Alliance Aviation Services Limited
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6th August 2020

Alliance Aviation Services Limited (AQZ)

On behalf of the Directors I hereby lodge an administrative correction to the financial statements for the year ended 30 June 2020.

The only change in the financial statements is to amend the Weighted Average Number of Shares used as the Denominator in TABLE G3. Note the EPS calculation itself is correct.

The PwC Independent Auditor's Report previously referenced the Remuneration Report as being pages 11-23 of the Annual Report, whereas the Remuneration Report is from pages 10-21. This has also been amended in the attached updated Financial Statements.

There have been no changes to the financial performance, any notes, disclosures or any other part of the financial reports.

Should you have any questions regarding the above, please contact the Company Secretary.

This announcement has been authorised for release by the Alliance Aviation Services Limited Company Secretary, Mr Marc Devine.

For more information contact:

Marc Devine
Company Secretary
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ALLIANCE AVIATION SERVICES LIMITED
ACN: 153 361 525
ASX Code: AQZ

ANNUAL REPORT
For the year ended 30 June 2020

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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 2020.

DIRECTORS

The following persons were Directors of Alliance for the entire financial year ended 30 June 2020:

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, to date, has successfully navigated the COVID-19 pandemic and has delivered a profit before tax (PBT) for the year of $40.7 million, an increase on the previous year of $7.9 million or 24.1% (2019: $32.8 million);
- The Group has been able to continue to operate profitably during the pandemic due to its diverse business model and its unmatched ability to react quickly in changing environments;
- Revenue from continuing operations increased to $298.6 million (2019: $277.1 million);
- Flight hours were stable at 37,620 for the financial year (2019: 38,026 hours);
- Four additional aircraft were added to the fleet bringing the total fleet numbers to 42 as at 30 June 2020 (2019: 38);
- Debt reduced by $6 million during the year, bringing the debt balance to $54.4 million as at 30 June 2020 (2019: $60.0 million); and
- In June 2020, the Group successfully executed on a placement to institutional investors for an amount of $91.9 million. This was followed by a raising of $3.9 million as part of the Group's Share Purchase Plan (SPP) which finalised in July 2020. These proceeds will allow the Group to acquire additional aircraft to further expand its operations.

FINANCIAL REVIEW

Alliance Aviation Services Limited has recorded an increased statutory net profit before tax of $40.7 million and a statutory net profit after tax of $27.0 million for the financial year ended 30 June 2020. This is an increase in net profit before tax of $7.9 million or 24.1% when compared to the year ended 30 June 2019.

Key financial metrics in respect of the current financial period are included in the table below with the prior financial period included to facilitate a direct comparison between years.

Item	2020 $m	2019 $m	Change $m
Total revenue ($m)	**298.2**	277.1	21.1
Earnings before interest, tax, depreciation and amortisation	**78.6**	67.0	11.6
Profit before tax	**40.7**	32.8	7.9
Income tax expense*	**13.7**	10.1	3.6
Net profit after tax	**27.0**	22.7	4.3
Earnings per share - cents	**21.1**	18.7	2.4
Total dividends paid / payable in relation to the financial period - cents	**0.0**	15.6	(15.6)
Net assets	**282.1**	168.9	113.2
Net operating cash flow	**44.0**	37.0	7.0

* This figure represents tax expense only. No cash tax was paid by the Group in FY20.

REVENUE

Revenue from continuing operations increased 7.8% to $298.6 million (2019: $277.1 million). During the second half of the financial year the Group's revenue mixed changed substantially due to the impact of the COVID-19 pandemic. There were significant reductions in the wet lease and regular public transport (RPT) revenue streams with offsetting increases in contract and ad-hoc charter revenue. These movements are further explained below:

- Contract revenues were $202.5 million for the year, an increase on last year of 22.5% (2019: $165.3 million). The growth in contract revenue was derived from increases in scheduled services for a number of clients, the implementation of social distancing on flights and the full year impact of changes in yield;
- Wet lease revenue decreased by 46.3% in the year to $24.4 million. This is a direct result of the suspension of the Group's contracted wet lease agreement as a result of COVID-19 in March 2020;
- Regular public transport (RPT) revenue decreased by $6.6 million, or 16.0% for the year. This decrease was also as a result of the COVID-19 pandemic and the subsequent restrictions of movement implemented by various states and territories within Australia;
- Charter revenue rose by 97.0% to $26.4 million when compared to the prior year (2019: $13.4 million). The increase in revenue is weighted towards the second half of the year ($15.8 million) with the Group performing charter services for a number of new resource sector clients, sporting teams and various emergency services agencies over this period. Inbound tourism charters ceased operations in March 2020 due to COVID-19 travel restrictions; and
- Aviation services revenue of $10.0 million (2019: $10.9 million) was generated in the financial year. This is consistent with forecast revenue and was slightly reduced in the second half due to the impacts of COVID-19 on the Group's aviation services customer base.

The addition of four aircraft in the financial year has increased the Group's operating capacity, which has allowed the Group to expand services with existing customers and service the needs of new clients. Over this period Alliance has also expanded its operating network by servicing a number of new ports on a regular basis.

CASH FLOW

Operating cash flow for the year was $44.0 million, an increase of 18.9% or $7.0 million from the previous financial year. The second half operating cash flow was $29.4 million compared to the first half of $14.6 million.

Increased flying for contract and ad-hoc charter clients positively impacted operating cash flow in the second half of the financial year.

The one off purchase, maintenance and transportation charges associated with the Helvetic Airways aircraft and inventory package transaction that settled between July 2019 and October 2019 are included in operating cash flows ($7.5 million) in the financial year. The purchases of these aircraft are initially treated as inventory for cash flow purposes as there had not been an investment decision made as to entering the aircraft into the fleet, parting them out or selling the aircraft. To date none of these aircraft have entered the fleet and three have been parted out.

Cash flows from investing activities were $30.8 million for the year (2019: $22.0 million) and were in line with forecast expenditure. These out flows related to heavy maintenance on the existing Fokker fleet, the introduction of additional aircraft and the costs associated with the Rolls Royce total care program.

During the COVID-19 pandemic the Group implemented a number of cost control measures to preserve cash flow, support its balance sheet and ensure the ongoing profitability. This included a recruitment freeze, a focus on ensuring all leave slots were utilised, cancelling the management long term incentive scheme, cancelling the interim dividend and suspending all non-essential operational expenditure. These measures assisted in maintaining a strong cash flow.

Cash flows from financing activities increased by $75.9 million during the year. The Group successfully completed a placement to institutional shareholders in June 2020 with a net amount received of $90.4 million.

Dividends of $7.3 million in respect of FY19 were paid in the year and $8.7 million of loan amortisations payments were made during the year. $15 million was also prepaid off the facilities and this amount is available for re-draw.

The Group extended its debt facilities in May 2020 by 12 months with the facilities now expiring in January 2022. The amortisation profile was amended during the process to ensure that the Group had maximum flexibility in managing its capital during the COVID-19 pandemic.

CAPITAL EXPENDITURE

Capital expenditure for the period was $47.8 million (2019: $55.8 million).

Capital expenditure on pre-existing fleet and services was $34.5 million (2019: $37.3 million). Other capital expenditure incurred during the year for the expansion of the Alliance business was $13.3 million which included the addition of four additional aircraft into the fleet. The investment in these aircraft was required to meet the future operational requirements of the Group and all these assets are fully deployed as at 30 June 2020.

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

Reconciliation of Capital Expenditure and Cash Flow	2020 $m	2019 $m
Fleet Maintenance		
Cash outflows		
Base maintenance providers	**7.9**	5.8
Engine care program	**15.0**	9.2
Other miscellaneous	**0.7**	1.0
Operating costs capitalised (from operating cash flow)	**2.5**	4.9
Total Cash outflows	**26.1**	20.9
Non-cash		
Parts from inventory used in base maintenance	**8.4**	16.4
Total existing fleet maintenance	**34.5**	37.3
Growth capital expenditure		
Cash outflows		
Entry into service maintenance providers	**7.3**	5.9
Operating costs capitalised (from operating cash flow)	**1.4**	2.9
Total Cash outflows	**8.7**	8.8
Non-cash		
Parts from inventory used in base maintenance	**4.6**	9.7
Total growth fleet maintenance	**13.3**	18.5
Total capital expenditure	**47.8**	55.8

SUMMARY OF OPERATIONAL METRICS

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

Details	2020	2019	% Change
Aircraft in Service	**42**	38	10.5%
Contracted Flight Hours	**23,733**	19,660	20.7%
Wet Lease Flight Hours	**6,297**	11,555	(45.5%)
Regular Public Transport (RPT) Hours	**4,612**	5,158	(10.6%)
Charter Flight Hours	**2,453**	1,095	124.0%
Other Flight Hours (incl. Maintenance)	**525**	558	(5.9%)
Total Flight Hours	**37,620**	38,026	(1.1%)
Average Staff Numbers	**551**	532	3.6%
Revenue per Employee	**$542K**	$520K	4.2%
Contract Revenue as a % of Total Revenue	**68%**	60%	13.3%

Wet lease and RPT flights hours were impacted negatively in the second half of the year by the COVID-19 pandemic. Contract charter and ad-hoc charter hours increased over the period as existing and new clients required capacity across the network. Flight hours decreased by a total of 406 hours or 1.1% when compared to the prior financial year.

As at 30 June 2020, Alliance employed 534 full time equivalent staff which is nil increase from the previous financial year (2019: 534).

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

Alliance continues to hold an enviable industry leading on time performance record with an average of 95% (2019: 95%) for the year ended 30 June 2020. 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 the Australian regulatory oversight, provide a robust Safety, Security and Quality Framework for all operations.

In the second half of the financial year there was a significant focus on COVID-19 and the impact the pandemic would have 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.

FLEET

CURRENT FLEET

Alliance operates a fleet of Fokker aircraft. The Alliance operational fleet consists of three types of Fokker aircraft, F100 - 100 seat jet aircraft, F70 - 80 seat jet aircraft and the F50 - 50 seat turboprop aircraft.

The total number of Alliance aircraft in service as at 30 June 2020 is shown below:

Aircraft	2020	2019
F50	**5**	5
F70	**13**	10
F100	**24**	23
Total Aircraft	**42**	38

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 and Austrian Airlines Technik in Slovakia.

In February 2019, 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.

ADDITIONAL FLEET TYPE

On the 3rd August 2020, the Group announced it has entered an agreement with Azorra Aviation LLC of the United States to expand its fleet, specifically with the following aviation equipment:

- The purchase of 14 Embraer E190 aircraft including a significant package of related inventory, ground support equipment, tooling and training devices;
- The purchase of six spare General Electric CF34 engines;
- An option to acquire a further five E190 aircraft;
- An option to acquire a full flight simulator and related training equipment;
- Aircraft will be delivered progressively over eight months commencing in September 2020;
- All aircraft will undergo repainting with Alliance livery, prior to delivery in Australia.

The total acquisition price for the package is US$79,400,000 and will be funded from the proceeds of the placement and SPP announced by Alliance on 11 June 2020.

Alliance has already commenced the addition of this aircraft type on its Air Operating Certificate with CASA.

OUTLOOK AND DIVIDEND

OUTLOOK

The Group has announced a fleet expansion project that includes the delivery of 14 aircraft in the 2021 financial year. Due to the timing of the deliveries and the deployment schedule, it is forecast that the additional aircraft will not have a material impact on the 2021 earnings however will increase earnings from the 2022 financial year and beyond.

Alliance retains a positive outlook for the business in the 2021 financial year. A number of key opportunities exist that will allow for the Group's continued growth:

- A number of ad-hoc contracts that have been awarded during the COVID-19 pandemic are expected to mature into long term charter contracts;
- During COVID-19 a number of contract clients increased schedules to accommodate for social distancing. In the majority of cases social distancing has now ceased however the schedules for a number of clients continue to be higher than pre-COVID-19 levels;
- RPT revenues which were at reduced significantly as a result of COVID19 are likely to increase throughout the financial year. This includes a number of new routes;
- Wet lease revenue is expected to return slowly throughout the 2021 financial year; and
- Aviation services revenue from part sales, engine and component leasing, and other engineering services will remain at similar levels to prior years.

DIVIDEND

The interim dividend related to the half year ending 31 December 2019 was cancelled on 20 March 2020 as part of a number of measures implemented to ensure maximum flexibility in managing the Groups capital during the COVID-19 pandemic.

Due to the Group's planned fleet expansion, the Directors have resolved not to declare a final dividend for the year ended 30 June 2020.

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

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 2019.

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

7,392,742 ordinary shares held.

MR PETER HOUSDEN
(Non-Executive Director)

EXPERIENCE AND EXPERTISE

Mr Housden has over 40 years' experience in accounting, finance and management across a range of industries, including 20 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

39,171 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 a and member of the Risk and Audit Committee.

INTERESTS IN SHARES, OPTIONS AND RIGHTS

168,939 ordinary shares held.

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

4,174,179 ordinary shares held and 71,746 rights that are performance qualified.

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

91,454 ordinary shares held and 61,587 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.

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 2020, and the number of meetings attended by each Director were:

Directors	Full Meeting of Directors		Meetings of Committees			
			Audit		Nomination and Remuneration	
	Attended	Held	Attended	Held	Attended	Held
S Padgett	6	6	2	2	3	3
P Housden	6	6	2	2	3	3
D Crombie	6	6	2	2	3	3
S McMillan	6	6	-	-	-	-
L Schofield	6	6	-	-	-	-

REMUNERATION REPORT

DIRECTOR AND KEY MANAGEMENT PERSONNEL INCLUDED IN THE REMUNERATION REPORT

The following Non-Executive and Executive Directors and Key Management Personnel (KMP) are included in this Remuneration report:

DIRECTORS

- Stephen Padgett, OAM — Non–Executive Chairman
- Peter Housden — Non-Executive Director
- David Crombie, AM — Non-Executive Director
- Scott McMillan — Managing Director (MD)
- Lee Schofield — Executive Director and Chief Executive Officer (CEO)

There were no changes to Directors during the financial year.

KEY MANAGEMENT PERSONNEL (KMP)

- Marc Devine — Chief Financial Officer and joint Company Secretary
- Shane Edwards — General Manager Commercial

There were no changes to KMP during the financial year.

REMUNERATION GOVERNANCE

The Nomination and Remuneration committee is a committee of the Board. It assists the Board in fulfilling its responsibilities relating to the following:

- Remuneration of Non-Executive Directors;
- Remuneration of, and incentives for, the Executive Directors and other Key Management Personnel;
- The executive remuneration framework, strategies and practices; and
- The setting of appropriate key performance indicators and performance hurdles for the executive management team.

It is vital that the Nomination and Remuneration committee is independent of management when making decisions that affect employee remuneration. Accordingly, the Group's Nomination and Remuneration committee is comprised solely of the three Non-Executive Directors, namely Mr D Crombie (Chair), Mr P Housden and Mr S Padgett.

Their objective is to ensure that remuneration policies and structures are fair, equitable, competitive and aligned with the long-term interests of the Group and its shareholders. The Board has ultimate responsibility for approving remuneration policies, practices and outcomes.

The Nomination and Remuneration Committee

The Corporate Governance Statement and the Nomination and Remuneration Committee Charter provide further information on the role of this committee. Please refer to the Group's website http://www.allianceairlines.com.au/investor-centre/corporate-governance

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	**2020 (Fees inclusive of superannuation) $**	2019 (Fees inclusive of superannuation) $
Base fees		
Chair	**192,780**	192,780
Other Non-Executive Directors	**80,920**	80,920
Additional Fees		
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. There has been no change to Directors fees in the financial year.

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.

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" plan).

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

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.

TOTAL ANNUAL REMUNERATION

Key Management Personnel (KMP)	TFAR	Target Cash Bonus (PI Plan)	Target Equity Rights (PI Plan)	Total Target PI Plan	Total Target Annual Remuneration	Total Stretch Target Annual Remuneration
	$	$	$	$	$	$
S McMillan	565,201	84,780	84,780	169,560	**734,761**	**847,802**
L Schofield	413,007	61,951	61,951	123,902	**536,909**	**619,511**
M Devine	294,818	44,223	44,223	88,445	**383,263**	**442,227**
S Edwards	315,755	47,363	47,363	94,727	**410,482**	**473,633**

PERFORMANCE INCENTIVE PLAN

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 into cash bonuses and performance rights ("PR"). 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. Cancellation of the FY20 grant was approved by the Board and the incentive plans were suspended. There were no modifications to any grants made in prior years.

FY20 KEY MANAGEMENT PERSONNEL PIP TARGETS

KMP	TFAR $	Target % of TFAR	Total Target PI $	Cash Bonus % of PI	Target Cash Bonus (PI) $	PR % of PI	Target Value of PR (PI) $	Target TAR $	Target Number of PR Issues	Stretch Target Number of PR Issues
S McMillan	565,201	30%	169,560	50%	84,780	50%	84,780	734,761	**33,410**	**55,683**
L Schofield	413,007	30%	123,902	50%	61,951	50%	61,951	536,909	**24,413**	**40,689**
M Devine	294,818	30%	88,445	50%	44,223	50%	44,223	338,263	**17,427**	**29,045**
S Edwards	315,755	30%	94,727	50%	47,363	50%	47,363	410,482	**18,665**	**31,108**

The performance right grant is based on a 5-day volume weighted average share price of $2.5376, calculated from 2 September 2019. The performance period is 1 July 2019 to 30 June 2020 and performance is assessed against a scorecard of internal key performance indicators as determined by the Board.

Once assessed, the PR's 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 2020 and 50% vest in August 2021.

PERFORMANCE INCENTIVE PLAN (PIP) SUMMARY

The following outlines the key terms of the Performance Incentive plan which is effective from 1 July 2019. The Managing Director has been used as an example.

Performance incentive structure	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)
Performance incentive quantum	Target Incentive for FY20: Managing Director = 30% of Total Fixed Annual Remuneration (TFAR). There is an opportunity to earn up to 50% of TFAR for exceptional performance. (Stretch Target)
Grant date and allocation methodology	Performance Incentive plan rights are allocated on an annual basis. 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. The allocation methodology is as follows: 1. The value of the equity portion of the performance incentive is calculated; 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 3. The total number of Performance Rights is granted post shareholder approval and will vest subject to achievement of the required KPI's.
Performance period	Performance is assessed over the financial year – for this incentive plan allocation the financial year ends 30 June 2020.
Performance criteria	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). • Meet or exceed a PBT of 36m for the financial year • On time performance in excess of 95% for QQ Charter flights and in excess of 92% for wet lease and RPT operations. • 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 deductable.

Performance Rights vesting conditions	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. Any performance rights which do not vest due to the holder not meeting the KPI targets will lapse. The vesting schedule is as follows: • 50% of the rights will vest on the later of 15th August 2020 or the date on which the Group's FY20 financial statements with unqualified audit opinion are released to the ASX. • 50% of the rights will vest on the later of 15th August 2021 or the date on which the Group's FY21 financial statements with unqualified audit opinion are released to the ASX.
Exercise of rights	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.
Expire Date of Rights	The rights will expire 36 months after the grant date.
Exercise price	Nil
Cash incentives	Once performance has been assessed, the cash incentives payments are made post the release of Groups unqualified FY19 financial statements are released to the ASX.
Board Discretion	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.

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

	2020	**2019**	**2018**	**2017**	**2016**
Profit for the year attributable to Alliance Aviation Services Ltd ($'000)	26,972	22,735	18,111	18,547	13,489
Basic Earnings per share (Cents)	21.09	18.65	14.72	15.26	11.75
Dividend Payments ($'000)	11,061	16,278	6,755	2,420	-
Dividend Payout ratio (%)	41.0	71.6	37.3	13.0	0.0
Increase / (Decrease) in share price (%)	17.4	33.7	99.0	94.0	25.0

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 FY2020 PBT. Non-financial targets include safety and on time performance targets.

The Board used its discretion and at the April 2020 Board meeting cancelled the 2020 PIP due to the uncertainty surrounding the potential impact COVID-19 could have had on the Group.

The tables below show the performance incentive plan outcomes for Key Management Personnel:

MR SCOTT MCMILLAN – MANAGING DIRECTOR

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. TFAR is set at $565,201 and PIP target is set at $169,560 or $282,601 for stretch targets.

	PI Target as per KPI $	KP Outcome	Stretch Target Per KPI	Stretch KPI Outcome	Total Payout $	Cash Bonus (50% of total pay-out) $	PR Value (50% of Total Payout) $
KPI target results	169,560	0%	282,601	0%	**0**	0	0

The value of the performance rights incentive pay-out resulted in nil performance rights becoming qualified.

MR LEE SCHOFIELD – EXECUTIVE DIRECTOR & CHIEF EXECUTIVE OFFICER

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. TFAR is set at $413,007 and PIP target is set at $123,902 or $206,504 for stretch targets.

	PI Target as per KPI $	KP Outcome	Stretch Target Per KPI	Stretch KPI Outcome	Total Payout $	Cash Bonus (50% of total pay-out) $	PR Value (50% of Total Payout) $
KPI target results	123,902	0%	206,504	0%	**0**	0	0

The value of the performance rights incentive pay-out resulted in nil performance rights becoming qualified.

MR MARC DEVINE – CHIEF FINANCIAL OFFICER

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. TFAR is set at $294,818 and PIP target is set at $88,445 or $147,409 for stretch targets.

	PI Target as per KPI $	KP Outcome	Stretch Target Per KPI	Stretch KPI Outcome	Total Payout $	Cash Bonus (50% of total pay-out) $	PR Value (50% of Total Payout) $
KPI target results	88,445	0%	147,409	0%	**0**	0	0

The value of the performance rights incentive pay-out resulted in nil performance rights becoming qualified.

MR SHANE EDWARDS – GENERAL MANAGER, COMMERCIAL

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. TFAR is set at $315,755 and PIP target is set at $94,727 or $157,878 for stretch targets.

	PI Target as per KPI	KP Outcome	Stretch Target Per KPI	Stretch KPI Outcome	Total Payout	Cash Bonus (50% of total pay-out)	PR Value (50% of Total Payout)
	$				$	$	$
KPI target results	94,727	0%	157,878	0%	**0**	0	0

The value of the performance rights incentive pay-out resulted in nil rights becoming qualified.

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.

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.

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 STI $	Termination Benefits $	Performance Rights per LTI $	$
Non-Executive Directors								
S Padgett	176,055	-	16,725	-	-	-	-	192,780
D Crombie	87,100	-	8,275	-	-	-	-	95,375
P Housden	95,375	-	-	-	-	-	-	95,375
Sub-total Non-Executive Directors	**358,530**	**-**	**25,000**	**-**	**-**	**-**	**-**	**383,530**
Executive Directors								
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
Other Key Management Personnel								
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
Sub-total Executive Directors and other Key Management Personnel	**1,482,992**	**11,573**	**94,750**	**(23,604)**	**312,753**	**-**	**539,275**	**2,417,739**
Total Key Management Personnel compensation (group)	**1,841,522**	**11,573**	**119,750**	**(23,604)**	**312,753**	**-**	**539,275**	**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 are required to be disclosed in the year of cancellation. KMP are not entitled to any FY2020 performance rights.

The value of the KMP rights permanently cancelled is as per the table below:

Performance Rights Cancelled	Number of Rights Cancelled	Fair Value $	Fair Value of Rights Cancelled $
Directors			
S McMillan	55,683	2.24554	125,038
L Schofield	40,689	2.24554	91,368
Other Key Management Personnel			
M Devine	29,045	2.24554	65,222
S Edwards	31,108	2.24554	69,854

2019	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 $	$
Non-Executive Directors								
S Padgett	176,055	-	16,725	-	-	-	-	192,780
D Crombie	87,100	-	8,275	-	-	-	-	95,375
P Housden	95,375	-	-	-	-	-	-	95,375
Sub-total Non-Executive Directors	**358,530**	**-**	**25,000**	**-**	**-**	**-**	**-**	**383,530**
Executive Directors								
S McMillan	528,440	(3,991)	25,000	6,116	32,692	-	59,826	648,082
L Schofield	383,881	6,162	20,532	4,358	38,222	-	55,232	508,387
Other Key Management Personnel								
M Devine	256,868	6,053	20,531	1,959	30,222	-	33,694	349,328
S Edwards	280,806	(45)	25,000	2,854	45,658	-	43,205	397,478
Sub-total Executive Directors and other Key Management Personnel	**1,449,995**	**8,179**	**91,063**	**15,287**	**146,794**	**-**	**191,957**	**1,903,275**
Total Key Management Personnel compensation (group)	**1,808,525**	**8,179**	**116,063**	**15,287**	**146,794**	**-**	**191,957**	**2,286,805**

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 summaries 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
S McMillan Managing Director	12-Apr-02	On-going	565,201	Nil	12 months
L Schofield Chief Executive Officer	12-Jun-12	On-going	413,007	Nil	12 months
M Devine Chief Financial Officer / Company Secretary	9-May-16	On-going	294,818	Nil	12 months
S Edwards General Manager – Commercial	16-Feb-15	On-going	315,755	Nil	3 months

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

Performance Rights	FY 2019					
	Balance at 1 July	Granted as Remuneration	Cancelled	Exercised and Vested	Forfeited	Balance at 30 June
Directors						
S McMillan	41,791	63,563	-	-	(12,713)	**92,641**
L Schofield	48,860	46,447	-	-	(9,290)	**86,017**
Other Key Management Personnel						
M Devine	25,756	33,155	-	-	(6,631)	**52,280**
S Edwards	38,911	35,510	-	-	(7,102)	**67,319**

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

^ This grant was cancelled by the Board due to COVID-19

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 2021	2.38
30 October 2019	15 August 2021	15 August 2022	2.51

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	Balance at 1 July 2019	Exercise of Rights	FY 2020 Other Additions	Disposals	Balance at 30 June 2020
Directors					
S McMillan	4,001,697	20,895	151,587	-	**4,174,179**
L Schofield	63,703	24,430	3,321	-	**91,454**
S Padgett	7,365,191	-	277,551	(250,000)	**7,392,742**
D Crombie	162,804	-	6,135	-	**168,939**
P Housden	37,749	-	1,422	-	**39,171**
Other Key Management Personnel					
M Devine	4,515	12,878	-	-	**17,393**
S Edwards	25,655	19,456	1,318	(30,110)	**16,319**

Ordinary Shares	Balance at 1 July 2018	Exercise of Rights	FY 2019 Other Additions	Disposals	Balance at 30 June 2019
Directors					
S McMillan	4,678,391	-	201,697	(878,391)	4,001,697
L Schofield	68,704	-	1,906	(6,907)	63,703
S Padgett	7,577,113	-	188,078	(400,000)	7,365,191
D Crombie	154,364	-	8,440	-	162,804
P Housden	35,792	-	1,957	-	37,749
Other Key Management Personnel					
M Devine	36,643	-	1,010	(33,138)	4,515
S Edwards	61,600	-	1,488	(37,433)	25,655

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	Fair Value at Grant Date	Vested %	Vested Number	Qualified* %	Forfeited %	Vesting Date^	Estimated Maximum Value Yet to Vest ($)
Directors									
S McMillan	2020	55,683	2.51	0%	-	0%	100%		-
	2019	63,563	2.38	0%	-	80%	20%	15 Aug 2020 15 Aug 2021	26,065
	2018	83,581	1.50	50%	20,895	50%	50%	15 Aug 2019 15 Aug 2020	1,292
	2017	108,972	0.78	80%	87,177	0%	20%	15 Aug 2018	-
L Schofield	2020	40,689	2.51	0%	-	0%	100%		-
	2019	46,447	2.38	0%	-	80%	20%	15 Aug 2020 15 Aug 2021	19,047
	2018	61,075	1.50	50%	24,430	80%	20%	15 Aug 2019 15 Aug 2020	1,510
	2017	79,628	0.78	80%	63,703	0%	20%	15 Aug 2018	-
KMP									
M Devine	2020	29,045	2.51	0%	-	0%	100%		-
	2019	33,155	2.38	0%	-	80%	20%	15 Aug 2020 15 Aug 2021	13,596
	2018	32,195	1.50	50%	12,878	80%	20%	15 Aug 2019 15 Aug 2020	796
	2017	38,708	0.78	80%	30,967	0%	20%	15 Aug 2018	-
S Edwards	2020	31,108	2.51	0%	-	0%	100%		-
	2019	35,510	2.38	0%	-	80%	20%	15 Aug 2020 15 Aug 2021	14,562
	2018	38,911	1.50	50%	19,456	100%	0%	15 Aug 2019 15 Aug 2020	1,203
	2017	60,878	0.78	80%	48,702	0%	20%	15 Aug 2018	-

* Once non-market vesting conditions defined as part of PI Plan 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.

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

INSURANCE AND INDEMNITY OF OFFICERS

The Company has indemnified the Directors and the Company Secretaries for costs incurred, in their capacity as officers of the Group, for which they may be held personally liable, except where any liability may be as a result of a lack of good faith.

During the financial year, Alliance and its controlled entities paid a premium of $479,695 (2019: $372,593) 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 them 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 auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Group are important.

Details of the amounts paid or payable to the auditor (PwC) 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 Compliance 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 compliance 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 24.

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
5 August 2020

Auditor's Independence Declaration

As lead auditor for the audit of Alliance Aviation Services Limited for the year ended 30 June 2020, 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.

Ben Woodbridge
Partner
PricewaterhouseCoopers

Brisbane
5 August 2020

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Financial Statements
For the year ended 30 June 2020

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 5 August 2020. 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

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2020

	Notes	**30 June 2020 $'000**	30 June 2019 $'000
Revenue and Income			
Revenue from continuing operations	A1	**298,619**	277,115
Net foreign exchange gains / (losses)		**(462)**	(594)
Other income		**89**	145
Total Revenue and Income		**298,246**	276,666
Expenses			
Direct flight costs		**(96,267)**	(100,534)
Parts and inventory costs		**(26,278)**	(21,456)
Labour and staff related costs		**(81,542)**	(75,540)
Repairs and maintenance costs		**(1,030)**	(2,088)
Accommodation and utility costs		**(1,779)**	(3,211)
IT and communications costs		**(2,971)**	(2,086)
Other administrative costs		**(7,616)**	(5,320)
Finance costs		**(2,737)**	(2,762)
Cash flow hedge reserve release		**(2,181)**	-
Depreciation and amortisation		**(35,149)**	(30,848)
Total Expenses		**(257,550)**	(243,845)
Profit before income tax for the period		**40,696**	32,821
Income tax expense	E1	**(13,724)**	(10,086)
Profit for the period		**26,972**	22,735
Other Comprehensive Income			
Items that may be classified to profit or loss:		**-**	-
Other Comprehensive Income for the period net of tax		**-**	-
Total Comprehensive Income for the period		**26,972**	22,735
Total Comprehensive Income for the period is attributable to:			
Owners of Alliance Aviation Services Limited		**26,972**	22,735

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

Earnings Per Share for Profit from Continuing Operations Attributable to the Ordinary Equity Holders of the Company		**Cents**	Cents
Basic earnings per share	G3	**21.09**	18.65
Diluted earnings per share	G3	**20.95**	18.56

Consolidated Balance Sheet

For the year ended 30 June 2020

	Notes	30 June 2020 $'000	30 June 2019 $'000
ASSETS			
Current Assets			
Cash and cash equivalents	B1	**98,788**	9,607
Receivables	J1	**54,414**	39,927
Inventory	D1	**57,401**	49,060
Total Current Assets		**210,603**	98,594
Non-Current Assets			
Property, plant & equipment	D2	**216,801**	202,458
Intangibles	D3	**494**	472
Right of use assets	D4	**7,976**	-
Total Non-Current Assets		**225,271**	202,930
Total Assets		**435,874**	301,524
LIABILITIES			
Current Liabilities			
Trade and other payables	J2	**48,534**	43,496
Borrowings	B2	**12,000**	3,650
Current tax liabilities		**-**	17
Lease liabilities	D4	**1,334**	-
Provisions	J3	**8,924**	8,572
Total Current Liabilities		**70,792**	55,735
Non-Current Liabilities			
Borrowings	B2	42,400	56,400
Provisions	J3	1,529	1,524
Deferred tax liability	E2	32,110	18,992
Lease liabilities	D4	6,979	-
Total Non-Current Liabilities		**83,018**	76,916
Total Liabilities		**153,810**	132,651
Net Assets		**282,064**	168,873
EQUITY			
Contributed equity	G1	**282,530**	187,648
Reserves	G2	**(109,845)**	(112,247)
Retained earnings		**109,379**	93,472
Total Equity		**282,064**	168,873

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 2020

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

	Notes	Contributed Equity $'000	Reserves $'000	Retained Earnings $'000	Total Equity $'000
Balance as at 1 July 2018		183,498	(112,652)	87,016	157,862
Profit for the period		-	-	22,735	22,735
Other comprehensive income		-	-	-	-
Total comprehensive income for the period		-	-	22,735	22,735
Transactions with owners in their capacity as owners:					
Dividends paid	C1	-	-	(16,279)	(16279)
Dividend reinvestment plan	G1	4,150	-	-	4,150
Share-based payment reserve	H2	-	420	-	420
Foreign currency translation reserve		-	(15)	-	(15)
Closing Balance as at 30 June 2019		187,648	(112,247)	93,472	168,873

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 2020

	Notes	30 June 2020 $'000	30 June 2019 $'000
Cash Flows From Operating Activities			
Receipts from customers (inclusive of GST)		**315,933**	294,401
Payments to suppliers (inclusive of GST)		**(269,490)**	(254,806)
Interest received		**59**	145
Interest paid		**(2,433)**	(2,674)
Income tax paid		**(24)**	(56)
Net Cash Flows From Operating Activities	**B4**	**44,045**	37,010
Cash Flows From Investing Activities			
Payments for property, plant and equipment		**(30,810)**	(21,997)
Net Cash Inflow (Outflow) from Investing Activities		**(30,810)**	(21,997)
Cash Flows from Financing Activities			
Proceeds from Share Issue		**91,863**	-
Proceeds from borrowings		**18,000**	-
Repayment of borrowings		**(23,650)**	(5,200)
Share issue costs		**(1,386)**	
Principal elements of lease payments		**(1,598)**	-
Dividends paid		**(7,342)**	(12,129)
Net Cash Inflow (Outflow) from Financing Activities		**75,887**	(17,329)
Net Increase (Decrease) in Cash and Cash Equivalents		**89,122**	(2,316)
Cash and cash equivalents at the beginning of the year		**9,607**	11,847
Effects of exchange rate on cash and cash equivalents		**59**	76
Cash and Cash Equivalents at End of the Year	**B1**	**98,788**	9,607

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

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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 a number of allied aviation services including part sales, 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 2020 $'000	30 June 2019 $'000
Contract revenue	**202,526**	165,283
Charter revenue	**26,403**	13,352
Wet lease revenue	**24,388**	45,380
RPT revenue	**34,620**	41,170
Aviation services revenue	**10,019**	10,887
Other revenue	**663**	1,043
Total revenue generated at a point in time	**298,619**	277,115

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.

Engine lease revenue is recognised on either a per day lease rate or a per cycle lease rate. In some cases both rates are applicable.

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 a number of 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

	2020 $'000	2019 $'000
Interest income	**89**	145
	89	145

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.

	2020 $'000	2019 $'000
Direct flight costs	**(96,267)**	(100,534)
General parts and inventory costs	**(26,278)**	(21,456)
Interest expense	**(2,737)**	(2,762)
Labour and staff related costs		
Salaries and wages	**(67,781)**	(64,663)
Superannuation	**(5,914)**	(5,485)
Contractors	**(3,274)**	(5,578)
Travel and accommodation	**(1,808)**	(717)
Work cover and payroll tax	**(3,971)**	(3,786)
Other employee expenses	**(2,761)**	(3,505)
Costs capitalised as part of heavy maintenance activities	**3,967**	8,194
	(81,542)	(75,540)
Rental Expenses Relating to Operating Leases		
Minimum lease payments	**(339)**	(1,726)
Minimum sublease receipts	**260**	275

Government grants and rebates have been provided to the Group in the last half of FY2020. These grants and rebates were provided as a result of the significant impacts COVID-19 on the Australian economy and more specifically the aviation industry. These amounts have been accounted for as reductions in the line item expenses listed below in accordance with the Group's accounting policy.

	2020 $'000	2019 $'000
Direct flight costs	**1,683**	-
Labour and staff related costs	**331**	-
Total government grants and rebates included in expenses	**2,014**	-

A. FINANCIAL OVERVIEW (CONTINUED)

A3 – EXPENSES (CONTINUED)

ACCOUNTING POLICY

Government grants, including non-monetary grants at fair value, shall not be recognised until there is reasonable assurance that:

a) the Group will comply with the conditions attaching to them; and

b) the grants will be received.

A government grant is not recognised until there is reasonable assurance that 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

	2020 $'000	2019 $'000
Cash at bank and on hand	**98,788**	9,607

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

	2020 $'000	2019 $'000
Current Liabilities - Borrowings		
Secured		
Bank Loans	**12,000**	3,650
Total Current Borrowings	**12,000**	3,650
Non-Current Liabilities - Borrowings		
Secured		
Bank Loans	**42,400**	56,400
Total Non-Current Borrowings	**42,400**	56,400
Total Borrowings	**54,400**	60,050

B. CASH MANAGEMENT (CONTINUED)

B2 – BORROWINGS (CONTINUED)

	2020 $'000	2019 $'000
Current		
Floating charge		
Cash and cash equivalents	**98,788**	9,607
Receivables	**54,414**	39,927
Inventory	**57,401**	49,060
Total current assets pledged as security	**210,603**	98,594
Non-Current		
First mortgage	**213,375**	198,382
Aircraft	**213,375**	198,382
Floating charge		
Plant and equipment	**3,425**	4,076
Intangibles	**494**	472
Total Non-current assets pledged as security	**217,296**	202,930
Total Assets Pledged as Security	**427,898**	301,524

FACILITIES

The type of borrowing facilities available and utilised as at 30 June 2020 is shown below:

	Financier Limit			
Funding Mechanism	**ANZ $'000**	**CBA $'000**	**Current Available $'000**	**Utilisation $'000**
Term loan facility I	**28,200**	**28,200**	**15,000**	**41,400**
Term loan facility II	**6,500**	**6,500**	**-**	**13,000**
Working capital multi option facility	**4,000**	**-**	**3,983**	**17**
Bank guarantee Facility	**1,000**	**-**	**582**	**418**
Total	**39,700**	**34,700**	**19,565**	**54,835**

The term loans are amortising loans with repayments due each quarter. Any voluntary repayments may be redrawn. The term loans have an expiration date of 15 January 2022.

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.

The term loans and working capital multi option facility are subject to certain financial covenants and restrictions such as debt service cover ratios, leverage ratios and others. During the year ended 30 June 2020, 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.

B. CASH MANAGEMENT (CONTINUED)

B2 – BORROWINGS (CONTINUED)

ACCOUNTING POLICY (CONTINUED)

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.

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.

	2020 $'000	2019 $'000
Cash and cash equivalents	**98,788**	9,607
Borrowings – repayable within one year	**(12,000)**	(3,650)
Borrowings – repayable after one year	**(42,400)**	(56,400)
Net Cash / (Debt)	**44,388**	(50,443)
Cash and cash equivalents	**98,788**	9,607
Gross debt - variable interest rates	**(54,400)**	(60,050)
Net Cash / (Debt)	**44,388**	(50,443)

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

	2020 $'000	2019 $'000
Profit for the year (after tax)	**26,972**	22,735
Depreciation and amortisation	**35,149**	30,848
Costs incurred as part of heavy maintenance program	**3,967**	8,194
Net (gain)/loss on foreign exchange differences	**2,643**	594
Change in operating assets and liabilities,		
(Increase)/decrease in trade debtors and bills of exchange	**(14,704)**	(7,764)
(Increase)/decrease in inventory and property, plant and equipment	**(28,696)**	(40,573)
(Increase)/decrease in prepayments	**217**	(680)
Increase/(decrease) in trade creditors	**159**	10,475
Increase/(decrease) in other operating liabilities	**4,879**	2,033
Increase/(decrease) in provision for income taxes payable	**(17)**	(48)
Increase/(decrease) in deferred tax	**13,119**	10,074
Increase/(decrease) in other provisions	**357**	1,122
Net Cash Inflow (Outflow) from Operating Activities	**44,045**	37,010

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.

C1 - DIVIDENDS

ORDINARY SHARES

	2020 $'000	2019 $'000
In respect of financial year ended 30 June 2019, a fully franked dividend of 8.8 cents per fully paid ordinary share was paid out of retained earnings on 14 November 2019. (2019: 6.3 cents)	**11,061**	7,800
In respect of financial year ended 30 June 2020, a fully franked interim dividend of 7.3 cents per fully paid ordinary share was declared by the Board on 5 February 2020. (2019: 6.8 cents) Due to the economic uncertainty created by the COVID-19 pandemic, the Board on 20 March 2020 subsequently cancelled the payment of the interim dividend.	**-**	8,478

DIVIDENDS DECLARED BUT NOT RECORDED

A dividend has not been declared for year ended June 2020.

ACCOUNTING POLICY

Provision is made for the amount of 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

	2020 $'000	2019 $'000
Franking credits available for subsequent reporting based on a tax rate of 30% (2019: 30%)	**7,647**	12,387

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.

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

D1- INVENTORY

	2020 $'000	2019 $'000
Aircraft and Engines	**45,949**	37,761
Spares and consumables	**11,452**	11,299
	57,401	49,060

AMOUNTS RECOGNISED IN PROFIT OR LOSS

Inventory recognised as an expense during the year ended 30 June 2020 amounted to $2,074k (2019: $2,948k), and is included in parts and inventory costs.

ACCOUNTING POLICY

Inventory is measured at the lower of cost and net realisable value. Costs have been assigned to inventory quantities on hand at the reporting date using the first-in-first-out basis. 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 rotables 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 rotable 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 current carrying value.

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

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

D2 - PROPERTY, PLANT AND EQUIPMENT

	Aircraft Assets $'000	Property, Plant& Equipment $'000	Total $'000
Opening Balance as at 30 June 2019			
Cost	**402,978**	**21,498**	**424,476**
Accumulated depreciation	**(204,596)**	**(17,422)**	**(222,018)**
Net Book Value	**198,382**	**4,076**	**202,458**
Year ended 30 June2020			
Opening net bookamount	**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)**
Closing Net Book Value as at 30 June 2020	**213,375**	**3,426**	**216,801**

Opening Balance as at 30 June 2018			
Cost	348,876	19,926	368,802
Accumulated depreciation	(174,903)	(16,490)	(191,393)
Net Book Value	173,973	3,436	177,409
Year ended 30 June2019			
Opening net bookamount	173,973	3,436	177,409
Additions	63,305	1,704	65,009
Transfers	(9,203)	-	(9,203)
Disposals - Cost	-	(132)	(132)
Disposals - Accumulated Depreciation	-	132	132
Depreciation charge	(29,693)	(1,064)	(30,757)
Closing Net Book Value as at 30 June 2019	198,382	4,076	202,458

ADDITIONS AND TRANSFERS

Additions to property, plant and equipment for year ended 30 June 2020 includes all aircraft heavy maintenance and the addition of any major and significant components. Transfers relate to the removal of rotable 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:

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

D2- PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

ACCOUNTING POLICY (CONTINUED)

	Depreciation calculation method	Time-based terms
Aircraft assets		
5-18 years Aircraft assets (subject to time based depreciation)	Calendar based	5-12 years
5-12 years Aircraft assets (subject to usage based depreciation)	Remaining flight cycles/hours	-
Property, plant & equipment		
Leasehold improvements	Calendar based	5-18 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 takes into account the current net book value and the number of remaining flight cycles.

D3- INTANGIBLE ASSETS

	2020 $’000	2019 $'000
Opening net book amount	**472**	489
Additions	**113**	74
Amortisation charge	**(91)**	(91)
Closing Net Book Value	**494**	472

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.

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

D4 - LEASES

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

AMOUNTS RECOGNISED IN THE BALANCE SHEET

The balance sheet shows the following amounts relating to leases:

	30 June 2020 $'000	1 July 2019 $'000
Right of use assets		
Properties	**7,976**	9,154
Total right of use assets	**7,976**	9,154
Lease liabilities		
Current	**1,334**	1,572
Non-current	**6,979**	7,582
Total lease liabilities	**8,313**	9,154

* In the previous year, the group only recognised lease assets and lease liabilities in relation to leases that were classified as 'finance leases' under AASB 117 Leases. The assets were presented in property, plant and equipment and the liabilities as part of the group's borrowings. For adjustments recognised on adoption of AASB 16 on 1 July 2019, please refer to note L.

ADDITIONS

Additions to the right of use assets during the 2020 financial year were $284k.

AMOUNTS RECOGNISED IN THE CONSOLIDATED INCOME STATEMENT

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

	30 June 2020 $'000	30 June 2019 $'000
Depreciation charge for right of use assets		
Properties	**1,624**	-
Total depreciation charge for right of use assets	**1,624**	-
Other costs relating to leases:		
Interest expense (included in finance costs)	**311**	-

Total cash out-flow for leases for the year ended 30 June 2020 was $1,598k.

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 eight 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

Until the 2019 financial year, leases of property, plant and equipment were classified as either finance leases or operating leases. From 1 July 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

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

D4- RIGHT OF USE ASSETS (LEASES) (CONTINUED)

ACCOUNTING POLICY (CONTINUED)

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;
- 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 so as 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.

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

	2020 $'000	2019 $'000
(a) Income Tax Expense		
Current tax	**5**	25
Deferred income tax (revenue) expense included in the income tax expense comprises:		
Utilisation of unused tax losses	**4,385**	1,254
Decrease/(increase) in deferred tax assets	**684**	(513)
(Decrease)/increase in deferred tax liabilities	**8,650**	9,320
	13,719	10,061
Income tax expense on profit from continuing operations	**13,724**	10,086
Effective tax rate	**33.7%**	30.7%

	2020 $'000	2019 $'000
(b) Numerical Reconciliation of Income Tax (Benefit) / Expense to Prima Facie Tax Payable		
Profit / (loss) before income tax expense	**40,696**	32,821
Tax at the Australian Corporate tax rate of 30% (2019:30%)	**12,209**	9,846
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Sundry	**1,515**	240
Income Tax (Benefit) / Expense	**13,724**	10,086

	2020 $'000	2019 $'000
(c) Amounts recognised directly in equity		
Aggregate deferred tax arising in the reporting period and directly credited to equity	**(117)**	-

E. INCOME TAX EXPENSE AND DEFERRED TAX (CONTINUED)

E2 - DEFERRED TAX ASSETS AND LIABILITIES

Deferred Tax Assets	2020 $'000	2019 $'000
The Balance Comprises Temporary Differences Attributable to:		
Tax losses	**1,439**	6,444
Employee benefits	**3,136**	3,029
Property, plant and equipment	**234**	781
	4,809	10,254
Other		
Unrealised foreign exchange	**292**	292
Accruals	**124**	69
Other	**886**	
Sub-Total Other	**1302**	361
Total deferred tax assets	**6,111**	10,615
Set-off of deferred tax liabilities pursuant to set-off provisions	**(6,111)**	(10,615)
Net Deferred Tax Assets	**-**	-

Deferred Tax Liabilities	2020 $'000	2019 $'000
Balance Comprises Temporary Differences Attributable to:		
Property, plant and equipment	**37,624**	28,707
Prepayments	**2**	9
Other	**219**	324
Unrealised Foreign Exchange	**376**	566
Sub-Total Other	**38,221**	29,606
Total Deferred Tax Liabilities	**38,221**	29,606
Set-off of deferred tax assets pursuant to set off provisions	**(6,111)**	(10,615)
Net Deferred Tax Liabilities	**32,110**	18,991

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.

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
Balance as at 1 July 2018	7,487	2,676	843	363	**11,369**
Charged/ (credited) to Profit or Loss	(1,043)	353	(62)	(2)	**(754)**
Balance as at 30 June 2019	**6,444**	**3,029**	**781**	**361**	**10,615**
Charged/ (credited) to Profit or loss	(4,888)	107	(547)	941	**(4,504)**
Charged/(credited) directly to equity	(117)	-	-	-	**(117)**
Balance as at 30 June 2020	**1,439**	**3,136**	**234**	**1,302**	**6,111**

Deferred Tax Liability movements	Intangible Assets $'000	Property, Plant and Equipment $'000	Other $'000	Total $'000
Balance as at 1 July 2018	-	19,431	855	**20,286**
(Charged)/ credited to Profit or Loss	-	9,276	44	**9,320**
Balance as at 30 June 2019	**-**	**28,707**	**899**	**29,606**
(Charged)/ credited to Profit or loss	(6)	8,923	(302)	**8,615**
Balance as at 30 June 2020	**(6)**	**37,630**	**597**	**38,221**

F. FINANCIAL RISK MANAGEMENT

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:

	2020 $'000	2019 $'000
Financial Assets		
Cash and cash equivalents	**98,788**	9,607
Trade and other receivables	**54,414**	39,927
Total Financial Assets	**153,202**	49,534
Financial Liabilities		
Trade and other payables	**48,534**	43,496
Borrowings	**54,400**	60,050
Lease liabilities	**8,313**	
Total Financial Liabilities	**111,247**	103,546
Net Financial Assets/(Liabilities)	**41,955**	(54,012)

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.

	2020				2019			
	USD $'000	**EUR $'000**	**GBP $'000**	**NZD $'000**	USD $'000	EUR $'000	GBP $'000	NZD $'000
Trade and Other Receivables	**114**	**-**	**-**	**-**	-	11	-	-

Sensitivity: As at 30 June 2020, 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 $6k (2019: +/- $1k)

	2020				2019			
	USD $'000	**EUR $'000**	**GBP $'000**	**NZD $'000**	USD $'000	EUR $'000	GBP $'000	NZD $'000
Trade and Other Payables	**(3,823)**	**(595)**	**(-)**	**(121)**	(6,841)	(2,683)	(422)	(225)

Sensitivity: As at 30 June 2020, 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 $227k (2019: +/- $509k).

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 2020 and a sensitivity analysis of movement of 25 basis points is shown in the tables below.

F. FINANCIAL RISK MANAGEMENT (CONTINUED)

F1 - FINANCIAL RISK MANAGEMENT (CONTINUED)

INTEREST RATE RISK (CONTINUED)

	2020 Weighted Ave. Interest Rate %	2020 Balance $'000	2019 Weighted Ave. Interest Rate %	2019 Balance $'000
Bank Loans	**3.1**	**54,400**	3.7	60,050
Net exposure to cash flow interest rate risk		**54,400**		60,050
Profit and Loss Impact				
Sensitivity +/- impact of 0.25% change: $'000		136		150

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 (2019 – 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.

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.

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 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**
Total Non-Derivatives	**53,581**	**8,554**	**43,540**	**-**	**-**	**105,675**	**102,934**

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 2019	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Trade payables	43,413	82	1	-	-	43,496	43,496
Borrowings	3,153	2,653	57,265	-	-	63,071	60,050
Total Non-Derivatives	46,566	2,735	57,266	-	-	106,567	103,546

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 six month period.

F. FINANCIAL RISK MANAGEMENT (CONTINUED)

F2 – FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

RECOGNISED FAIR VALUE MEASUREMENTS (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

	2020 No. of shares	2020 $'000	2019 No. of shares	2019 $'000
a) Share Capital				
Ordinary shares - fully paid	**158,610,102**	**282,530**	125,516,945	187,648
Total Contributed Equity	**158,610,102**	**282,530**	125,516,945	187,648
b) Movement in Ordinary Share Capital Issued and Fully Paid Ordinary Shares:				
At the beginning of the financial period	**125,516,945**	**187,648**	123,808,489	183,498
Dividend reinvestment plan issues	**1,592,562**	**3,718**	1,708,456	4,150
Performance incentive shares vested and exercised	**176,995**	**243**	-	-
Share Issue	**31,140,000**	**90,496**	-	-
Staff share plan	**183 600**	**425**	-	-
Balance at the End of the Financial Year	**158,610,102**	**282,530**	125,516,945	187,648

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.

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.

G. EQUITY (CONTINUED)

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.

	2020 $'000	2019 $'000
Reserves		
Reorganisation reserve	**(111,082)**	(111,083)
Cash flow hedge reserve	**-**	(2,181)
Share-Based Payment Reserve	**1,217**	1,005
Foreign currency translation reserve	**20**	12
	(109,845)	(112,247)
Movements:		
Reorganisation Reserve		
Opening balance - 1 July	**(111,082)**	111,083
Closing balance - 30 June	**(111,082)**	111,083
Cash flow hedge reserve		
Balance - 1 July	**(2,181)**	(2,181)
Release of reserve	**2,181**	-
Balance - 30 June	**-**	(2,181)
Share-based payments		
Balance - 1 July	**1,005**	585
Vested	**(241)**	
Recognition of Granted rights	**453**	420
Balance – 30 June	**1,217**	1,005
Foreign currency translation reserve		
Balance - 1 July	**12**	27
Current year movement	**8**	(15)
Balance - 30 June	**20**	12

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.

CASH FLOW HEDGE RESERVE

The cash flow hedge reserve is used to record gains or losses on a hedging instrument in a cash flow hedge that is recognised in other comprehensive income. Amounts are reclassified to the profit or loss when the associated hedge transaction affects profit or loss. As at 30 June management reviewed the effectiveness of the cash flow hedge reserve. Management ascertained that in the current depressed economic and aviation environment, the decreasing costs of second-hand aircraft and a fully utilised fleet that aircraft sales were highly unlikely. The hedge was deemed to be no longer effective, and was released to the income statement.

G. EQUITY (CONTINUED)

G2- RESERVES

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 but not vested.

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

	2020	2019
Basic Earnings Per Share		
Total basic earnings per share attributable to the ordinary equity holders of the company. (cents)	**21.09**	18.65
Diluted Earnings Per Share		
Total diluted earnings per share attributable to the ordinary equity holders of the company. (cents)	**20.95**	18.56
Earnings used in the calculation of basic and diluted earnings per share from continuing operations		
Profit attributable to the ordinary equity holders of the company used in calculating basic earnings per share. ($'000)	**26,972**	22,735
Weighted Average Number of Shares used as the Denominator		
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**127,907,635**	124,591,155
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share	**128,726,725**	125,247,776

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. As at 30 June 2020 there were 528,645 qualified performance rights which have not vested or been exercised. 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.

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

	2020 $'000	2019 $'000
Short-term employee benefits	**1,853,095**	1,963,498
Post-employment benefits	**119,750**	116,063
Long-term benefits	**(23,604)**	15,287
Share based payments*	**539,275**	191,957
	2,801,269	2,286,805

*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 are 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.

H. KEY MANAGEMENT PERSONNEL

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).

Performance rights when issued under the LTIP are not entitled to receive a dividend and carry no voting rights.

The details of the Performance Rights granted are shown below:

Employee Category	Number of performance rights granted (target and stretch targets)
Executive Directors^	93,891
Other Key Management Personnel	59,201
Senior Management	241,216
Rights granted during the period	**394,308**

^ 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 30 October 2019.

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

	2020	2019
	'000	'000
Rights at the start of the period	**706**	514
Granted during the year	**394**	466
Vested and exercised	**(177)**	-
Forfeited / Cancelled	**(394)**	(274)
Rights at the end of the period	**529**	706

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 (FY2019) 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 2020 and 50% in August 2021.

As at the date of signing this report 394,308 rights will become performance qualified and 394,308 performance rights were forfeited as the Board cancelled the plan for the financial year ended 30 June 2019 due to COVID-19.

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:

	2020	2019
	$'000	$'000
Performance rights – Long Term Incentive Plan	**453**	429
	453	429

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 and inventory items purchased and sold.

I. RELATED PARTY TRANSACTIONS (CONTINUED)

I3 - 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 FY2020.

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 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 entered into between KBX Pty Ltd and the Group for the lease of a Fokker 70, VIP configured aircraft. This aircraft is marketed by the Group for VIP charter operations both domestically and throughout Asia and the South Pacific.

The Group also leased two TAY650 Rolls Royce engines from VIF Aircraft Pty Ltd during the year. These engines were leased at a time the Group were introducing additional aircraft into the fleet and a number of owned engines were undergoing maintenance checks.

The Managing Director and Chairman are both shareholders in KBX Pty Ltd and VIF Aircraft Pty Ltd. Both the above leases were contracted on normal commercial terms and conditions and contain mutual termination for convenience clauses.

The following transactions occurred with related parties:

	2020	2019
	$'000	$'000
Lease of Sydney Office	**(47)**	(22)
Aircraft lease fees - VH-KBX	**(370)**	(439)
Engine lease fees - VH-VIF	**(779)**	(713)
Engineering and Maintenance services - VH - VIF	**150**	231
Engineering and Maintenance services - VH - KBX	**67**	234
Total Cash Inflows / (Outflows)	**(979)**	(709)

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

	2020	2019
	$'000	$'000
Trade receivables		
VIF Aircraft Pty Ltd	-	59
Total Key Management Trade Receivables	-	59
Trade payables		
KBX Pty Ltd	-	(62)
VIF Aircraft Pty Ltd	-	(88)
Total Key Management Trade Payables	-	(150)
Net Balance Owed from/(Owing to) Key Management Personnel	-	(91)

J. OTHER ITEMS

J1 - TRADE AND OTHER RECEIVABLES

	2020 $'000	2019 $'000
Current assets		
Trade receivables	**44,855**	32,965
Other receivables	**6,568**	3,754
Prepayments	**2,991**	3,208
Total receivables	**54,414**	39,927

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 receivables	44,823	32	-	-	-	44,855	54,414
Total	**44,823**	**32**	**-**	**-**	**-**	**44,855**	**54,414**

PAST DUE BUT NOT IMPAIRED

As at 30 June 2020, trade receivables of $16,662k (2019: $11,480k) 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 AASB 9.

PAST DUE AND IMPAIRED

As at 30 June 2020, trade receivables of $1,403k (2019: nil) were past due and deemed to be impaired. The impact of COVID-19 has significantly impacted the Tourism and Airline industries and as such particular attention was paid in reviewing the accounts falling into these groups. The Group has identified the need to recognise a loss allowance in this area of $1,403k.

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 2020 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 a loss allowance of $1,403k needs to be recognised for the year ended 30 June 2020.

J. OTHER ITEMS (CONTINUED)

J2 - TRADE AND OTHER PAYABLES

	2020 $'000	2019 $'000
Current liabilities		
Trade Payables	**31,500**	31,341
Other Payables	**17,034**	12,155
Total payables	**48,534**	43,496

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 $0.8m in FY2020 (2019: $2.4m).

J3 - PROVISIONS

	2020 $'000	2019 $'000
Employee benefits - Annual Leave	**5,760**	5,943
Employee benefits - Long Service Leave	**3,164**	2,629
Total Current Provisions	**8,924**	8,572
Employee benefits - Long Service Leave	**1,529**	1,524
Total Non-Current Provisions	**1,529**	1,524
Total Provisions	**10,453**	10,096

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.

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.

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.

J. OTHER ITEMS (CONTINUED)

J3- PROVISIONS (CONTINUED)

ACCOUNTING POLICY (CONTINUED)

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 approximately $25 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 2020 as any expected receipt of the claim is dependent on the outcome of the voluntary administration process. The Directors believe that a favourable outcome is unlikely.

CONTINGENT LIABILITIES

Alliance has on issue six bank guarantees relating to existing leases totalling $0.42 million (2019: $0.45 million).

CAPITAL COMMITMENTS

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.

J5- REMUNERATION OF AUDITORS

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	2020	2019
	$	$
PricewaterhouseCoopers		
Audit and other Assurance Services		
Audit and review of financial statements	**231,800**	220,005
Total Remuneration for Audit and other Assurance Services	**231,800**	220,005
Taxation Services	**59,153**	79,625
Other Non Assurance Services	**240,456**	89,239
Total Remuneration for Taxation and Non Assurance Services	**299,609**	168,864
Total Auditor's Remuneration	**531,409**	388,869

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.

J. OTHER ITEMS (CONTINUED)

J6 - PARENT ENTITY FINANCIAL INFORMATION

The individual financial statements for the parent entity shows the following aggregate amounts for the reporting period ended 30 June 2020.

	2020 $'000	2019 $'000
Balance Sheet		
Current Assets	**7**	1
Non-current assets	**173,522**	72,295
Total Assets	**173,529**	72,296
Current Liabilities	**36**	34
Non-current liabilities	**38,265**	18,966
Total Liabilities	**38,301**	19,000
Net Assets	**135,228**	53,296
EQUITY		
Issued Capital	**283,188**	187,721
Reserves	**(111,256)**	(110,691)
Share-based payments	**332**	332
Retained earnings	**(37,036)**	(24,070)
Total Equity	**135,229**	53,296
Profit or (Loss) for the Year	**13,034**	5,807

The financial information for the parent entity has been prepared on the same basis as the consolidated financial statements, except as set out below:

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.

J. OTHER ITEMS (CONTINUED)

J6 - PARENT ENTITY FINANCIAL INFORMATION

TAX CONSOLIDATION LEGISLATION (CONTINUED)

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.

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	2020	2019
Alliance Airlines Pty Limited	Australia	Ordinary	100%	100%
Alliance Leasing No.1 Pty Ltd	Australia	Ordinary	100%	100%
Alliance Leasing No.2 Pty Ltd	Australia	Ordinary	100%	100%
Alliance Leasing No.3 Pty Ltd	Australia	Ordinary	100%	100%
Jet Engine Leasing Pty Ltd	Australia	Ordinary	100%	100%
Avoco Pty Ltd	Australia	Ordinary	100%	100%
Bravo Airlines Pty Limited^	Australia	Ordinary	100%	-
Alliance Aviation Slovakia s.r.o.	Slovakia	Ordinary	100%	100%
Alliance Airlines (NZ) Limited*	New Zealand	Ordinary	n/a	100%

** Alliance Airlines (NZ) Limited was voluntary deregistered on 8 October 2019.*

^Alliance Aviation Services Limited gained control of Bravo Airlines Pty Limited on 20th April 2020.

J8- EVENTS OCCURING AFTER THE REPORTING PERIOD

The Directors wish to disclose the following matters that have occurred subsequent to the end of the financial year.

SHARE PURCHASE PLAN

Alliance offered existing eligible shareholders the opportunity to participate in a non-underwritten Share Purchase Plan (SPP) to raise up to $30 million. The SPP offer period opened on Friday 19 June 2020 and closed on Thursday 9 July 20203. $3,836,616 was raised with 1,346,355 shares being issued to existing shareholders on the 20th July 2020.

EMPLOYEE SHARE PLAN

The Directors recognised the exceptional performance, flexibility and ongoing contribution to the success of the Group by Alliance’s employees for the year ending 30 June 2020. Those employees that were employed for all of the 2020 financial year (excluding the Senior Management Team) were offered $1,000 worth of shares that would be issued in accordance with the Alliance tax exempt share plan. 79% of eligible employees accepted the offer and a total of 153,036 shares were issued on 17 July 2020 to those employees.

J. OTHER ITEMS (CONTINUED)

J8- EVENTS OCCURING AFTER THE REPORTING PERIOD (CONTINUED)

CAPITAL ACQUISTIONS – FLEET PURCHASE

On the 3rd August 2020, the Group announced it has entered an agreement with Azorra Aviation LLC of the United States to expand its fleet, specifically with the following aviation equipment:

- The purchase of 14 Embraer E190 aircraft including a significant package of related inventory, ground support equipment, tooling and training devices;
- The purchase of 6 spare General Electric CF34 engines;
- An option to acquire a further five E190 aircraft;
- An option to acquire a full flight simulator and related training equipment;
- Aircraft will be delivered progressively over 8 months commencing in September 2020;
- All aircraft will undergo repainting with Alliance livery, prior to delivery in Australia.

The total acquisition price for the package is US$79,400,000 and will be funded from the proceeds of the placement and SPP announced by Alliance on 11 June 2020.

Alliance has already commenced the addition of this aircraft type on its Air Operating Certificate with CASA.

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 Alliance Aviation Services Limited 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.

The consolidated financial statements comprise the financial statements of Alliance Aviation Services Limited and its subsidiaries as at 30 June 2020.

K2 - PRINCIPLES OF CONSOLIDATION

SUBSIDIARIES

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.

K - BASIS OF PREPARATION (CONTINUED)

K3 - SEGMENT REPORTING AND INFORMATION

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 2020.

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.

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.

K4 - FOREIGN CURRENCY TRANSLATION

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. They are deferred in equity if they relate to qualifying cash flow hedges.

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. 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.

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.

K - BASIS OF PREPARATION (CONTINUED)

K5 - CRITICAL ESTIMATES, JUDGEMENTS AND ERRORS (CONTINUED)

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 aircrafts 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. In addition to this the Group performs service maintenance checks on a number of aircraft held as inventory as operational requirements dictate. Both 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. In addition to this the Group performs service maintenance checks on a number of aircraft held as inventory as operational requirements dictate. Both these checks result in an increase in the useful life of the asset.

The Group capitalises labour and part costs for these checks to the aircraft asset. This capitalisation is based on invoices 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.

K - BASIS OF PREPARATION (CONTINUED)

K5 - CRITICAL ESTIMATES, JUDGEMENTS AND ERRORS (CONTINUED)

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.

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.

DEFERRED TAX ASSET

During the year the outright deduction of the ongoing capital maintenance program has resulted in an increase in the net deferred tax liability consistent with the previous year.

Tax losses relating to the deferred tax asset will be utilised in future periods.

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 second half of the financial year the aviation sector globally and domestically was significantly impacted due to the COVID-19 pandemic. For Alliance, there were reductions in the wet lease and regular public transport (RPT) revenue streams with offsetting increases in contract and ad-hoc charter revenue.

In assessing the carrying amount of Property, plant & equipment and Inventory at 30 June 2020, analyses were completed to determine whether the events stemming from the pandemic would indicate the carrying amount is higher than the expected recoverable amount.

There is estimation uncertainty in regard to determining the future demand in RPT and wet lease, and this uncertainty could also impact the timing of Alliance's aircraft maintenance program. A range of scenarios in consideration of the estimation uncertainty over a five-year period was determined. Each scenario used key assumptions relating to reduced demand from historical trends in RPT and wet lease revenue, changing mix of revenue streams compared to historical trends, changes in discount rates, and terminal growth rates.

The key assumptions used for each scenario resulted in a recoverable amount which was higher than the carrying value.

K - BASIS OF PREPARATION (CONTINUED)

K6 - IMPAIRMENT OF ASSETS (CONTINUED)

As a result of these analyses, there has been no impairment to the Group's Property, plant & equipment and Inventory for the financial year ended 30 June 2020 (30 June 2019: $nil).

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 current 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.

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

AASB 16 LEASES

This note explains the impact of the adoption of AASB 16 Leases on the group's financial statements and discloses the new accounting policies that have been applied from 1 July 2019.

As indicated in note D4, the Group has adopted AASB 16 Leases from 1 July 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 July 2019. The new accounting policies are disclosed in note D4.

On adoption of AASB 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of AASB 117 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 July 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 July 2019 was 3.91%.

The Group previously did not have any leases classified as finance leases.

PRACTICAL EXPEDIENTS APPLIED

In applying AASB 16 for the first time, the Group has used the following practical expedients permitted by the standard:

L – CHANGES IN ACCOUNTNG POLICY (CONTINUED)

L1 - NEW ACCOUNTING STANDARDS AND INTERPRETATIONS ADOPTED BY THE GROUP (CONTINUED)

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 July 2019;
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 July 2019 as short-term leases;
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying AASB 117 and Interpretation 4 Determining whether an Arrangement contains a Lease.

MEASUREMENT OF LEASE LIABILITIES

Description	1 July 2019 $'000
Operating lease commitments disclosed as at 30 June 2019	**9,154**
Discounted using the lessee's incremental borrowing rate at the date of initial application	
Add: Finance lease liabilities recognised as at 01 July 2019	**9,803**
(Deduct): Short-term leases not recognised as a liability	**(649)**
Lease liability recognised as at 1 July 2019	**9,154**
Current lease liabilities	**1,572**
Non-current lease liabilities	**7,582**
Total lease liability as at 1 July 2019	**9,154**

MEASUREMENT OF RIGHT OF USE ASSETS

The right of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 1 July 2019.

ADJUSTMENTS RECOGNISED IN THE BALANCE SHEET ON 1 JULY 2019

The change in accounting policy affected the following items in the balance sheet on 1 July 2019:

Description	Increase by	Decrease by
Right of use asset	**9,154**	**-**
Lease liabilities	**(9,154)**	**-**
Net impact	**Nil**	**-**

IFRIC 23 UNCERTAINTY OVER INCOME TAX TREATMENTS

IFRIC 23 clarifies how the recognition and measurement of IAS 12 'Income Taxes', are applied where there is uncertainty over income tax treatments. In accordance with the Group's accounting policy on taxation the 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.

L - CHANGES IN ACCOUNTING POLICIES (CONTINUED)

L1 - NEW ACCOUNTING STANDARDS AND INTERPRETATIONS ADOPTED BY THE GROUP (CONTINUED)

AMENDMENTS TO IAS 19 EMPLOYEE BENEFITS ON PLAN AMENDMENT, CURTAILMENT OR SETTLEMENT

Effective application date – 1 July 2019

IAS 19 requires an entity to determine the amount of any past service cost, or gain or loss on settlement, by remeasuring the net defined benefit liability before and after the amendment, using current assumptions and the fair value of plan assets at the time of the amendment. The Group does not have any employees on a defined benefit plan. These amendments therefore have nil impact on the Group.

AMENDMENTS TO IFRS 2 SHARE BASED PAYMENTS ON CLARIFYING HOW TO ACCOUNT FOR CERTAIN TYPES OF SHARE BASED PAYMENTS TRANSACTIONS

Effective application date – 1 July 2019

The Group has taken on board the clarifications provided by 'Amendments to IFRS 2 - Share Based Payments'. There is no material impact on the reporting of share based payments which need to be disclosed.

DIRECTORS DECLARATION

In the Directors' opinion:

The financial statements and notes set out on pages 25 to 68 are in accordance with the *Corporations Act 2001,* including complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and

- giving a true and fair view of the consolidated entity's financial position as at 30 June 2020 and of its performance for the financial year ended on that date, and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- 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: 5 August 2020

Brisbane

Independent auditor's report

To the members of Alliance Aviation Services Limited

Report on the audit of the financial report

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 2020 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 2020
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the notes to the consolidated financial statements, which include a summary of significant accounting policies
- the directors' declaration.

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.

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 and 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.

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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.

The Group provide tailored aircraft charters for the resource industry, inbound and domestic group travel, and regular passenger travel across Australia, New Zealand, the Pacific Islands and South East Asia. The group have operational bases in Perth, Adelaide, Townsville, Melbourne, Cairns, Darwin, Rockhampton, and the head office is based in Brisbane.

Materiality	Audit scope
• For the purpose of our audit we used overall Group materiality of $2,034k, which represents approximately 5% of the Group's profit before income tax. • 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. • We chose the Group's profit before income tax because, in our view, it is the benchmark against which the performance of the Group is most commonly measured. • We utilised a 5% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.	• Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.

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
Carrying value of Property, plant and equipment - aircraft assets *(Refer to note D2) $213m* 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. Throughout the year the Group makes judgements and estimates relating - to the useful life and depreciation method of each component of an aircraft - to the capitalisation method of labour and overhead cost relating to heavy maintenance - to the carrying value assessment of transfers between aircraft assets and inventory The Group also performed an impairment indicators assessment over aircraft assets and concluded that no such internal or external indicators were present and therefore no adjustment to the carrying value of aircraft was required. Given the material significance of the aircraft assets balance on the Consolidated Balance Sheet, and the significant level of judgement involved in assessing the carrying value thereof, this was determined to be a key audit matter.	Our procedures in relation to the carrying value of aircraft assets, included, amongst others: • Assessing the total costs of internal labour and overhead applicable to heavy maintenance by considering the nature of the direct costs identified to consider their eligibility to be capitalised. • We assessed the proportion of total internal labour hours allocated to direct heavy maintenance by testing a sample of labour hours and costs to detailed pay run reports or third-party invoices. • Agreeing a sample of direct overhead costs to third party invoices. • Agreeing a sample of aircraft asset additions to third party invoices. • Assessing, on a sample basis, whether the useful lives and depreciation methods applied to aircraft assets are consistent with the Group's accounting policy; and recalculated the depreciation expense for the year. • Recalculated depreciation charges by using the depreciation method and useful life for a sample of assets. • Considered the Group's impairment indicator assessment to assess if any internal or external indicators of impairment existed by evaluating the current year financial performance to budgets and forecasts, as well as external market data such as the Group's market capitalisation. • Evaluated the adequacy of the disclosures made in Note D2 and Note K5 to the financial report, in light of requirements of the Australian Accounting Standards.

Key audit matter	*How our audit addressed the key audit matter*
Carrying value of Inventory - aircraft and engines *(Refer to note D1) $46m* At 30 June 2020 the Group held aircraft and engines inventory with a carrying value of $46 million. This inventory comprises rotable spare parts for aircraft and engines, spare engines and whole aircraft where the intent of acquisition was to hold as inventory for sale or to be broken down for spare parts. Throughout the year the Group make judgements and estimates as to the carrying value allocated to rotable parts which are transferred from property, plant and equipment to inventory. This 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 thereof.	Our procedures, on a sample basis, amongst others: • Inspecting a sample of assets to verify existence and assessing the appropriateness of the classification of the sampled assets to inventory. • Obtaining third party confirmations to verify the existence of inventory assets in the custody of the third parties. • Agreeing a sample of aircraft and engine asset additions to third party invoices. • For transfers of property, plant and equipment to inventory compared the carrying value of inventory at the time of transfer to the lower of core value or net realisable value. • Evaluated the adequacy of the disclosures made in Note D1 and Note K5to the financial report, in light of the requirements of the Australian Accounting Standards.

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 2020, 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.

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.

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: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 10 to 21 of the directors' report for the year ended 30 June 2020.

In our opinion, the remuneration report of Alliance Aviation Services Limited for the year ended 30 June 2020 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.

PricewaterhouseCoopers

Ben Woodbridge
Partner

Brisbane
5 August 2020

SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 30 June 2020.

DISTRIBUTION OF EQUITY SECURITIES

Analysis of number of equity security holders by size of holding

Size of Equity Holder	No. of holders
1 – 1,000	943
1,001 – 5,000	729
5,001 – 10,000	297
10,001- 100,000	356
Over 100,000	51
Total	**2,376**

There were 104 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:

	Ordinary Shares	
Equity Holder	**Number Held**	**% Issued Shares**
Qantas Airways Limited	31,705,969	19.99%
HSBC Custody Nominees (Australia) Limited	21,181,869	12.72%
Citicorp Nominees Pty Ltd	13,733,523	8.66%
Bond Street Custodians Limited (CAJ – D64993 A/C)	11,795,033	7.44%
National Nominees Limited	11,111,405	7.01%
KIOWA Two Thousand Corporate Trustee Company Limited	9,277.665	5.85%
Airline Investments Australia Pty Ltd (Finehold & Pastoral Unit)	7,392,742	4.66%
J P Morgan Nominees Australia Pty Ltd	6,529,008	4.12%
BNP Paribas Nominees Pty Ltd (Agency Lending DRP A/C)	6,514,781	4.11%
Bond Street Custodians Limited (CAJ – V02075 A/C)	3,330,889	2.10%
BNP Paribas Noms Pty Ltd (DRP)	3,128,026	1.97%
CS Third Nominees Pty Limited (HSBC Cust Nom AU LTD 13 A/C)	2,823,040	1.78%
Mr Hugh Jones & Mrs Pixie Jones & Mr Raymond Clarke (2000 A/C)	2,631,330	1.66%
BNP Paribas Nominees Pty Ltd Hub24 Custodial Serv Pty Ltd	1,953,980	1.23%
KIOWA Two Thousand Corporate Trustee Company Limited (2000 A/C)	1,474,345	0.93%
Bond Street Custodians Limited (CAJ – D09461 A//C)	1,204,225	0.76%
Capital Property Corporation Pty Ltd (Carrington A/C)	1,090,566	0.69%
Bond Street Custodians Limited (CAJ – D46128 A/C)	860,000	0.54%
BNP Paribas Noms (NZ) Ltd (DRP)	690,175	0.44%
Bond Street Custodians Limited (CAJ – D46128 A/C)	600,000	0.38%
Sub Total	**138,028,571**	**87.02%**
Balance of register	20,581,531	12.98%
Total	**158,610,102**	**100.00%**

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	Ordinary Shares % Issued Shares
Qantas Airways Limited	31,705,969	19.99%
HSBC Custody Nominees (Australia) Limited	21,181,869	12.72%
Citicorp Nominees Pty Ltd	13,733,523	8.66%
Bond Street Custodians Limited (CAJ – D64993 A/C)	11,795,033	7.44%
National Nominees Limited	11,111,405	7.01%
KIOWA Two Thousand Corporate Trustee Company Limited	9,277.665	5.85%
Airline Investments Australia Pty Ltd (Finehold & Pastoral Unit)	7,392,742	4.66%
J P Morgan Nominees Australia Pty Ltd	6,529,008	4.12%
BNP Paribas Nominees Pty Ltd (Agency Lending DRP A/C)	6,514,781	4.11%
Total	**118,241,995**	**74.55%**

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
	Phone:	07 3212 1212
	Fax:	07 3212 1522
	Email:	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
	General Manager Commercial	S Edwards
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	

BANKERS	Australia and New Zealand Banking Group Limited 111 Eagle Street Brisbane QLD 4000 Commonwealth Bank of Australia Limited 300 Murray Street Perth WA 6000 *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

An electronic copy of this Annual Report is available at www.allianceairlines.com.au