided during the year are set out in note J5 to the financial statements.

The Board of Directors has considered the position and, in accordance with advice received from the Audit and Risk committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- All non-audit services have been reviewed by the Audit and Risk committee to ensure they do not impact the impartiality and objectivity of the auditor; and
- None of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*.

## AUDITOR'S INDEPENDENCE DECLARATION

A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* is set out on page 23.

# Directors Report

For the year ended 30 June 2021

## ROUNDING OF AMOUNTS

The Company is of a kind referred to in ASIC Legislative Instrument 2016/191, relating to the 'rounding off' of amounts in the Directors' Report. Amounts in the Directors' Report have been rounded off in accordance with the Instrument to the nearest thousand dollars, or in certain cases, to the nearest dollar.

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



**S Padgett, OAM**  
**Chairman**  
**Brisbane**  
**11 August 2021**

# Auditor's Independence Declaration

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## *Auditor's Independence Declaration*

As lead auditor for the audit of Alliance Aviation Services Limited for the year ended 30 June 2021, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Alliance Aviation Services Limited and the entities it controlled during the period.

A handwritten signature in black ink, appearing to read 'Tim Allman'.

Tim Allman  
Partner  
PricewaterhouseCoopers

Brisbane  
11 August 2021

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**PricewaterhouseCoopers, ABN 52 780 433 757**  
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# Financial Statements

For the year ended 30 June 2021

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These financial statements are consolidated financial statements for the Group consisting of Alliance Aviation Services Limited and its subsidiaries. The financial statements are presented in the Australian currency.

Alliance Aviation Services Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is

Alliance Aviation Services Limited  
81 Pandanus Avenue  
Brisbane Airport QLD 4009

The financial statements were authorised for issue by the Directors on 11 August 2021. The Directors have the power to amend and reissue the financial statements

All press releases, financial statements, corporate governance statements and additional information are available on our website: [www.allianceairlines.com.au](http://www.allianceairlines.com.au)

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2021

	Notes	30 June 2021 \$'000	30 June 2020 \$'000
<b>Revenue and Income</b>			
Revenue from continuing operations	A1	308,685	298,619
Net foreign exchange gains / (losses)		(2,242)	(462)
Other income		152	89
<b>Total Revenue and Income</b>		<b>306,595</b>	<b>298,246</b>
<b>Expenses</b>			
Direct flight costs		(92,391)	(96,267)
Parts and inventory costs		(26,701)	(26,278)
Labour and staff related costs		(88,582)	(81,542)
Repairs and maintenance costs		(1,000)	(1,030)
Accommodation and utility costs		(1,941)	(1,779)
IT and communications costs		(3,088)	(2,971)
Other administrative costs		(5,080)	(7,616)
Finance costs		(2,656)	(2,737)
Cash flow hedge reserve release		-	(2,181)
Depreciation and amortisation		(36,885)	(35,149)
<b>Total Expenses</b>		<b>(258,324)</b>	<b>(257,550)</b>
<b>Profit before income tax for the period</b>		<b>48,271</b>	<b>40,696</b>
Income tax expense	E1	(14,600)	(13,724)
<b>Profit for the period</b>		<b>33,671</b>	<b>26,972</b>
<b>Other Comprehensive Income</b>			
Items that may be classified to profit or loss:		-	-
<b>Other Comprehensive Income for the period net of tax</b>		<b>-</b>	<b>-</b>
<b>Total Comprehensive Income for the period</b>		<b>33,671</b>	<b>26,972</b>
Total Comprehensive Income for the period is attributable to:			
Owners of Alliance Aviation Services Limited		<b>33,671</b>	<b>26,972</b>

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

<b>Earnings Per Share for Profit from Continuing Operations Attributable to the Ordinary Equity Holders of the Company</b>		<b>Cents</b>	<b>Cents</b>
Basic earnings per share	G3	<b>21.00</b>	21.09
Diluted earnings per share	G3	<b>20.92</b>	20.95

# Consolidated Balance Sheet

For the year ended 30 June 2021

		30 June 2021 \$'000	30 June 2020 \$'000
	Notes		
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	B1	36,222	98,788
Receivables	J1	50,941	54,414
Inventory	D1	86,466	57,401
<b>Total Current Assets</b>		<b>173,629</b>	<b>210,603</b>
<b>Non-Current Assets</b>			
Property, plant & equipment	D2	406,729	216,801
Intangibles	D3	383	494
Right of use assets	D4	27,989	7,976
<b>Total Non-Current Assets</b>		<b>435,101</b>	<b>225,271</b>
<b>Total Assets</b>		<b>608,730</b>	<b>435,874</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	J2	44,224	48,534
Borrowings	B2	4,752	12,000
Current tax liabilities		3,527	-
Lease liabilities	D4	2,201	1,334
Provisions	J3	11,841	8,924
<b>Total Current Liabilities</b>		<b>66,545</b>	<b>70,792</b>
<b>Non-Current Liabilities</b>			
Borrowings	B2	151,535	42,400
Provisions	J3	1,303	1,529
Deferred tax liability	E2	42,181	32,110
Lease liabilities	D4	26,928	6,979
<b>Total Non-Current Liabilities</b>		<b>221,947</b>	<b>83,018</b>
<b>Total Liabilities</b>		<b>288,492</b>	<b>153,810</b>
<b>Net Assets</b>		<b>320,238</b>	<b>282,064</b>
<b>EQUITY</b>			
Contributed equity	G1	287,426	282,530
Reserves	G2	(110,238)	(109,845)
Retained earnings		143,050	109,379
<b>Total Equity</b>		<b>320,238</b>	<b>282,064</b>

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

# Consolidated Statement of Changes in Equity

For the year ended 30 June 2021

	Notes	Contributed Equity \$'000	Reserves \$'000	Retained Earnings \$'000	Total Equity \$'000
<b>Balance as at 1 July 2020</b>		<b>282,530</b>	<b>(109,845)</b>	<b>109,379</b>	<b>282,064</b>
Profit for the period		-	-	<b>33,671</b>	<b>33,671</b>
Other comprehensive income		-	-	-	-
<b>Total comprehensive income for the period</b>		<b>-</b>	<b>-</b>	<b>33,671</b>	<b>33,671</b>
<b>Transactions with owners in their capacity as owners:</b>					
Share-based payment reserve	G2	<b>623</b>	<b>(450)</b>	-	<b>173</b>
Share placement issue	G1	<b>3,837</b>	-	-	<b>3,837</b>
Employee share plan issue		<b>436</b>	-	-	<b>436</b>
Foreign currency translation reserve		-	<b>57</b>	-	<b>57</b>
<b>Closing Balance as at 30 June 2021</b>		<b>287,426</b>	<b>(110,238)</b>	<b>143,050</b>	<b>320,238</b>

	Notes	Contributed Equity \$'000	Reserves \$'000	Retained Earnings \$'000	Total Equity \$'000
<b>Balance as at 1 July 2019</b>		<b>187,648</b>	<b>(112,247)</b>	<b>93,472</b>	<b>168,873</b>
Profit for the period		-	-	<b>26,972</b>	<b>26,972</b>
Other comprehensive income		-	-	-	-
<b>Total comprehensive income for the period</b>		<b>-</b>	<b>-</b>	<b>26,972</b>	<b>26,972</b>
<b>Transactions with owners in their capacity as owners:</b>					
Dividends paid	C1	-	-	<b>(11,061)</b>	<b>(11,061)</b>
Dividend reinvestment plan	G1	<b>3,718</b>	-	-	<b>3,718</b>
Share-based payment reserve	G2	<b>243</b>	<b>174</b>	-	<b>417</b>
Share placement issue	G1	<b>90,496</b>	-	-	<b>90,496</b>
Employee share plan issue		<b>425</b>	-	-	<b>425</b>
Foreign currency translation reserve		-	<b>47</b>	<b>(4)</b>	<b>43</b>
Foreign currency hedge reserve	G2	-	<b>2,181</b>	-	<b>2,181</b>
<b>Closing Balance as at 30 June 2020</b>		<b>282,530</b>	<b>(109,845)</b>	<b>109,379</b>	<b>282,064</b>

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.



# Consolidated Statement of Cash Flows

For the year ended 30 June 2021

		30 June 2021 \$'000	30 June 2020 \$'000
	Notes		
<b>Cash Flows from Operating Activities</b>			
Receipts from customers (inclusive of GST)		336,911	315,933
Payments to suppliers (inclusive of GST)		(294,707)	(269,490)
Interest received		163	59
Interest paid		(1,567)	(2,433)
Income tax paid		(1,003)	(24)
<b>Net Cash Flows from Operating Activities</b>	<b>B4</b>	<b>39,797</b>	<b>44,045</b>
<b>Cash Flows from Investing Activities</b>			
Payments for property, plant and equipment		(205,675)	(30,810)
<b>Net Cash Inflow (Outflow) from Investing Activities</b>		<b>(205,675)</b>	<b>(30,810)</b>
<b>Cash Flows from Financing Activities</b>			
Proceeds from Share Issue		3,438	91,863
Proceeds from borrowings		146,500	18,000
Repayment of borrowings		(44,613)	(23,650)
Share issue costs		-	(1,386)
Principal elements of lease payments		(2,030)	(1,598)
Dividends paid		-	(7,342)
<b>Net Cash Inflow (Outflow) from Financing Activities</b>		<b>103,295</b>	<b>75,887</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>		<b>(62,583)</b>	<b>89,122</b>
Cash and cash equivalents at the beginning of the year		98,788	9,607
Effects of exchange rate on cash and cash equivalents		17	59
<b>Cash and Cash Equivalents at End of the Year</b>	<b>B1</b>	<b>36,222</b>	<b>98,788</b>

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2021

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# Notes to the Consolidated Financial Statements

For the year ended 30 June 2021

## A. FINANCIAL OVERVIEW

### A1 - REVENUE FROM CONTINUING OPERATIONS

The Group recognises revenue at a point in time once control of the goods or services passes to the customer. Revenue is derived from contract air charter services, ad-hoc air charter services, wet lease services, regular public transport (RPT) services and several allied aviation services including part sales, aircraft, engine and parts leasing, aerodrome management services and other engineering services.

In the following table revenue has been disaggregated by type of revenue.

	30 June 2021 \$'000	30 June 2020 \$'000
Contract revenue	214,209	202,526
Charter revenue	43,700	26,403
Wet lease revenue	7,849	24,388
RPT revenue	33,563	34,620
Aviation services revenue	7,963	10,019
Other revenue	1,401	663
<b>Total revenue generated at a point in time</b>	<b>308,685</b>	<b>298,619</b>

### ACCOUNTING POLICY

The Group derives revenue from the transfer of goods and the delivery of services at points in time as detailed below:

(i) *Contract air charter services*

The Group's primary business is the transportation by air of workers and contractors to and from remote project sites of major mining and energy companies. Contract air charter services are subject to contracts with companies. Revenue is derived and recognised in accordance with an agreed flight schedule, based on completed flights.

Revenue is generally calculated on a price paid on a 'per round trip' basis with the contracts including cost pass-through mechanisms for movements in foreign currency exchange rates, fuel prices and consumer price index changes. These cost pass-through mechanisms are invoiced on a monthly or quarterly basis.

(ii) *Ad-hoc charter services*

Alliance also utilises its fleet to provide ad-hoc charter services to a range of corporate, government, tourism, educational and sporting customers predominantly through surplus capacity. Revenue is derived in accordance with an agreed flight schedule based on completed flights.

(iii) *Wet lease services*

The Group also utilises its fleet for wet lease contracts. A wet lease of an aircraft is an arrangement whereby the Group provides an aircraft, crew, maintenance and insurance to a third-party airline operator. Revenue is derived in accordance with an agreed flight schedule based on completed block hours per flight.

(iv) *Regular Public Transport (RPT)*

Alliance provides RPT services to a number of regional ports across Australia. RPT refers to services provided by Alliance to passengers who buy and pay for tickets on scheduled flights. Revenue is derived on a per passenger basis in accordance with an agreed flight schedule based on completed flights.

(v) *Aviation services*

Alliance has a large inventory consisting of aircraft and aircraft parts. Revenue is generated by Alliance through the sale or lease of these aircraft or aircraft parts to third parties. Alliance also provides line and heavy maintenance services to other aircraft operators. These services include the provision of labour and parts and are invoiced based on typical market conditions of cost-plus margin on both components.

Aircraft and engine lease revenue is recognised on either a fixed monthly payment, per day lease rate or a per cycle lease rate. In some cases, all rates are applicable.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2021

## A. FINANCIAL OVERVIEW (CONTINUED)

### A1 - REVENUE FROM CONTINUING OPERATIONS (CONTINUED)

#### ACCOUNTING POLICY (CONTINUED)

Alliance also manages a number of aerodromes and provides airport and ground handling services to contract clients. These services are invoiced as a fee for service and are generally invoiced on a monthly or per turn basis.

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

### A2 - OTHER INCOME

	2021 \$'000	2020 \$'000
Interest income	152	89
	152	89

#### ACCOUNTING POLICY

Interest income is recognised on a time proportioned basis using the effective interest method.

### A3 - MATERIAL PROFIT OR LOSS ITEMS

The Group has identified a number of items which are material due to the significance of their value and/or amount. These are listed separately here to provide a better understanding of the financial performance of the Group.

	2021 \$'000	2020 \$'000
Direct flight costs	(92,391)	(96,267)
General parts and inventory costs	(26,701)	(26,278)
Interest expense	(2,656)	(2,737)
<b>Labour and staff related costs</b>		
Salaries and wages	(74,488)	(67,781)
Superannuation	(6,387)	(5,914)
Contractors	(2,677)	(3,274)
Travel and accommodation	(2,629)	(1,808)
Work cover and payroll tax	(4,294)	(3,971)
Other employee expenses	(2,149)	(2,761)
Costs capitalised as part of heavy maintenance activities	4,042	3,967
	(88,582)	(81,542)
<b>Rental Expenses Relating to Operating Leases</b>		
Minimum lease payments	(255)	(339)
Minimum sublease receipts	429	260

#### GOVERNMENT GRANTS

Government grants and rebates have been provided to the Group in FY2021. These grants and rebates were provided to support the aviation industry through the COVID-19 pandemic. These amounts have been accounted for as reductions in the line-item expenses listed below in accordance with the Group's accounting policy.

	2021 \$'000	2020 \$'000
Direct flight costs	8,836	1,683
Labour and staff related costs	-	331
<b>Total government grants and rebates included in expenses</b>	<b>8,836</b>	<b>2,014</b>

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2021

## A. FINANCIAL OVERVIEW (CONTINUED)

### A3 - MATERIAL PROFIT OR LOSS ITEMS (CONTINUED)

#### ACCOUNTING POLICY

Government grants, including non-monetary grants at fair value, shall not be recognised until it is probable that:

- the Group will comply with the conditions attaching to them; and
- the grants will be received.

A government grant is not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to it, and that the grant will be received. Receipt of a grant does not of itself provide conclusive evidence that the conditions attaching to the grant have been or will be fulfilled.

The manner in which a grant is received does not affect the accounting method to be adopted in regard to the grant. Thus, a grant is accounted for in the same manner whether it is received in cash or as a reduction of a liability to the government.

Government grants shall be recognised in profit or loss on a systematic basis over the periods in which the entity recognises as expenses the related costs for which the grants are intended to compensate.

## B. CASH MANAGEMENT

### B1 - CASH AND CASH EQUIVALENTS

	2021 \$'000	2020 \$'000
Cash at bank and on hand	36,222	98,788

#### ACCOUNTING POLICY

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

### B2 - BORROWINGS

#### FACILITIES

The type of borrowing facilities available and utilised as at 30 June 2021 is shown below:

Funding Mechanism	Financier Limit		Current Available \$'000	Utilisation \$'000
	ANZ \$'000	Pricoa \$'000		
Term loan facility I	24,787	-	-	24,787
Term loan facility II	45,000	-	13,500	31,500
Working capital multi option facility	4,000	-	3,940	60
Bank guarantee facility	1,000	-	382	618
Senior secured guaranteed notes	-	100,000	-	100,000
<b>Total</b>	<b>74,787</b>	<b>100,000</b>	<b>17,822</b>	<b>156,965</b>

The term loans are amortising loans with repayments due each quarter for term loan facility I and each quarter from December 2021 for term loan facility II. Any voluntary repayments may be redrawn. The term loans have an expiration date of 12 July 2024.

The working capital multi option facility may be drawn at any time to its limit of \$4 million and is subject to annual review each December. The bank can withdraw the facility with 60 days written notice.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2021

## B. CASH MANAGEMENT (CONTINUED)

### B2 - BORROWINGS (CONTINUED)

The senior secured guaranteed notes are due progressively over the next ten years with 25% due in November 2025, 25% due in May 2028 and 50% due in May 2031.

The term loans, working capital multi option facility and the senior secured guaranteed notes are subject to certain financial covenants and restrictions such as debt service cover ratios, leverage ratios and others. During the year ended 30 June 2021, the Group maintained compliance with the financial covenants and restrictions of these facilities.

#### ACCOUNTING POLICY

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the Consolidated Income Statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs.

To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

#### ASSETS PLEDGED AS SECURITY

The carrying amounts of assets pledged as security for current and non-current borrowings are:

	2021 \$'000	2020 \$'000
<b>Current</b>		
<i>Floating charge</i>		
Cash and cash equivalents	36,222	98,788
Receivables	50,941	54,414
Inventory	86,466	57,401
Total current assets pledged as security	173,629	210,603
<b>Non-Current</b>		
<i>First mortgage</i>		
Aircraft	390,301	213,375
<i>Floating charge</i>		
Plant and equipment	16,428	3,426
Intangibles	383	494
Total Non-current assets pledged as security	407,112	217,295
<b>Total Assets Pledged as Security</b>	<b>580,741</b>	<b>427,898</b>

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2021

## B. CASH MANAGEMENT (CONTINUED)

### B3 - NET CASH (DEBT)

This section sets out an analysis of net cash (debt) and the movements in net cash (debt) for each of the periods presented.

	2021 \$'000	2020 \$'000
Cash and cash equivalents	36,222	98,788
Borrowings – repayable within one year	(4,752)	(12,000)
Borrowings – repayable after one year	(151,535)	(42,400)
<b>Net Cash / (Debt)</b>	<b>(120,065)</b>	<b>44,388</b>
Cash and cash equivalents	36,222	98,788
Gross debt - variable interest rates	(56,287)	(54,400)
Gross debt - fixed interest rates	(100,000)	-
<b>Net Cash / (Debt)</b>	<b>(120,065)</b>	<b>44,388</b>

### B4 - RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2021 \$'000	2020 \$'000
Profit for the year (after tax)	33,671	26,972
Depreciation and amortisation	36,885	35,149
Costs incurred as part of heavy maintenance program	4,042	3,967
Net (gain)/loss on foreign exchange differences	(2,242)	2,643
Change in operating assets and liabilities,		
(Increase)/decrease in trade debtors and bills of exchange	4,067	(14,704)
(Increase)/decrease in inventory and property, plant and equipment	(48,010)	(28,696)
(Increase)/decrease in prepayments	(594)	217
Increase/(decrease) in trade creditors	(2,352)	159
Increase/(decrease) in other operating liabilities	(1,958)	4,879
Increase/(decrease) in provision for income taxes payable	3,527	(17)
Increase/(decrease) in deferred tax	10,070	13,119
Increase/(decrease) in other provisions	2,691	357
<b>Net Cash Inflow (Outflow) from Operating Activities</b>	<b>39,797</b>	<b>44,045</b>

## C. CAPITAL MANAGEMENT

The Group's objectives when managing capital is to safeguard the ability to continue as a going concern, so that the Group can continue to provide returns for shareholders and benefits for other stakeholders and maintain an optimal capital structure. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.



# Notes to the Consolidated Financial Statements

For the year ended 30 June 2021

## C. CAPITAL MANAGEMENT (CONTINUED)

### C1 - DIVIDENDS

#### ORDINARY SHARES

	2021 \$'000	2020 \$'000
In respect of financial year ended 30 June 2020 no final dividend was declared	-	-
In respect of financial year ended 30 June 2019 a fully franked final dividend of 8.8 cents per fully paid ordinary share was paid out of retained earnings on 14 November 2019	-	11,061
In respect of financial year ended 30 June 2021 no interim dividend was declared.	-	-

#### DIVIDENDS DECLARED BUT NOT RECORDED

A final dividend has not been declared for year ended 30 June 2021.

#### ACCOUNTING POLICY

Provision is made for any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

### C2 - FRANKING CREDITS

	2021 \$'000	2020 \$'000
Franking credits available for subsequent reporting based on a tax rate of 30% (2020: 30%)	8,649	7,647

#### ACCOUNTING POLICY

The above amounts are calculated from the balance of the franking account as at the end of the reporting period, adjusted for franking credits and debits that will arise from the settlement of liabilities or receivables for income tax and dividends after the end of the year.

The consolidated amounts include franking credits that would be available to the parent entity if distributable profits of subsidiaries were paid as dividends.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2021

## D. INVENTORY, PROPERTY, PLANT & EQUIPMENT, INTANGIBLES AND LEASES

### D1 - INVENTORY

	2021 \$'000	2020 \$'000
Aircraft spares and spare engines		
• Fokker	36,182	45,949
• Embraer	38,268	-
<b>Total Aircraft spares and spare engines</b>	<b>74,450</b>	<b>45,949</b>
Consumables	12,016	11,452
<b>Total Inventory</b>	<b>86,466</b>	<b>57,401</b>

### AMOUNTS RECOGNISED IN PROFIT OR LOSS

Inventory recognised as an expense during the year ended 30 June 2021 amounted to \$3,099k (2020: \$2,074k), and is included in parts and inventory costs.

### ACCOUNTING POLICY

Inventory is measured at the lower of cost and net realisable value. Cost comprises all costs of purchase and other costs incurred in bringing the inventory to their present location and condition. Inventory consists of spare aircraft and engine parts, spare engines, components, and whole aircraft where the intent of acquisition was to hold as inventory for sale or breakdown for spare parts

Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

The Group's maintenance program relies on access to spare parts (rotables) which are interchangeable with parts currently utilised on an aircraft. These rotatables are parts that are removed from aircraft and transferred from property, plant and equipment into inventory at the lower of core value or net realisable value. The core value is representative of the outright purchase price less the average cost of overhaul (alternatively the core value may be viewed as the value of the rotatable with useable life/cycles expended).

Rotables that are taken out of inventory and fitted to an aircraft are transferred to property plant and equipment at the carrying value at the time of transfer.

Note K5 discloses the critical estimates and judgements in relation to inventory value.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2021

## D. INVENTORY, PROPERTY, PLANT & EQUIPMENT, INTANGIBLES AND LEASES (CONTINUED)

### D2 - PROPERTY, PLANT AND EQUIPMENT

	Aircraft Assets \$'000	Property, Plant & Equipment \$'000	Total \$'000
<b>Opening Balance as at 30 June 2020</b>			
Cost	450,311	21,942	472,253
Accumulated depreciation	(236,936)	(18,516)	(255,452)
<b>Net Book Value</b>	<b>213,375</b>	<b>3,426</b>	<b>216,801</b>
<b>Year ended 30 June 2021</b>			
Opening net book amount	213,375	3,426	216,801
Additions	218,380	14,332	232,712
Disposals at Cost	-	(6)	(6)
Disposals – Accumulated Depreciation	-	4	4
Transfers	(8,085)	-	(8,085)
Depreciation charge	(33,370)	(1,327)	(34,697)
<b>Closing Net Book Value as at 30 June 2021</b>	<b>390,300</b>	<b>16,429</b>	<b>406,729</b>

<b>Opening Balance as at 30 June 2019</b>			
Cost	402,978	21,498	424,476
Accumulated depreciation	(204,596)	(17,422)	(222,018)
<b>Net Book Value</b>	<b>198,382</b>	<b>4,076</b>	<b>202,458</b>
<b>Year ended 30 June 2020</b>			
Opening net book amount	198,382	4,076	202,458
Additions	53,323	444	53,767
Transfers	(5,990)	-	(5,990)
Depreciation charge	(32,340)	(1,094)	(33,434)
<b>Closing Net Book Value as at 30 June 2020</b>	<b>213,375</b>	<b>3,426</b>	<b>216,801</b>

### ADDITIONS AND TRANSFERS

Additions to property, plant and equipment for year ended 30 June 2021 includes E190 aircraft that were added to the Groups air operators' certificate, all aircraft heavy maintenance and the addition of any major and significant components. Transfers relate to the removal of rotatable parts from the aircraft which are transferred to inventory.

### ACCOUNTING POLICY

All property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation is calculated using both straight line and unit of usage method to allocate their cost, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements and certain leased plant and equipment, the shorter lease term as shown in the table below:

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2021

## D. INVENTORY, PROPERTY, PLANT & EQUIPMENT, INTANGIBLES AND LEASES (CONTINUED)

### D2 - PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

#### ACCOUNTING POLICY (CONTINUED)

	Depreciation calculation method	Time-based terms
<b>Aircraft assets</b>		
5-18 years Aircraft assets (subject to time-based depreciation)	Calendar based	5-18 years
5-12 years Aircraft assets (subject to usage-based depreciation)	Remaining flight cycles/hours	-
<b>Property, plant &amp; equipment</b>		
Leasehold improvements	Calendar based	4-20 years
Vehicles	Calendar based	5-8 years
Furniture, fittings & equipment	Calendar based	3 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. The Group also reviews annually whether the triggers indicating a risk of impairment exist. The recoverable amounts of cash generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (refer Note K5).

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 of all non-current assets is determined as the difference between the carrying amount of the asset at the time of disposal and the proceeds on disposal and is included in the Consolidated Income Statement of the Group in the reporting period of disposal.

Alliance has contracted with Rolls-Royce to maintain F100 aircraft (TAY650-15) engines as part of a total care program. Rolls-Royce supplies replacement aircraft engines, spare engines and parts in exchange for a monthly fee calculated by multiplying a contract rate to the total engine hours under the agreement.

Under this agreement, 46 F100 engines (TAY650-15) are recognised as a single 'pool of engines' and recognised as part of property plant and equipment.

The monthly payments are capitalised to this single pool of engines as they are incurred as these payments represent an increase to the economic value of the engines. The pool of engines is then amortised using a unit of usage basis which considers the current net book value and the number of remaining flight cycles.

### D3 - INTANGIBLE ASSETS

	2021 \$'000	2020 \$'000
Opening net book amount	494	472
Additions	-	113
Amortisation charge	(111)	(91)
<b>Closing Net Book Value</b>	<b>383</b>	<b>494</b>

The Group amortises intangible assets over the following period:

Classification	Amortisation calculation method	Time-based terms
Certifications	Calendar based	2 years
Internally generated software	Calendar based	3-5 years

#### ACCOUNTING POLICY

Intangible assets are recorded at cost less accumulated amortisation and impairment. They are classified as having a useful life that is finite and are amortised on a straight-line basis over the useful economic life.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2021

## D. INVENTORY, PROPERTY, PLANT & EQUIPMENT, INTANGIBLES AND LEASES (CONTINUED)

### D4 - LEASES

This note provides information for leases where the Group is a lessee.

#### AMOUNTS RECOGNISED IN THE BALANCE SHEET

The Consolidated Balance Sheet shows the following amounts relating to leases:

	30 June 2021 \$'000	30 June 2020 \$'000
<b>Right of use assets</b>		
Properties	27,989	7,976
<b>Total right of use assets</b>	<b>27,989</b>	<b>7,976</b>
<b>Lease liabilities</b>		
Current	2,201	1,334
Non-current	26,928	6,979
<b>Total lease liabilities</b>	<b>29,129</b>	<b>8,313</b>

#### ADDITIONS

Additions to the right of use assets during the 2021 financial year were \$22,089k which consists of a twenty-year lease on both the Alliance hangar and the Unity Aviation Maintenance hangar in Brisbane and a ten-year lease on hangar space at Adelaide airport.

#### AMOUNTS RECOGNISED IN THE CONSOLIDATED INCOME STATEMENT

The Consolidated Income Statement includes the following amounts relating to leases:

	30 June 2021 \$'000	30 June 2020 \$'000
<b>Depreciation charge for right of use assets</b>		
Properties	2,076	1,624
<b>Total depreciation charge for right of use assets</b>	<b>2,076</b>	<b>1,624</b>
<b>Other costs relating to leases:</b>		
Interest expense (included in finance costs)	757	311

Total cash out-flow for leases for the year ended 30 June 2021 was \$2,029k.

#### THE GROUP'S LEASING ACTIVITIES

The Group leases various offices, warehouses, and equipment. Rental contracts are typically made for fixed periods of six months to twenty years but may have extension options as described below.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

#### ACCOUNTING POLICY

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2021

## D. INVENTORY, PROPERTY, PLANT & EQUIPMENT, INTANGIBLES AND LEASES (CONTINUED)

### D4 - LEASES (CONTINUED)

#### ACCOUNTING POLICY (CONTINUED)

- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date.
- amounts expected to be payable by the Group under residual value guarantees.
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payment of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received.
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by Alliance Aviation Services Limited, which does not have recent third-party financing, and
- makes adjustments specific to the lease, e.g., term, country, currency and security.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate takes effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of the lease liability.
- any lease payments made at or before the commencement date less any lease incentives received.
- any initial direct costs.
- any initial direct costs; and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment, some ground service equipment and airport apron licences.

#### EXTENSION AND TERMINATION OPTIONS

Extension and termination options are included in a number of property leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2021

## E. INCOME TAX EXPENSE AND DEFERRED TAX

This note provides an analysis of the Group's income tax expense, shows what amounts are recognised directly in equity and how the tax expense is affected by non-assessable and non-deductible items. It also explains significant estimates made in relation to the Group's tax position.

### E1 - INCOME TAX EXPENSE

	2021 \$'000	2020 \$'000
<b>(a) Income Tax Expense</b>		
<i>Current tax</i>		
Current tax on profits for the year	4,530	5
<b>Total current tax expense</b>	<b>4,530</b>	<b>5</b>
<i>Deferred income tax</i>		
Utilisation of unused tax losses	1,441	4,385
Decrease/(increase) in deferred tax assets	(1,412)	684
(Decrease)/increase in deferred tax liabilities	10,041	8,650
<b>Total deferred tax expense / (benefit)</b>	<b>10,070</b>	<b>13,719</b>
<b>Income tax expense on profit from continuing operations</b>	<b>14,600</b>	<b>13,724</b>
Effective tax rate	30.2%	33.7%

	2021 \$'000	2020 \$'000
<b>(b) Numerical Reconciliation of Income Tax (Benefit) / Expense to Prima Facie Tax Payable</b>		
Profit / (loss) before income tax expense	48,270	40,696
Tax at the Australian Corporate tax rate of 30% (2020:30%)	14,481	12,209
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Sundry	119	1,515
<b>Income Tax (Benefit) / Expense</b>	<b>14,600</b>	<b>13,724</b>

	2021 \$'000	2020 \$'000
<b>(c) Amounts recognised directly in equity</b>		
Aggregate deferred tax arising in the reporting period and directly credited to equity	(117)	(117)

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2021

## E. INCOME TAX EXPENSE AND DEFERRED TAX (CONTINUED)

### E2 - DEFERRED TAX ASSETS AND LIABILITIES

Deferred Tax Assets	2021 \$'000	2020 \$'000
<b>The Balance Comprises Temporary Differences Attributable to:</b>		
Tax losses	31	1,439
Employee benefits	3,943	3,136
Property, plant and equipment	413	234
	4,387	4,809
<b>Other</b>		
Unrealised foreign exchange	1,208	292
Accruals	135	124
Other	352	886
<b>Sub-Total Other</b>	<b>1,695</b>	<b>1302</b>
Total deferred tax assets	6,081	6,111
Set-off of deferred tax liabilities pursuant to set-off provisions	(6,081)	(6,111)
<b>Net Deferred Tax Assets</b>	<b>-</b>	<b>-</b>
<b>Deferred Tax Liabilities</b>	<b>2021 \$'000</b>	<b>2020 \$'000</b>
<b>Balance Comprises Temporary Differences Attributable to:</b>		
Property, plant and equipment	47,412	37,624
Prepayments	-	2
Other	474	219
Unrealised Foreign Exchange	376	376
<b>Sub-Total Other</b>	<b>48,262</b>	<b>38,221</b>
<b>Total Deferred Tax Liabilities</b>	<b>48,262</b>	<b>38,221</b>
Set-off of deferred tax assets pursuant to set off provisions	(6,081)	(6,111)
<b>Net Deferred Tax Liabilities</b>	<b>42,181</b>	<b>32,110</b>

### ACCOUNTING POLICY

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries and associates operate and generate taxable income. Directors periodically evaluate the position taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects either accounting or taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised, or the deferred income tax liability is settled.

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

Deferred tax assets and liabilities are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.



# Notes to the Consolidated Financial Statements

For the year ended 30 June 2021

## E. INCOME TAX EXPENSE AND DEFERRED TAX (CONTINUED)

### E2 - DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

#### ACCOUNTING POLICY (CONTINUED)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Alliance Aviation Services Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. As a consequence, these entities are taxed as a single entity and the deferred tax assets and liabilities of these entities are set off in the consolidated financial statements.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Deferred Tax Asset movements	Tax Losses \$'000	Employee Benefits \$'000	Property, Plant and Equipment \$'000	Other \$'000	Total \$'000
<b>Balance as at 1 July 2019</b>	6,444	3,029	781	361	<b>10,615</b>
Charged/ (credited) to Profit or Loss	(5,005)	107	(547)	941	<b>(4,504)</b>
<b>Balance as at 30 June 2020</b>	<b>1,439</b>	<b>3,136</b>	<b>234</b>	<b>1302</b>	<b>6,111</b>
Charged/ (credited) to Profit or loss	(1,408)	807	179	393	<b>(30)</b>
Charged/(credited) directly to equity					
<b>Balance as at 30 June 2021</b>	<b>31</b>	<b>3,943</b>	<b>413</b>	<b>1,695</b>	<b>6,081</b>

Deferred Tax Liability movements	Intangible Assets \$'000	Property, Plant and Equipment \$'000	Other \$'000	Total \$'000
<b>Balance as at 1 July 2019</b>	-	28,707	899	<b>29,606</b>
(Charged)/ credited to Profit or Loss	(6)	8,923	(302)	<b>8,615</b>
<b>Balance as at 30 June 2020</b>	<b>(6)</b>	<b>37,630</b>	<b>597</b>	<b>38,221</b>
(Charged)/ credited to Profit or loss	(4)	9,791	253	<b>10,041</b>
<b>Balance as at 30 June 2021</b>	<b>(10)</b>	<b>47,121</b>	<b>850</b>	<b>48,262</b>

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2021

## F. FINANCIAL INSTRUMENTS

### F1 - FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks including foreign currency risk, interest rate risk, credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate and foreign exchange rate risk and aging analysis for credit risk. The use of financial instruments is governed by the Group's policies approved by the Board of Directors and are not entered into for speculative purposes. The Group holds the following financial instruments:

	2021 \$'000	2020 \$'000
<b>Financial Assets</b>		
Cash and cash equivalents	36,222	98,788
Trade and other receivables*	47,356	51,423
<b>Total Financial Assets</b>	<b>83,578</b>	<b>150,211</b>
<b>Financial Liabilities</b>		
Trade and other payables	44,225	48,534
Borrowings	156,287	54,400
Lease liabilities	29,129	8,313
<b>Total Financial Liabilities</b>	<b>229,641</b>	<b>111,247</b>
<b>Net Financial Assets/(Liabilities)</b>	<b>(140,063)</b>	<b>38,964</b>

\* excludes prepayments

### FOREIGN EXCHANGE RISK

The Group has transactional currency risks arising from receivables and payables in currencies other than the Group's functional currency. The currencies giving rise to this risk are primarily US dollar and the Euro. Where possible, the risk is managed by forecasting and structuring of receipt and payment timings, including invoicing clients in US dollars and the Euro where possible.

The Group's exposure to foreign currency risk at the end of the reporting period, expressed in Australian dollars and a sensitivity impact of a 5% rate movement is shown in the tables below.

	2021				2020			
	USD \$'000	EUR \$'000	GBP \$'000	NZD \$'000	USD \$'000	EUR \$'000	GBP \$'000	NZD \$'000
Trade and Other Receivables	3,031	-	-	-	114	-	-	-

*Sensitivity:* As at 30 June 2021, if the Australian dollar had strengthened or weakened against other currencies by 5% and all other variables held constant, post-tax profit for the year would have been higher/lower by \$152k ( 2020: +/- \$6k)

	2021				2020			
	USD \$'000	EUR \$'000	GBP \$'000	NZD \$'000	USD \$'000	EUR \$'000	GBP \$'000	NZD \$'000
Trade and Other Payables	(7,745)	(734)	(11)	(131)	(3,823)	(595)	(-)	(121)

*Sensitivity:* As at 30 June 2021, if the Australian dollar had strengthened or weakened against other currencies by 5% and all other variables held constant, post-tax profit for the year would have been higher/lower by \$431k ( 2020: +/- \$227k).

### INTEREST RATE RISK

The Group's main interest rate risk arises from long-term borrowings with variable rates, which expose the Group to cash flow interest rate risk.

The Group's variable rate borrowings outstanding as at 30 June 2021 and a sensitivity analysis of movement of 25 basis points is shown in the tables below.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2021

## F. FINANCIAL RISK MANAGEMENT (CONTINUED)

### F1 - FINANCIAL RISK MANAGEMENT (CONTINUED)

#### INTEREST RATE RISK (CONTINUED)

	2021		2020	
	Weighted Ave. Interest Rate %	Balance \$'000	Weighted Ave. Interest Rate %	Balance \$'000
Bank Loans	3.0	56,287	3.1	54,400
Net exposure to cash flow interest rate risk		56,287		54,400
<b>Profit and Loss Impact</b>				
Sensitivity +/- impact of 0.25% change: \$'000		141		136

#### CREDIT RISK

Credit risk arises from cash and cash equivalents, held to maturity investments, favourable derivative financial instruments and deposits with banks and financial institutions, as well as credit exposure to customers, including outstanding receivables. All available cash is held in financial institutions with a credit rating of A- or higher.

#### RISK MANAGEMENT

Credit risk is managed on a Group basis by assessing the credit quality of counterparties by taking into account their financial position, past experience, credit rating and other factors. Counterparty information sourced from credit rating agencies is also utilised to support the management of credit risk. The Group's major customers are principally focused on the resources industry, albeit over a range of commodities.

#### IMPAIRMENT OF TRADE RECEIVABLES

Individual receivables which are known to be uncollectible are written off by reducing the carrying amount directly. The other receivables are assessed collectively to determine whether there is objective evidence that impairment has been incurred but not yet identified. For these receivables the estimated impairment losses are recognised in a separate provision for impairment.

#### LIQUIDITY RISK

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due. At the end of the reporting period the Group held no deposits at call (2020 – nil). Due to the dynamic nature of the underlying businesses, the Directors maintain flexibility in funding by maintaining availability under committed credit lines.

#### RISK MANAGEMENT

Management monitors rolling forecasts of the Group's liquidity reserve (comprising the undrawn borrowing facilities below) and cash and cash equivalents (note B1) on the basis of expected cash flows. In addition, the Group's liquidity management policy involves managing credit risk relating to financial assets, comparing the maturity profile of financial liabilities with the realisation profile of financial assets, monitoring balance sheet liquidity ratios against internal requirements and maintaining debt financing plans.

#### MATURITIES OF FINANCIAL LIABILITIES

The tables below analyse the Group's financial liabilities into relevant maturity groupings based on their contractual maturities for all non-derivative financial liabilities.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2021

## F. FINANCIAL RISK MANAGEMENT (CONTINUED)

### F1 - FINANCIAL RISK MANAGEMENT (CONTINUED)

#### MATURITIES OF FINANCIAL LIABILITIES (CONTINUED)

The amounts disclosed in the tables are the contractual undiscounted cash flows since the fair values are not materially different to their carrying amounts and amortisations payments (fixed repayments of principal) are scheduled quarterly until the expiration of the facilities. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant. The amounts below also include estimated interest payments where applicable.

The Group has long-term arrangements in place for the Alliance Airlines Pty Limited and the Unity Aviation Maintenance Pty Ltd hangars located at Brisbane airport. These leases both have terms expiring in the second quarter of financial year 2041.

#### Liquidity Risk

Carrying Contractual Maturities of Financial Liabilities	Less than 6 Months	6-12 Months	Between 1 & 2 Years	Between 2 & 5 Years	Over 5 Years	Total Contractual Cash Flows	Carrying Amount (assets) /Liabilities
As at 30 June 2021	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Trade payables	44,775	15	45	-	-	44,835	44,835
Borrowings	4,438	4,902	9,726	82,084	86,239	187,389	156,287
Lease liabilities	1,243	943	2,269	7,067	26,237	37,758	29,129
<b>Total Non-Derivatives</b>	<b>50,456</b>	<b>5,860</b>	<b>12,040</b>	<b>89,158</b>	<b>112,476</b>	<b>269,982</b>	<b>230,251</b>

Carrying Contractual Maturities of Financial Liabilities	Less than 6 Months	6-12 Months	Between 1 & 2 Years	Between 2 & 5 Years	Over 5 Years	Total Contractual Cash Flows	Carrying Amount (assets) /Liabilities
As at 30 June 2020	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Trade payables	48,498	36	-	-	-	48,534	48,534
Borrowings	5,083	8,518	43,540	-	-	57,141	54,400
Lease liabilities	663	671	1,347	3,091	3,747	9,519	8,318
<b>Total Non-Derivatives</b>	<b>54,244</b>	<b>9,225</b>	<b>44,890</b>	<b>3,091</b>	<b>3,747</b>	<b>115,194</b>	<b>102,934</b>

#### PRICE RISK

The Group is not exposed to any specific material commodity price risk.

### F2 - FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

Judgements and estimates are made in determining the fair values of assets and liabilities that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified such assets and liabilities into the three levels prescribed under the accounting standards.

#### FAIR VALUE HIERARCHY

Financial instruments that are measured subsequent to initial recognition at fair value are grouped into Levels 1 to 3, based on the degree to which the fair value is observable. The different levels have been identified as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

#### RECOGNISED FAIR VALUE MEASUREMENTS

All of the Group's financial instruments measured at fair value are categorised as Level 2. There were no transfers between Levels 1, 2 and 3 fair value hierarchies during the current or prior twelve-month period.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2021

## F. FINANCIAL RISK MANAGEMENT (CONTINUED)

### F2 - FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

#### DISCLOSED FAIR VALUES

##### RECEIVABLES

Due to the short-term nature of the current receivables, their carrying amount is assumed to be the same as their fair value. For the majority of non-current receivables, the fair values are not materially different to their carrying amounts since the interest on those receivables is close to current market rates.

##### TRADE AND OTHER PAYABLES

Due to the short-term nature of the trade and other payables, their carrying amount is assumed to be the same as their fair value.

##### BORROWINGS

The Directors consider that for all borrowings, the fair values are the same as their carrying amounts, since the interest payable on these borrowings is either close to the market rates or the borrowings are of a short-term nature.

## G. EQUITY

### G1 - CONTRIBUTED EQUITY

	2021		2020	
	No. of shares	\$'000	No. of shares	\$'000
<b>a) Share Capital</b>				
Ordinary shares - fully paid	158,610,102	282,530	158,610,102	282,530
<b>Total Contributed Equity</b>	158,610,102	282,530	158,610,102	282,530
<b>b) Movement in Ordinary Share Capital Issued and Fully Paid Ordinary Shares:</b>				
At the beginning of the financial period	158,610,102	282,530	125,516,945	187,648
Dividend reinvestment plan issues	-	-	1,592,562	3,718
Performance incentive shares vested and exercised	379,641	623	176,995	243
Share Issue	1,346,355	3,837	31,140,000	90,496
Staff share plan	153,036	436	183,600	425
<b>Balance at the End of the Financial Year</b>	160,489,134	287,426	158,610,102	282,530

#### ORDINARY SHARES

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

#### DIVIDEND REINVESTMENT PLAN

The Company has established a dividend reinvestment plan under which holders of ordinary shares may elect to have all or part of their dividend entitlements satisfied by the issue of new ordinary shares rather than by being paid in cash.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2021

## G. EQUITY (CONTINUED)

### G1- CONTRIBUTED EQUITY (CONTINUED)

#### ACCOUNTING POLICY

Debt and equity instruments are classified as either liabilities or equity in accordance with the substance of the contractual arrangement. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from proceeds.

### G2- RESERVES

The following table shows a breakdown of the balance sheet line item 'Reserves' and the movements in these reserves during the year. A description of the nature and purpose of each reserve is provided below the table.

	2021 \$'000	2020 \$'000
<b>Reserves</b>		
Reorganisation reserve	(111,082)	(111,082)
Cash flow hedge reserve	-	-
Share-Based Payment Reserve	767	1,217
Foreign currency translation reserve	77	20
	<b>(110,238)</b>	<b>(109,845)</b>
<b>Movements:</b>		
<i>Reorganisation Reserve</i>		
Opening balance - 1 July	(111,082)	(111,082)
Closing balance - 30 June	(111,082)	(111,082)
<i>Cash flow hedge reserve</i>		
Balance - 1 July	-	(2,181)
Release of reserve	-	2,181
Balance - 30 June	-	-
<i>Share-based payments</i>		
Balance - 1 July	1,217	1,005
Vested	(623)	(241)
Release of reserve	173	453
Balance - 30 June	767	1,217
<i>Foreign currency translation reserve</i>		
Balance - 1 July	20	12
Current year movement	57	8
Balance - 30 June	77	20

#### NATURE AND PURPOSE OF OTHER RESERVES

##### REORGANISATION RESERVE

This reserve is used to record the difference between the recognised equity of the parent entity and the net assets of the acquired controlled entities.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2021

## G. EQUITY (CONTINUED)

### G2- RESERVES (CONTINUED)

#### SHARE BASED PAYMENT RESERVE

The Company has established a share-based payment reserve which records the estimated amount of ordinary share capital to be issued as consideration for future transactions. The reserve records the grant date fair value of performance rights issued to employees under the Long-Term Incentive Plan and associated movements.

#### FOREIGN CURRENCY TRANSLATION RESERVE

Exchange differences arising on translation of the foreign controlled entity are accumulated in a separate reserve within equity.

### G3 - EARNINGS PER SHARE

	2021	2020
<b>Basic Earnings Per Share</b>		
Total basic earnings per share attributable to the ordinary equity holders of the company. (cents)	21.00	21.09
<b>Diluted Earnings Per Share</b>		
Total diluted earnings per share attributable to the ordinary equity holders of the company. (cents)	20.92	20.95
<b>Earnings used in the calculation of basic and diluted earnings per share from continuing operations</b>		
Profit attributable to the ordinary equity holders of the company used in calculating basic earnings per share. (\$'000)	33,671	26,972
<b>Weighted Average Number of Shares used as the Denominator</b>		
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	160,341,107	127,907,635
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share	160,982,972	128,726,725

## INFORMATION CONCERNING THE CLASSIFICATION OF SECURITIES

### PERFORMANCE RIGHTS

Performance rights granted to employees under the Alliance Aviation Services Limited LTI plan are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent to which they are dilutive. The rights have not been included in the determination of basic earnings per share. Refer note H2.

## ACCOUNTING POLICY

### BASIC EARNINGS PER SHARE

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares; and
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2021

## G. EQUITY (CONTINUED)

### G3 - EARNINGS PER SHARE (CONTINUED)

#### ACCOUNTING POLICY (CONTINUED)

#### DILUTED EARNINGS PER SHARE

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares; and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

## H. KEY MANAGEMENT PERSONNEL

### H1 - KEY MANAGEMENT PERSONNEL DISCLOSURES

#### KEY MANAGEMENT PERSONNEL COMPENSATION

	2021 \$'000	2020 \$'000
Short-term employee benefits	2,109,983	1,853,095
Post-employment benefits	118,552	119,750
Long-term benefits	20,770	(23,604)
Share based payments*	72,475	539,275
	2,321,780	2,801,269

\*Due to COVID-19 the FY 2020 Performance rights granted to the KMP were cancelled by the Board in March 2020. According to AASB 2 the full value of the rights is required to be disclosed in the year of cancellation. KMP are not entitled to any FY2020 performance rights.

Detailed remuneration disclosures are provided in the remuneration report on page 10.

### H2 - SHARE BASED PAYMENTS

#### PERFORMANCE INCENTIVE PLAN

Alliance is committed to a reward framework that is focussed on creating shareholder value, which is supported by an equity ownership culture. The Group's Performance Incentive Plan (PIP) supports this goal by assisting with the attraction, motivation and retention of employees (including Executive Directors).

The PIP consists of two key remuneration elements namely the payment of cash incentives and the granting of performance rights. Under the plan, participants are granted rights which only vest if certain performance standards are met. Participation in the plan is at the Board's discretion and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits.

The number of performance rights granted is calculated by dividing the dollar value of the participant's long-term incentive by the ASX volume weighted average price of the shares in the period prior to the date of offer of the performance rights. Unless otherwise determined by the Board in its discretion, performance rights are issued for nil consideration.

The amount of performance rights that will vest depends upon the achievement of certain performance standards being met over the course of the performance period (the financial year). These performance metrics include achieving financial, operational and safety targets. Once the rights have become performance qualified, the only remaining vesting condition that must be met is one of continuous employment.



# Notes to the Consolidated Financial Statements

For the year ended 30 June 2021

## H. KEY MANAGEMENT PERSONNEL (CONTINUED)

### H2 - SHARE BASED PAYMENTS (CONTINUED)

#### PERFORMANCE INCENTIVE PLAN (CONTINUED)

In the event of cessation of employment unvested rights are forfeited unless otherwise determined by the Board, in which case any service condition will be deemed to have been fulfilled as at the testing date and subject to performance testing along with other participants. It is noted that the Board has discretion to allow "Good Leavers" to retain their participation in the PIP plan beyond the date of cessation of employment when deemed appropriate to the circumstances.

Performance rights will automatically vest on a day nominated by the Board after they determine the vesting conditions have all been satisfied (Vesting Determination Date).

The performance rights will automatically exercise on the Vesting Determination Date unless that date occurs outside a trading window permitted under the Company's Securities Trading Policy, in which case the performance rights will exercise upon the first day of the next trading window. Upon exercise of the performance rights, the Company must issue or procure the transfer of one share for each performance right, or alternatively may in its discretion elect to pay the cash equivalent value to the participant.

Rights are granted under the plan for no consideration and carry no dividend or voting rights. When exercised, each right is converted into one ordinary share.

Performance rights will lapse on the first to occur of:

- the expiry date.
- the vesting conditions not being satisfied by the Vesting Determination Date.
- unless the Board otherwise determines, by the cessation of the employment of the employee to whom the offer of performance rights was made. The Board determination will depend upon the reason for employment ceasing (resignation, dismissal for cause, death or illness).

The details of the Performance Rights granted are shown below:

Employee Category	Number of performance rights granted (target and stretch targets)
Executive Directors <sup>^</sup>	68,831
Other Key Management Personnel	67,395
Senior Management	154,030
<b>Rights granted during the period</b>	<b>290,256</b>

<sup>^</sup> The grant of the maximum amount of performance rights available to the Managing Director and Executive Director were approved by the shareholders at the Annual General Meeting held on 16 September 2020.

The movements of performance rights issued during the year are as follows:

	2021 '000	2020 '000
<b>Rights at the start of the period</b>	<b>529</b>	706
Granted during the year	290	394
Vested and exercised	(380)	(177)
Forfeited / Cancelled	(290)	(394)
<b>Rights at the end of the period</b>	<b>149</b>	529

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2021

## H. KEY MANAGEMENT PERSONNEL (CONTINUED)

### H2- SHARE BASED PAYMENTS (CONTINUED)

#### PERFORMANCE INCENTIVE PLAN (CONTINUED)

The performance rights granted as the equity portion of the employee incentive plan are assessed against a scorecard of key performance indicators set by the Board Nomination and Remuneration committee. This assessment occurs once the financial statements for the performance period (FY2021) have been audited and signed off by the Board. Once assessed the performance rights become qualified and vesting is then based on continuous service. These qualified rights then vest over a two-year period being 50% in August 2022 and 50% in August 2023.

As at the date of signing this report nil rights will become performance qualified.

#### EXPENSES ARISING FROM SHARE-BASED PAYMENT TRANSACTIONS

Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expense were as follows:

	2021 \$'000	2020 \$'000
Performance rights – Long Term Incentive Plan	174	453
	174	453

#### ACCOUNTING POLICY

Share-based compensation benefits may be provided to employees via the Alliance Aviation Services Limited Performance Incentive plan (PIP).

The fair value of rights granted under the PIP are recognised as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the rights granted, which includes any market performance conditions and the impact of any non-vesting conditions but excludes the impact of any service and non-market performance vesting conditions.

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

## I. RELATED PARTY TRANSACTIONS

### I1 - PARENT ENTITIES

The parent entity within the Group is Alliance Aviation Services Limited.

### I2 - KEY MANAGEMENT PERSONNEL

Disclosures relating to the compensation of KMP are included in Note H and in the Remuneration Report included in the Directors' Report.

### I3 - SUBSIDIARIES

The ownership interests in subsidiaries are set out in note J7. Transactions between entities within the Group during the reporting period consisted of loans advanced and repaid, operating expenses paid, inventory items purchased and sold and maintenance labour costs.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2021

## I. RELATED PARTY TRANSACTIONS (CONTINUED)

### I4 - TRANSACTIONS WITH RELATED PARTIES

Where transactions are entered into with KMP, these are approved by the Board. Board members who have an interest in the matter either directly or via a related party do not participate in the Board approval process. No new arrangements have been entered into during FY2021.

A Director, Mr Steve Padgett, is a Director and Shareholder of Eternitie Pty Ltd. The Group has a contract with Eternitie Pty Ltd for the lease of office space in Sydney. This lease is based on normal commercial terms and conditions.

During the period, the Group provided base and storage maintenance, aircraft parking and other engineering maintenance services to KBX Pty Ltd and VIF Aircraft Pty Ltd, of which Chairman, Mr Steve Padgett and the Managing Director, Mr Scott McMillan, are shareholders. These services were provided on an arm's length basis under normal commercial terms for the type of services provided.

An operating lease agreement was previously entered into between KBX Pty Ltd and the Group for the lease of a Fokker 70, VIP configured aircraft. This aircraft was marketed by the Group for VIP charter operations both domestically and throughout Asia. The lease ended on 31 March 2021 and has not been renewed.

The following transactions occurred with related parties:

	2021 \$'000	2020 \$'000
Lease of Sydney Office	(45)	(47)
Aircraft lease fees - VH-KBX	(277)	(370)
Engine lease fees - VH-VIF	-	(779)
Engineering and Maintenance services - VH - VIF	171	150
Engineering and Maintenance services - VH - KBX	443	67
<b>Total Cash Inflows / (Outflows)</b>	<b>292</b>	<b>(979)</b>

The following balances are recognised in the financial statements as outstanding balances arising from sales/purchases of goods and services to related parties.

	2021 \$'000	2020 \$'000
Trade receivables		
VIF Aircraft Pty Ltd	80	-
KBX Pty Ltd	443	-
<b>Total Key Management Trade Receivables</b>	<b>523</b>	<b>-</b>
<b>Net Balance Owed from/(Owing to) Key Management Personnel</b>	<b>523</b>	<b>-</b>

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2021

## J. OTHER ITEMS

### J1 - TRADE AND OTHER RECEIVABLES

	2021 \$'000	2020 \$'000
<b>Current assets</b>		
Trade receivables	43,069	44,855
Other receivables	4,287	6,568
Prepayments	3,585	2,991
<b>Total receivables</b>	<b>50,941</b>	<b>54,414</b>

Carrying Contractual Maturities of Financial Assets	Less than 6 Months	6-12 Months	Between 1 & 2 Years	Between 2 & 5 Years	Over 5 Years	Total Contractual Cash Flows	Carrying Amount
As at 30 June 2021	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Trade receivables	43,117	-	(48)	-	-	43,069	43,069
<b>Total</b>	<b>43,117</b>	<b>-</b>	<b>(48)</b>	<b>-</b>	<b>-</b>	<b>43,069</b>	<b>43,069</b>

#### PAST DUE BUT NOT IMPAIRED

As at 30 June 2021, trade receivables of \$15,402k (2020: \$16,662k) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default and as a result no adjustment has been made relating to AASB9.

#### OTHER RECEIVABLES

These are generally sundry debtors, deposits and accrued revenue held which arise during the normal course of business.

#### ACCOUNTING POLICY

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30-45 days and therefore are all classified as current.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less loss allowance.

The Group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profiles of sales over a period of 36 month before 30 June 2021 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

The other classes within trade and other receivables do not contain impaired assets and are not past due. Based on the credit history of these other classes, it is expected that these amounts will be received when due. The Group does not hold any collateral in relation to these receivables.

On that basis, the Group has concluded that no loss allowance needs to be recognised for the year ended 30 June 2021.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2021

## J. OTHER ITEMS (CONTINUED)

### J2 - TRADE AND OTHER PAYABLES

	2021 \$'000	2020 \$'000
<b>Current liabilities</b>		
Trade payables	29,148	31,500
Other payables	15,075	17,034
<b>Total Payables</b>	<b>44,224</b>	<b>48,534</b>

### ACCOUNTING POLICY

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are initially recognised at their fair value, and subsequently measured at amortised cost using the effective interest method.

In accordance with AASB 15 Revenue from Contracts with Customers the Group records a contract liability for funds received from clients in advance of their travel date. The contract liability is valued based on the relevant contract or ticket terms. A review has confirmed that at balance date it is probable that all amounts held will be collected in FY2021 and therefore no adjustment has been made for the time value of money.

Revenue is released from the contract liability account to the Comprehensive Income Statement in the month in which the travel takes place. The Contract Liability was \$2.1m in FY2021 (2020: \$0.8m).

### J3 - PROVISIONS

	2021 \$'000	2020 \$'000
Employee benefits - Annual Leave	7,369	5,760
Employee benefits - Long Service Leave	4,472	3,164
<b>Total Current Provisions</b>	<b>11,841</b>	<b>8,924</b>
Employee benefits - Long Service Leave	1,303	1,529
<b>Total Non-Current Provisions</b>	<b>1,303</b>	<b>1,529</b>
<b>Total Provisions</b>	<b>13,144</b>	<b>10,453</b>

### AMOUNTS NOT EXPECTED TO BE SETTLED WITHIN THE NEXT 12 MONTHS

The leave obligations cover the Group's liabilities for long service leave and annual leave which are classified as either short-term or long-term benefits.

The current provision for employee benefits includes accrued annual leave and long service leave. For long service leave it covers all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances.

Long service leave that is not expected to be settled wholly within 12 months after the end of the period are measured as the present value of expected future payments to be made. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period with terms and currencies that match, as closely as possible, the estimated future cash outflows. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in profit or loss.

The entire amount of the annual leave provision is presented as current, since the Group does not have an unconditional right to defer settlement for any of these obligations. However, based on past experience, the Group does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2021

## J. OTHER ITEMS (CONTINUED)

### J3 - PROVISIONS (CONTINUED)

#### ACCOUNTING POLICY

Provisions are recognised when:

- the Group has a present legal or constructive obligation as a result of past events.
- it is probable that an outflow of resources embodying economic benefit will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the Directors' best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

### J4 - CONTINGENCIES AND COMMITMENTS

#### CONTINGENT ASSETS

Alliance has lodged a claim for \$23 million with the voluntary administrators of Virgin Australia Airlines Pty Limited. The claim relates to the unused portion of the block hour commitment as defined in the Master ACMI Wet lease Services Agreement. A contingent asset has not been recognised as a receivable at 30 June 2021 as any expected receipt of the claim is dependent on the outcome of the creditors trust adjudication process. This process has been delayed and further delays are expected. It is not likely that adjudication will occur prior to the signing of this report and therefore the Directors believe it prudent to continue to not recognise this asset at this time. There continues to be uncertainty in relation to the amount of any dividend to be received.

#### CONTINGENT LIABILITIES

Alliance has on issue six bank guarantees relating to existing leases totalling \$0.62 million (2020: \$0.42 million).

#### CAPITAL COMMITMENTS

In December 2020 the Group signed a commitment to purchase 16 Embraer E190's from Jetran LLC for the total transaction value of USD47.2 million. As at 30 June 2021, 11 of these aircraft have been delivered and are held in Property, Plant & Equipment. The Group has a remaining commitment of USD17.7 million which is progressively due between July and November 2021.

The Group is party to a Total Care Services Agreement with Rolls-Royce for the maintenance Fokker 100 aircraft engines. The agreement is based on engine operating hours for 46 Tay 650-15 engines and is payable monthly in arrears. The agreement expires in December 2024 although has an option to extend to December 2026.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2021

## J. OTHER ITEMS (CONTINUED)

### J5 - REMUNERATION OF AUDITORS

During the year the following fees were paid or payable for services provided by PricewaterhouseCoopers (PwC) as the auditor of the parent entity, Alliance Aviation Services Limited, by PwC's related network firms and by non-related audit firms:

	2021	2020
	\$	\$
<b>PricewaterhouseCoopers</b>		
<b>Audit and other Assurance Services</b>		
Audit and review of financial statements	278,800	231,800
<b>Total Remuneration for Audit and other Assurance Services</b>	<b>278,800</b>	<b>231,800</b>
<b>Taxation Services</b>	<b>260,194</b>	<b>59,153</b>
<b>Other Non-Assurance Services</b>	<b>391,667</b>	<b>240,456</b>
<b>Total Remuneration for Taxation and Non-Assurance Services</b>	<b>651,861</b>	<b>299,609</b>
<b>Total Auditor's Remuneration</b>	<b>930,661</b>	<b>531,409</b>

It is the Group's policy to employ PwC on assignments additional to their statutory audit duties where PwC's expertise and experience with the Group are important. PwC will not be used where it could affect their independence.

These assignments are principally tax advice and due diligence reporting on various projects. During FY 2021 the Group engaged the PwC taxation team to assist with the Combined Assurance Review conducted by the ATO and the business services team to assist with a feasibility study and funding request support on a potential major capital project.

### J6 - PARENT ENTITY FINANCIAL INFORMATION

The individual financial statements for the parent entity show the following aggregate amounts for the reporting period ended 30 June 2021.

	2021	2020
	\$'000	\$'000
<b>Balance Sheet</b>		
Current Assets	7	7
Non-current assets	276,122	173,522
<b>Total Assets</b>	<b>276,129</b>	<b>173,529</b>
Current Liabilities	3,546	36
Non-current liabilities	148,345	38,265
<b>Total Liabilities</b>	<b>151,891</b>	<b>38,301</b>
<b>Net Assets</b>	<b>124,238</b>	<b>135,228</b>
<b>EQUITY</b>		
Issued Capital	287,024	283,188
Reserves	(111,256)	(111,256)
Share-based payments	332	332
Retained earnings	(51,862)	(37,036)
<b>Total Equity</b>	<b>124,238</b>	<b>135,228</b>
<b>Profit or (Loss) for the Year</b>	<b>(14,826)</b>	<b>13,034</b>

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2021

## J. OTHER ITEMS (CONTINUED)

### J6 - PARENT ENTITY FINANCIAL INFORMATION (CONTINUED)

#### INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURE ENTITIES

Investments in subsidiaries are accounted for at cost in the financial statements of Alliance Aviation Services Limited.

#### TAX CONSOLIDATION LEGISLATION

Alliance Aviation Services Limited and its wholly owned Australian controlled entities have implemented the tax consolidation legislation.

The head entity, Alliance Aviation Services Limited, and the controlled entities are in the tax consolidated Group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated Group continues to be a stand-alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, Alliance Aviation Services Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated Group.

The entities have also entered into a tax funding agreement under which the wholly owned entities fully compensate Alliance Aviation Services Limited for any current tax payable assumed and are compensated by Alliance Aviation Services Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Alliance Aviation Services Limited under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly owned entities' financial statements.

The amounts receivable/payable under the tax funding agreement is due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as current amounts receivable from or payable to other entities in the Group.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly owned tax consolidated entities.



# Notes to the Consolidated Financial Statements

For the year ended 30 June 2021

## J. OTHER ITEMS (CONTINUED)

### J7 - SUBSIDIARIES

#### SIGNIFICANT INVESTMENTS IN SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following principal subsidiaries in accordance with the accounting policy described in note K2. The proportion of ownership interest is equal to the proportion of voting power held.

Name of Entity	Country of Incorporation	Class of Shares	2021	2020
Alliance Airlines Pty Limited <sup>=</sup>	Australia	Ordinary	100%	100%
Alliance Leasing No.1 Pty Ltd <sup>=</sup>	Australia	Ordinary	100%	100%
Alliance Leasing No.2 Pty Ltd <sup>=</sup>	Australia	Ordinary	100%	100%
Alliance Leasing No.3 Pty Ltd <sup>=</sup>	Australia	Ordinary	100%	100%
Jet Engine Leasing Pty Ltd <sup>=</sup>	Australia	Ordinary	100%	100%
Avoco Pty Ltd	Australia	Ordinary	100%	100%
Bravo Airlines Pty Limited <sup>^</sup>	Australia	Ordinary	100%	100%
Unity Aviation Maintenance Pty Ltd <sup>=</sup>	Australia	Ordinary	100%	-
Alliance Aviation Slovakia s.r.o.	Slovakia	Ordinary	100%	100%
Alliance Airlines (NZ) Limited*	New Zealand	Ordinary	n/a	n/a

\* Alliance Airlines (NZ) Limited was voluntary deregistered on 8 October 2020.

<sup>^</sup>Alliance Aviation Services Limited gained control of Unity Aviation Maintenance Pty Ltd on 30<sup>th</sup> November 2020.

<sup>=</sup>Parties to a Deed of Cross Guarantee (Amended and Restated), dated 30 June 2021 with Alliance Aviation Services Limited which provides that all parties to the deed will guarantee to each creditor payment in full of any debt of each company participating in the deed on winding up of that company. These companies are relieved from the requirement to prepare financial statements.

### J8 - EVENTS OCCURRING AFTER THE REPORTING PERIOD

The Group is not aware of any matters or circumstances that have arisen since the end of the financial year which have significantly or may significantly affect the operations and results of the Group. Whilst COVID-19 and subsequent government border closures continue to cause disruption to the aviation sector in general, Alliance's robust and diverse business model means that the majority of its operations have been largely unaffected and Alliance's core business remains strong.

## K - BASIS OF PREPARATION

### K1 - COMPLIANCE

These general-purpose financial statements have been prepared in accordance with Australian Accounting Standards and interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. Alliance Aviation Services Limited is a for-profit entity for the purpose of preparing the financial statements.

#### COMPLIANCE WITH IFRS

The consolidated financial statements of the Group also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

#### HISTORICAL COST CONVENTION

These financial statements have been prepared under the historical cost convention.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2021

## K - BASIS OF PREPARATION (CONTINUED)

### K2 - PRINCIPLES OF CONSOLIDATION

#### SUBSIDIARIES

The Consolidated Financial Statements include the financial statements of the parent entity, Alliance Aviation Services Limited ("Company" or "Alliance") and its subsidiaries (together referred to as the "Group"). Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

### K3 - SEGMENT REPORTING

The operating segment is reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Alliance Aviation Limited Board of Directors.

The Board of Directors have determined the operating segment based on the reports reviewed and considers the business has one reportable segment, being the provision of aircraft charter services and aviation services for the reporting period ended 30 June 2021.

All operations are integral to and blended with each other and the Directors do not assess the financial performance of any one part of the business but rather individual projects that the broader business undertakes.

The revenue from external parties reported to the Board of Directors is measured in a manner consistent with that in the income statement. The amounts provided to the Board of Directors with respect to total assets are measured in a manner consistent with that of the financial statements. These assets are allocated based on the operations of the segment and the physical location of the asset.

### K4 - FOREIGN CURRENCY TRANSLATION

#### FUNCTIONAL AND PRESENTATION CURRENCY

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which it operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is Alliance Aviation Services Limited's functional and presentation currency.

#### TRANSACTIONS AND BALANCES

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss.

All other foreign exchange gains and losses are presented in the income statement on a net basis within other income or other expenses.

### K5 - CRITICAL ESTIMATES, JUDGEMENTS AND ERRORS

The preparation of financial statements requires the use of accounting estimates which, by definition will seldom equal the actual results. The Directors also need to exercise judgement in applying the Group's accounting policies.

This note provides an overview of the areas that involve a higher degree of judgement or complexity, and of items which are more likely to be materially adjusted due to estimates and assumptions turning out to be wrong. Detailed information about each of these estimates and judgements is included in other notes together with information about the basis of calculation for each affected line item in the financial statements. In addition, this note also explains where there have been actual adjustments this year as a result of any changes to policy and changes to previous estimates.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2021

## K - BASIS OF PREPARATION (CONTINUED)

### K5 - CRITICAL ESTIMATES, JUDGEMENTS AND ERRORS (CONTINUED)

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

#### CARRYING VALUE OF AIRCRAFT

##### AIRCRAFT USEFUL LIFE AND DEPRECIATION

The aircraft useful life is based on estimates and assumptions which are derived from a combination of manufacturer guidelines, aircraft remaining cycles and future maintenance requirements.

There are four principal groups of components of each aircraft which assist with the determination of the useful lives and depreciation rates:

- (i) The airframe.
- (ii) Major components including the engines, landing gears and other significant value items which by their nature also have a maintenance constraint which affects the useful life.
- (iii) Other significant components are also tracked individually which may also have a maintenance constraint; and
- (iv) Other assets of each aircraft which are normally 'pooled' for which an effective life of five years is generally applied.

As aircraft represent a significant portion of the assets of the Group, their useful life assumptions and estimates will impact the depreciation expense and the written down value of the aircrafts.

The useful life assumptions are reviewed on an annual basis, given consideration to variables, including historical and forecast usage rates, technological advancements and changes in legal and economic conditions.

The Group performs heavy maintenance checks on a number of existing fleet units each financial year. These checks result in an increase in the useful life of the asset.

The Directors assess the most appropriate depreciation method for each of the individual assets identified in component groups (i), (ii) and (iii). The balance of other assets in components group (iv) has been pooled. Refer to note D2 for details of current depreciation method and rates used.

##### CAPITALISATION OF OVERHEAD RELATING TO HEAVY MAINTENANCE

The Group performs heavy maintenance checks on a number of existing fleet units each financial year.

The Group capitalises labour and part costs for these checks to the aircraft asset. This capitalisation is based on invoices and other information received from external suppliers and timesheets completed by the engineering staff.

In addition to the parts and labour costs incurred, the Group capitalises an amount of overhead (overhead burden) to the aircraft asset. The overhead burden rate per labour hour is calculated at the start of each financial year by reviewing the pool of overhead costs that can be directly attributed to maintenance checks. This pool of costs includes maintenance planners, technical records staff, freight costs and procurement time amongst others. Once this pool of costs has been calculated, it is then spread out over the number of labour hours incurred in that financial year. This calculated rate is then capitalised at the finalisation of the maintenance check to the aircraft asset.

#### TRANSFERS OF PROPERTY, PLANT AND EQUIPMENT TO/FROM INVENTORY

There are a number of parts that are removed from an aircraft which can be re-used either in their removed condition or re-used post repair or refurbishment. These parts are typically referred to as rotables. In some cases, parts are removed in a serviceable condition for inspection only.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2021

## K - BASIS OF PREPARATION (CONTINUED)

### K5 - CRITICAL ESTIMATES, JUDGEMENTS AND ERRORS (CONTINUED)

The rotables removed as unserviceable are transferred from property, plant and equipment into inventory at the lower of core value or net realisable value. Core value is a pre-determined benchmark that is representative of a marketable value of the part in its unserviceable condition. The benchmark values have been set historically and are adjusted as and when market conditions dictate.

Management assessment of these market conditions includes:

- Manufacturers service bulletins.
- Remaining useful life / cycles.
- Estimated repair and replacement costs.
- Availability of similar rotables in stock; and
- Availability of similar rotables on the open market.

Rotables that are removed for inspection purpose only are transferred at its carrying value until such time as the inspection is completed when any adjustments (if required) are made to the carrying value.

Note D1 discloses the accounting policy in relation to the Group's accounting treatment of Inventory.

### K6 - IMPAIRMENT OF ASSETS

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

During the 2021 financial year the majority of the aviation sector globally and domestically continued to be negatively impacted by the COVID-19 pandemic. Alliance's business model, client base and financial performance has meant that any negative impacts of COVID-19 have been immaterial to the Group and its operations.

The Directors have reviewed and assessed whether any impairment indicators are present at the reporting date and based on the analysis undertaken there are no indicators present and therefore no impairment is required.

### K7 - DERIVATIVES AND HEDGING ACTIVITIES

The Group had previously elected to designate its foreign currency borrowings as a hedge of the foreign currency risk associated with the future cash proceeds from the sale of aircraft (cash flow hedge). These foreign currency borrowings were repaid in June 2015, and the remaining hedge amount of \$2.2 million was being carried in equity.

The amount accumulated in equity was reclassified to profit or loss in the previous financial year as the hedged items affected profit or loss. This occurred as a result of the Directors considering that the hedge no longer met the criteria for hedge accounting.

### K8 - GOODS AND SERVICES TAX (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

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 taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2021

## K - BASIS OF PREPARATION (CONTINUED)

### K9 - ROUNDING OF AMOUNTS

The Company is of a kind referred to in ASIC Legislative Instrument 2016/191, relating to the 'rounding off' of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with the instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

## L - CHANGES IN ACCOUNTING POLICIES

### L1 - NEW ACCOUNTING STANDARDS AND INTERPRETATIONS ADOPTED BY THE GROUP

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2021 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is that they are likely to be immaterial to the group in future reporting periods and on foreseeable future transactions.

## DIRECTORS DECLARATION

### In the Directors' opinion:

- (a) The financial statements and notes set out on pages 24 to 64 are in accordance with the *Corporations Act 2001*, including:
  - i complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
  - ii giving a true and fair view of the consolidated entity's financial position as at 30 June 2021 and of its performance for the financial year ended on that date, and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable, and
- (c) at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed group identified in note J7 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note J7.

Note K1 confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

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



**S Padgett, OAM**  
Chairman  
Date: 11 August 2021  
Brisbane



## *Independent auditor's report*

To the members of Alliance Aviation Services Limited

### *Report on the audit of the financial report*

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#### *Our opinion*

In our opinion:

The accompanying financial report of Alliance Aviation Services Limited (the Company) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 30 June 2021 and of its financial performance for the year then ended
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### *What we have audited*

The Group financial report comprises:

- the consolidated balance sheet as at 30 June 2021
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the consolidated statement of profit or loss and other comprehensive income for the year then ended
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information
- the directors' declaration.

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#### *Basis for opinion*

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

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

---

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T: +61 7 3257 5000, F: +61 7 3257 5999, [www.pwc.com.au](http://www.pwc.com.au)

Liability limited by a scheme approved under Professional Standards Legislation.

## Independence

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

## Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.



Materiality	Audit scope
<ul style="list-style-type: none"> <li>For the purpose of our audit we used overall Group materiality of \$2.4 million, which represents approximately 5% of the Group's profit before tax.</li> <li>We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole.</li> <li>We chose Group profit before tax because, in our view, it is the benchmark against which the performance of the Group is most commonly measured.</li> <li>We utilised a 5% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.</li> </ul>	<ul style="list-style-type: none"> <li>Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.</li> </ul>



## Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context. We communicated the key audit matters to the Audit and Risk Committee.

Key audit matter	How our audit addressed the key audit Matter
<p><b>Carrying value of Aircraft Assets</b> (Refer to note D2 and K5) [\$390,300,000]</p> <p>Aircraft assets represent a significant portion of property, plant and equipment as well as total assets of the Group. Aircraft asset additions during the year ended 30 June 2021 included the E190 aircraft that entered into service.</p> <p>The Group performs heavy maintenance and service line maintenance checks on components of each aircraft, which result in an increase in the useful life of the assets. The Group capitalises labour and part costs for these checks to the aircraft asset.</p> <p>The useful lives applied to aircraft assets is based on estimates and assumptions which are derived from a combination of manufacturer guidelines, aircraft remaining cycles and future maintenance requirements. The assumptions and estimates used to determine the useful lives of aircraft assets will impact the depreciation expense and their written down value.</p> <p>This was a key audit matter due to the material significance of the aircraft assets balance on the consolidated balance sheet, the estimation of useful lives and the judgement exercised in the capitalisation of labour and part costs.</p>	<ul style="list-style-type: none"> <li>We agreed a sample of aircraft asset additions to third party invoices and contracts.</li> <li>We assessed the appropriateness of capitalised internal labour and overhead costs applicable to heavy maintenance by considering the nature of the direct costs identified to consider their eligibility to be capitalised.</li> <li>For a sample of labour hours and costs allocated to direct heavy maintenance, obtained relevant approved timesheets, detailed pay run reports or third-party invoices, as relevant.</li> <li>We assessed, on a sample basis, whether the useful lives and depreciation methods applied to aircraft assets are consistent with the Group's accounting policy.</li> <li>We recalculated the depreciation charges by using the depreciation method and useful lives for a sample of assets.</li> <li>We evaluated the adequacy of the disclosures made in Note D2 and Note K5 to the financial report, in light of the requirements of the Australian Accounting Standards.</li> </ul>
<p><b>Carrying value of Inventory</b> (Refer to note D1 and K5) [\$86,466,000]</p> <p>Inventory consists of spare aircraft and engine parts (rotatable parts), spare engines, components, consumables and whole aircraft where the intent of acquisition was to hold as inventory for sale or breakdown for spare parts.</p> <p>Throughout the year the Group makes judgements and estimates as to the carrying value allocated to rotatable parts which are transferred from property, plant and equipment to inventory and measured at the lower of cost and net realisable value.</p> <p>The carrying value of inventory was a key audit matter due to the materiality of the aircraft and engines inventory balance and the judgements involved in determining the carrying value.</p>	<ul style="list-style-type: none"> <li>We physically inspected a sample of inventory, targeting high value items such as engines, to verify the existence of the sampled assets in the inventory listing.</li> <li>We obtained third party confirmations to verify the existence of inventory assets in the custody of third parties.</li> <li>We agreed a sample of aircraft and engine asset additions to third party invoices and contracts.</li> <li>We evaluated the Group's methodologies and their documented basis for key assumptions used to determine the carrying value of inventory.</li> <li>For transfers of property, plant and equipment to inventory, we compared a sample of the carrying amount of inventory at the time of transfer to the lower of cost or net realisable value.</li> <li>We evaluated the adequacy of the disclosures made in Note D1 and Note K5 to the financial report, in light of the requirements of the Australian Accounting Standards.</li> </ul>

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### *Other information*

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2021, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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### *Responsibilities of the directors for the financial report*

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

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### *Auditor's responsibilities for the audit of the financial report*

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:

[https://www.auasb.gov.au/admin/file/content102/c3/ar1\\_2020.pdf](https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf). This description forms part of our auditor's report.

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### *Report on the remuneration report*

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#### *Our opinion on the remuneration report*

We have audited the remuneration report included in pages 11 to 20 of the directors' report for the year ended 30 June 2021.

In our opinion, the remuneration report of Alliance Aviation Services Limited for the year ended 30 June 2021 complies with section 300A of the *Corporations Act 2001*.



### *Responsibilities*

The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of *the Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

A handwritten signature in black ink that reads "PricewaterhouseCoopers".

PricewaterhouseCoopers

A handwritten signature in black ink that appears to read "Allman".

Tim Allman  
Partner

Brisbane  
11 August 2021

## SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 30 June 2021 unless stated otherwise.

### DISTRIBUTION OF EQUITY SECURITIES

Analysis of the number of equity security holders by size of holding and the total percentage of securities in that class held by the holders in each category:

Holding by size	Ordinary shares			
	Shares		Rights	
	No. of holders	% of shares on issue	No. of holders	% of rights on issue
1 – 1,000	1,437	0.41	-	-
1,001 – 5,000	1,192	1.95	-	-
5,001 – 10,000	359	1.68	-	-
10,001- 100,000	432	7.01	13	100
100,000 and over	55	88.95	-	-
<b>Total</b>	<b>3,467</b>	<b>100.00</b>	<b>14</b>	<b>100.00</b>

There were 118 holders of less than a marketable parcel of ordinary share.

### EQUITY SECURITY HOLDERS

The names of the twenty largest holders of quoted equity securities are listed below:

Equity Holder	Ordinary Shares	
	Number Held	% Issued Shares
Qantas Airways Limited	31,705,969	19.76
Citicorp Nominees Pty Limited	18,804,213	11.72
Bond Street Custodians Limited (CAJ – D64993 A/C)	14,150,000	8.82
National Nominees Limited	14,068,974	8.77
HSBC Custody Nominees (Australia) Limited	9,322,518	5.81
KIOWA Two Thousand Corporate Trustee Company Limited	9,277,665	5.78
BNP Paribas Nominees Pty Ltd (Agency Lending DRP A/C)	7,117,056	4.43
J P Morgan Nominees Australia Pty Ltd	6,632,351	4.13
Airline Investments Australia Pty Ltd (Finehold & Pastoral Unit)	6,203,269	3.87
Bond Street Custodians Limited (CAJ-V02075 A/C)	3,330,889	2.08
Mr Hugh Jones & Mrs Pixie Jones & Mr Raymond Clarke (2000 A/C)	2,881,330	1.80
BNP Paribas Nominees Pty Ltd Hub24 Custodial Serv Pty Ltd	2,303,252	1.43
KIOWA Two Thousand Corporate Trustee Company Limited (2000 A/C)	2,041,733	1.27
BNP Paribas Noms Pty Ltd (DRP)	1,996,328	1.24
UBS Nominees Pty Ltd	1,807,346	1.12
Bond Street Custodians Limited (CAJ – D09461 A/C)	1,804,225	1.12
Bond Street Custodians Limited (CAJ – D68501 A/C)	1,000,010	0.62
Pencars Pty Ltd	470,000	0.29
HSBC Custody Nominees (Australia) Limited (NT- CMNWLTH SUPER CORP A/C)	461,296	0.29
Mrs Wanda Susan Drennan & Mr Geoffrey John Drennan (GJ SUPA COMBO S/F A/C)	458,000	0.29
<b>Sub Total</b>	<b>135,836,424</b>	<b>84.63</b>
Balance of register	24,652,710	15.37
<b>Total</b>	<b>160,489,134</b>	<b>100.00</b>

## SUBSTANTIAL HOLDERS

Substantial holders (including associate holdings) in the Company, based on the most recent substantial holder notices lodged with the Company and ASX, are set out below:

Equity Holder	Ordinary Shares	
	Number Held	% Issued Shares
Qantas Airways Limited	24,812,011	15.46
Remco Properties Pty Ltd	18,653,499	11.62
Perennial Value Management Limited	17,027,150	10.61
KIOWA Two Thousand Corporate Trustee Company Limited	10,727,665	6.68
<b>Total</b>	<b>71,220,325</b>	<b>44.37</b>

## VOTING RIGHTS

### FULLY PAID ORDINARY SHARES

The voting rights attaching to each ordinary share are on a show of hands and every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

### PERFORMANCE RIGHTS

The performance rights do not have any voting rights. The fully paid ordinary shares to be allotted on the exercise of the performance rights will have the voting rights noted above for fully paid ordinary shares.

## COMPANY DIRECTORY

## PRINCIPAL REGISTERED OFFICE IN AUSTRALIA

Street: 81 Pandanus Avenue  
Brisbane Airport QLD 4009  
Website: [www.allianceairlines.com.au](http://www.allianceairlines.com.au)  
Phone: 07 3212 1212  
Fax: 07 3212 1522  
Email: [executive@allianceairlines.com.au](mailto:executive@allianceairlines.com.au)  
ACN: 153 361 525  
IATA Code: QQ

## DIRECTORS

S Padgett, OAM Non-Executive Chairman  
S McMillan Managing Director  
P Housden Independent Non-Executive Director  
D Crombie, AM Independent Non-Executive Director  
L Schofield Executive Director

## SECRETARIES

N Clark and M Devine

## SENIOR MANAGEMENT

Chief Financial Officer M Devine  
Chief Operating Officer S Tully  
Chief Commercial Officer R Nelson

## SHARE REGISTER

Link Market Services Limited  
Level 21, 10 Eagle Street Brisbane QLD 4000

## AUDITOR

PricewaterhouseCoopers  
480 Queen Street Brisbane QLD 4000

## SOLICITORS

Norton White  
66 Hunter Street Sydney NSW 2000  
Herbert Smith Freehills  
101 Collins Street Melbourne VIC 3000

## FINANCIERS

Australia and New Zealand Banking Group Limited  
111 Eagle Street Brisbane QLD 4000  
Pricoa Private Capital  
126 Phillip Street Sydney NSW 2000  
*Fiduciary Services*  
Australia and New Zealand Banking Group Limited

## STOCK EXCHANGE

Australian Securities Exchange  
Exchange Centre 20 Bridge Street Sydney NSW 2000  
ASX Code : AQZ

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