



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

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www.allianceairlines.com.au

10th February 2021

ASX Market Announcements Office
10 Bridge Street
SYDNEY NSW 2000

Via ASX Online

Dear Sir / Madam

ANNOUNCEMENT FOR RELEASE VIA MARKET ANNOUNCEMENT PLATFORM

Please find **attached** an announcement entitled "Alliance Aviation Services Limited Appendix 4D and Interim Financial Report" (**Announcement**) for release via the ASX Markets Announcements Platform.

For further information regarding this Announcement, please contact:

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

By Order of the Board:

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Marc Devine
CFO & Company Secretary

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Appendix 4D

For the half year ended 31 December 2020

Results for announcement to the market

Revenue and profit after tax	Up / Down	Movement %		December 2020 \$'000
Revenue from ordinary activities (% change up/(down) of revenue from ordinary activities from the previous corresponding period.)	Up	2.3%	to	154,796
Profit/(loss) from ordinary activities after tax attributable to members (% change up/(down) of Profit/(Loss) from ordinary activities after tax attributable to members from the previous corresponding period.)	Up	119.7%	to	23,412
Profit/(loss) for the period attributable to members (% change up/(down) of Net Profit/(Loss) for the period attributable to members from the previous corresponding period.)	Up	119.7%	to	23,412

Dividends/distributions

In respect of the financial year ended 30 June 2020 and the half year ended 31 December 2020, no dividends per fully paid ordinary share were declared by the Board.

Additional information

Net tangible asset backing	December 2020	December 2019
Net tangible asset backing per ordinary share	1.93	1.35

Audit status

The Group's independent auditor's review report to members for the half year ended 31 December 2020 contains an emphasis of matter paragraph drawing members attention to the contents of Note I of interim financial statements for the half year ended 31 December 2020. This note deals with the Group's going concern assumptions and the basis upon which those financial statements have been prepared. A copy of the independent auditor's review report is included with the accompanying interim financial statements for the half-year ended 31 December 2020.

Additional information and commentary

Further commentary on the financial results is contained in the Interim Financial Report for the half year ended 31 December 2020 and the half year results presentation as released on the Australian Stock Exchange and the Company's website www.allianceairlines.com.au.

Control

In November 2020 the group settled on the purchase of Toll Aviation Engineering Pty Ltd (renamed Unity Aviation Maintenance Pty Ltd).

For more information contact:

*Marc Devine
Chief Financial Officer
Alliance Aviation Services Limited
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ALLIANCE AVIATION SERVICES LIMITED
ACN 153 361 525

INTERIM REPORT
For the half year ended 31 December 2020

Alliance Aviation Services Limited

Interim report for the half year ended 31 December 2020

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Alliance Aviation Services Limited

Interim report for the half year ended 31 December 2020

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Director's Report

for the half year ended 31 December 2020

DIRECTOR'S REPORT

Your Directors are pleased to 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 half year ended 31 December 2020.

DIRECTORS

The following persons were Directors of Alliance Aviation Services Limited during the whole of the half year and up to the date of this report:

- Stephen Padgett OAM
- Scott McMillan
- Peter Housden
- David Crombie AM
- Lee Schofield

FINANCIAL REVIEW

The Group has delivered a record first half statutory profit before tax (PBT) of \$33.6 million, an increase of 116.8% when compared to the prior comparative period (2019: \$15.5 million). The Group's statutory net profit after tax (NPAT) result for the half year was \$23.4 million, an increase of 118.7% on the prior comparative period (2019: \$10.7 million). The increase in half year profit can be attributed to a change in revenue mix, a reduced cost base and the full half year contribution from a number of clients.

REVENUE

Revenue increased 2.3% from \$151.3 million for the half year to 31 December 2019 to \$154.8 million for the half year ended 31 December 2020. The increase in total revenue in the first half was driven by growth in contract and charter revenues of 11.6% and 176.7% respectively. These increases more than offset wet lease and RPT revenues decreasing by 96.3% and 24.4% when compared to the prior comparative period.

- Contract revenue benefited from continued increased demand from a majority of resource sector clients and a number of larger mine maintenance programs throughout the half year. The removal of social distancing on the majority of flights has had no material impact on total revenue or total hours;
- Similarly, Alliance continued to operate services for the majority of charter clients it acquired in FY2020. This includes resource sector companies, sporting teams and government agencies. In addition to this there were a number of domestic tourism services operated in the first half;
- Wet lease revenue resumed in the half year with limited services operating from Brisbane to Emerald under the Virgin Australia wet lease agreement;
- RPT revenues continued to be impacted by domestic border closures and an overall subdued leisure travel market. Alliance, in conjunction with key Queensland tourism and airport operators, entered into co-operative arrangements in the half year which allowed for a small expansion of the RPT network to additional tourism and key regional ports; and
- Aviation services revenue also continued to be impacted by a depressed aircraft spare parts market due to the decrease in aviation activity across the globe.

Director's Report

for the half year ended 31 December 2020

CASHFLOW

Operating cash flow for the half year was \$47.5 million, an increase of \$32.9 million from the prior year comparative (\$14.6 million). The following are factors that affected the operating cash flow in the first half:

- The full first-half impact of the retention of the resource sector clients acquired in FY2020;
- A shift in the product mix resulting in a higher revenue per flight hour;
- Aviation specific government rebates that were available to the Group which are reflected through increased cash flows; and
- Lower fuel prices have provided relief in the RPT sectors and has also seen a reduction in cash outflows.

Cash outflows related to investing activities in the half year were \$101.3 million, an increase of \$81.5 million on the prior year comparative. During the half year \$87.4 million was incurred in relation to the Embraer program and associated costs. These aircraft will be inducted into the fleet throughout FY21 and FY22. In addition, the Group acquired the Unity Aviation Maintenance Pty Ltd maintenance facility in Brisbane. This strategic acquisition will provide additional hangarage which is critical in ensuring the ongoing maintenance capabilities for the growing fleet.

The Group decreased its debt by \$2.4 million in the half year.

CAPITAL EXPENDITURE

Capital expenditure for the period was \$103.2 million (2019: \$28.0 million).

Capital expenditure on pre-existing fleet and services was \$14.6 million. Other capital expenditure incurred during the year for the expansion of the Alliance business was \$88.6 million which brought the total capital expenditure for the interim reporting period to 31 December 2020 to \$103.2 million. The investment in expansion relates to thirty Embraer E190 aircraft, Embraer simulator and the acquisition of Toll Aviation Engineering Pty Ltd. A summary of the capital expenditure is shown below.

Item	1H FY 2021 Actual - \$m	1H FY 2020 Actual - \$m
Existing Fleet Maintenance		
Cash outflows		
Base maintenance providers	2.0	5.9
Engine care program	10.2	8.9
Other miscellaneous	1.0	0.5
Operating costs capitalised	0.9	1.5
Total cash outflows	14.1	16.8
Non-cash		
Parts from inventory used in base maintenance	0.5	4.6
Total existing fleet maintenance	14.6	21.4
Growth capital expenditure		
Cash outflows		
Entry into service maintenance providers	0.7	4.5
Embraer program	87.4	-
Operating costs capitalised	0.4	1.6
Total cash outflow	88.5	6.1
Non-cash		
Parts from inventory used in base maintenance	0.1	0.5
Total growth fleet maintenance	88.6	6.6
Total capital expenditure	103.2	28.0

Director's Report

for the half year ended 31 December 2020

SUMMARY OF FINANCIAL RESULTS

Key financial metrics in respect of the half year ended 31 December 2020 are included in the table below with the prior financial period included to facilitate a direct comparison between years.

Item	31 Dec 2020 \$m	31 Dec 2019 \$m	Change \$m
Total Revenue	153.3	150.8	2.5
Earnings before Interest, Tax, Depreciation and Amortisation	52.9	34.7	18.2
Profit Before Tax	33.6	15.6	18.0
Income Tax Expense	(10.2)	(4.9)	(5.3)
Net Profit After Tax	23.4	10.7	12.7
Earnings Per Share – cents	14.6	8.5	12.6
Total Dividends Paid / payable in relation to the financial period – cents	-	7.3	(7.3)
Net Assets	310.1	172.9	137.2
Net Operating Cash Flow	47.5	13.7	33.8

The Group qualified to receive COVID-19 focussed assistance from the Department of Infrastructure, Transport, Regional Development and Communications. The table below shows the underlying net profit after tax.

Item	Actual 31 Dec 2020 \$m	COVID Assistance \$m	Underlying 31 Dec 2020 \$m	31 Dec 2019 \$m
Total Revenue	153.3	-	153.3	150.8
Earnings before Interest, Tax, Depreciation and Amortisation	52.9	(6.9)	46.0	34.7
Profit Before Tax	33.6	(6.9)	26.7	15.6
Income Tax Expense	(10.2)	2.0	(8.2)	(4.9)
Net Profit After Tax	23.4	4.9	18.5	10.7

SUMMARY OF OPERATIONAL METRICS

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

Item	31 Dec 2020	31 Dec 2019	Change
Aircraft in Service	43	40	3
Contract Flight Hours	13,106	11,240	1,866
Wet Lease Flight Hours	149	4,547	(4,398)
RPT Flight Hours	2,567	2,634	(67)
Charter Flight Hours	3,065	931	2,134
Other (Includes maintenance)	180	358	(178)
Total Flight Hours	19,067	19,710	(643)
On Time Performance	96%	95%	1
Average Staff Numbers	552	593	(41)
Revenue Per Employee (\$'000)	278	255	23
Contract Revenue % of Total Revenue	68%	63%	5%

Director's Report

for the half year ended 31 December 2020

ADDITIONAL FLEET FINANCING

The Directors considered the financing options at the time of committing to the acquisition of the additional aircraft. Based on discussions to date the Directors are confident that the Group will be successful in securing the necessary funding to cover the contractual capital commitments.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Other than disclosed elsewhere in this report, there were no significant changes in the state of affairs of the Group during the half year ended 31 December 2020.

AUDITORS 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 5.

ROUNDING OF AMOUNTS

The Company is of a kind referred to in the Australian Securities and Investment Commission (ASIC) Legislative Instrument 2016/191, relating to the 'rounding off' of amounts in the Directors' Report and Financial Report. Amounts in the Directors' Report and Financial 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 of Alliance Airlines Services Limited.



S Padgett, OAM
Chairman
Brisbane
10 February 2021

Auditors Independence Declaration



Auditor's Independence Declaration

As lead auditor for the review of Alliance Aviation Services Limited for the half-year ended 31 December 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 review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

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

A handwritten signature in black ink, appearing to read 'Ben Woodbridge', written in a cursive style.

Ben Woodbridge
Partner
PricewaterhouseCoopers

Brisbane
10 February 2021

PricewaterhouseCoopers, ABN 52 780 433 757

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Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the half year ended 31 December 2020

	Notes	31 December 2020 \$'000	31 December 2019 \$'000
Revenue and Income			
Revenue from continuing operations	A1	154,796	151,316
Net foreign exchange gains / (losses)		(1,585)	(526)
Other income		128	38
Total Revenue and Income		153,339	150,828
Expenses			
Direct flight costs		(42,240)	(55,078)
Parts and inventory costs		(12,017)	(14,461)
Labour and staff related costs		(41,465)	(40,911)
Repairs and maintenance costs		(441)	(564)
Accommodation and utility costs		(935)	(819)
IT and communications costs		(1,405)	(1,591)
Other administrative costs		(1,957)	(3,213)
Finance costs		(992)	(1,383)
Depreciation and amortisation		(18,261)	(17,261)
Total Expenses		(119,713)	(135,281)
Profit before income tax for the period		33,626	15,547
Income tax expense	E1	(10,214)	(4,889)
Profit for the period		23,412	10,658
Other Comprehensive Income			
Items that may be reclassified to profit and loss			
Other comprehensive income for the half year, net of tax		-	-
Total comprehensive income for the half year		23,412	10,658
Total comprehensive income for the period is attributable to:			
Owners of Alliance Aviation Services Limited		23,412	10,658

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

	31 December 2020 Cents	31 December 2019 Cents
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company		
Basic earnings per share	14.61	8.45
Diluted earnings per share	14.57	8.40

Consolidated Balance Sheet

For the half year ended 31 December 2020

	Notes	31 December 2020 \$'000	30 June 2020 \$'000
Assets			
Current Assets			
Cash and cash equivalents	B1	45,110	98,788
Receivables		40,458	54,414
Inventories	D1	62,955	57,401
Total Current Assets		148,523	210,603
Non-Current Assets			
Property, plant & equipment	D2	302,631	216,801
Intangibles	D3	438	494
Right of use assets	D4	19,813	7,976
Total Non-Current Assets		322,882	225,271
Total Assets		471,405	435,874
Liabilities			
Current Liabilities			
Trade and other payables		34,978	48,534
Borrowings	B2	3,200	12,000
Current tax liabilities	E1	7,203	-
Lease liabilities	D4	2,914	1,334
Provisions		10,074	8,924
Total Current Liabilities		58,369	70,792
Non-Current Liabilities			
Borrowings	B2	48,800	42,400
Provisions		1,548	1,529
Deferred tax liability		35,124	32,110
Lease liabilities	D4	17,430	6,979
Total Non-Current Liabilities		102,902	83,018
Total Liabilities		161,271	153,810
Net Assets		310,134	282,064
Equity			
Contributed equity	F1	287,426	282,530
Reserves		(110,083)	(109,845)
Retained earnings		132,791	109,379
Total Equity		310,134	282,064

The above Consolidated Balance Sheet should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

For the half year ended 31 December 2020

	31 December 2020 \$'000	31 December 2019 \$'000
Cash flow from operating activities		
Receipts from customers	170,866	159,825
Payments to suppliers	(122,779)	(144,056)
Interest received	143	38
Interest paid	(720)	(1,183)
Income taxes paid	(1)	(23)
Net cash inflow / (outflow) from operating activities	47,509	14,601
Cash flows from investing activities		
Payments for property, plant, and equipment	(101,377)	(19,848)
Net cash inflow / (outflow) from investing activities	(101,377)	(19,848)
Cash flows from financing activities		
Proceeds from borrowings	-	18,000
Proceeds from share issues	3,438	-
Principal elements of lease payments	(851)	(875)
Repayment of borrowings	(2,400)	(2,050)
Dividends paid	-	(7,342)
Net cash inflow / (outflow) from financing activities	187	7,733
Net increase (decrease) in cash and cash equivalents	(53,681)	2,486
Cash and cash equivalents at the beginning of the half year	98,788	9,607
Effects of currency translation on cash and cash equivalents	3	(6)
Cash and cash equivalents as at 31 December 2020	45,110	12,087

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

For the half year ended 31 December 2019

	Contributed Equity \$'000	Reserves \$'000	Retained Earnings \$'000	Total Equity \$'000
Balance as at 1 July 2020	282,530	(109,845)	109,379	282,064
Comprehensive income				
Profit for the half year	-	-	23,412	23,412
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	-	-	23,412	23,412
Transactions with owners in their capacity as owners				
Dividends paid	-	-	-	-
Dividend reinvestment plan	-	-	-	-
Share placement issue	3,837	-	-	3,837
Share-based payment reserve	623	(435)	-	188
Employee Share Plan	436	-	-	436
Foreign currency translation reserve	-	197	-	197
	4,896	(238)	-	4,658
Closing Balance as at 31 December 2020	287,426	(110,083)	132,791	310,134

	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
Comprehensive income				
Profit for the half year	-	-	10,658	10,658
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	-	-	10,658	10,658
Transactions with owners in their capacity as owners				
Dividends paid	-	-	(11,061)	(11,061)
Dividend reinvestment plan	3,718	-	-	3,718
Share-based payment reserve	243	66	-	309
Employee Share Plan	425	-	-	425
Foreign currency translation reserve	-	24	(4)	20
	4,386	90	(11,065)	(6,589)
Closing Balance as at 31 December 2019	192,034	(112,157)	93,065	172,942

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

For the half year ended 31 December 2020

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 leasing services, regular passenger transport (RPT) services and a number of allied aviation services including part sales, engine and parts leasing, aerodrome management services and other engineering services.

The Group's operations and revenue streams are consistent with those described in the Group's Annual Report for the year ended 30 June 2020.

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

	31 December 2020 \$'000	31 December 2019 \$'000
Contract revenue	105,829	94,825
Wet lease revenue	647	17,525
RPT revenue	16,470	21,793
Charter revenue	29,325	10,588
Aviation services revenue	2,005	6,001
Other revenue	520	584
Total revenue from continuing operations	154,796	151,316

B – CASH MANAGEMENT

B1 - CASH AND CASH EQUIVALENTS

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.

	31 December 2020 \$'000	30 June 2020 \$'000
Cash at bank and on hand	45,110	98,788
Total Cash and Cash Equivalents	45,110	98,788

Notes to the Financial Statements

For the half year ended 31 December 2020

B – CASH MANAGEMENT - CONTINUED

B2 - BORROWINGS

The Group's borrowing facilities consist of term loans, working capital facility and a bank guarantee facility. The Group reduced its term facility balance by \$2.4 million in the half-year ending 31 December 2020 to \$52 million (2019: \$54.4 million). As per Note I, the Group has begun negotiations to refinance the existing debt and increase its facilities to fund the Embraer expansion program.

FACILITIES

	Financier Limit		Current Available \$'000	Utilisation \$'000
	ANZ \$'000	CBA \$'000		
Term loan facility	26,000	26,000	-	52,000
Working capital multi option facility	4,000	-	3,964	36
Bank Guarantee Facility	1,000	-	582	418
Total	31,000	26,000	4,546	52,454

C – CAPITAL MANAGEMENT

The Group's objective 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. To maintain or adjust the capital structure, the Group may adjust the dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

C1 - DIVIDENDS

ORDINARY SHARES

	31 December 2020 \$'000	31 December 2019 \$'000
Dividends paid within half year reporting period		
In respect of the financial year ended 30 June 2020, no dividend per fully paid ordinary share was declared by the Board. (2019: 8.8 cents)	-	11,061

FRANKING CREDITS

	31 December 2020 \$'000	31 December 2019 \$'000
Franking Credits		
Franking credits available for subsequent reporting based on a tax rate of 30% (2019: 30%)	7,647	7,647

Notes to the Financial Statements

For the half year ended 31 December 2020

D – OTHER ASSETS

D1 - INVENTORY

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. The following balances contain inventory for the Fokker and Embraer fleet types.

Item	31 December 2020 \$'000	30 June 2020 \$'000
Inventory – Aircraft and engines	51,540	45,949
Inventory – Spares and Consumables	11,415	11,452
	62,955	57,401

AMOUNT RECOGNISED IN PROFIT AND LOSS

Inventory recognised as an expense during the half year ended 31 December 2020 amounted to \$890k (\$1,421k: 2019) and is included in parts and inventories expense.

D2 - PROPERTY, PLANT & EQUIPMENT

Item	Aircraft Assets \$'000	Property, Plant & Equipment \$'000	Total \$'000
As at 30 June 2020			
Cost	450,311	21,942	472,253
Accumulated Depreciation	(236,936)	(18,515)	(255,451)
Net Book Value	213,375	3,427	216,802
Half year ended 31 December 2020			
Opening net book amount	213,375	3,427	216,802
Additions	101,619	6,889	108,508
Transfers	(5,333)	-	(5,333)
Disposals – Cost	-	(6)	(6)
Disposals – Accumulated Depreciation	-	4	4
Depreciation charge for period	(16,816)	(528)	(17,344)
Closing net book value	292,845	9,786	302,631
As at 31 December 2020			
Cost	546,597	28,825	575,422
Accumulated depreciation	(253,752)	(19,039)	(272,791)
Net book value	292,845	9,786	302,631

Notes to the Financial Statements

For the half year ended 31 December 2020

D – OTHER ASSETS (CONTINUED)

D2 - PROPERTY, PLANT & EQUIPMENT (CONTINUED)

ADDITIONS AND TRANSFERS

Additions to property, plant & equipment for the period ended 31 December 2020 include any aircraft entered into service, all aircraft heavy maintenance and the addition of major modifications and significant components. Additions also include the Embraer fleet where settlement has occurred on an aircraft by aircraft basis and the acquisition of the hangar from Toll Aviation Engineering Pty Ltd (renamed Unity Aviation Maintenance Pty Ltd).

Transfers relate to the removal of rotatable parts from the aircraft which are transferred to inventory.

D3 – INTANGIBLES

Intangibles relate to certifications and internally generated software.

Item	Notes	31 December 2020 \$'000	30 June 2020 \$'000
Opening net book amount		494	472
Additions		-	113
Amortisation charge		(56)	(91)
Closing net book value		438	494

D4 – RIGHT OF USE ASSETS (LEASES)

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 in further detail 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.

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 in relation to leases:

	31 December 2020 \$'000	1 July 2020 \$'000
Right of use Assets		
Property, Plant & Equipment	19,813	7,976
Total Right of Use Assets	19,813	7,976
Lease Liabilities		
Current	2,914	1,334
Non-Current	17,430	6,979
Total Lease Liabilities	20,344	8,313

Notes to the Financial Statements

For the half year ended 31 December 2020

D – OTHER ASSETS - CONTINUED

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

Additions to the Right of Use assets in the half-year were \$11.8 million and involved Unity Aviation Maintenance Pty Ltd executing a long-term hangar lease and Alliance Airlines Pty Limited renegotiating and extending its current hangar facility lease.

AMOUNTS RECOGNISED IN THE CONSOLIDATED INCOME STATEMENT

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 airport apron licence.

Extension and termination options are typically included in 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 the extension and termination options held are exercisable only by the Group and not by the respective lessor.

E – INCOME TAX

E1 - INCOME TAX

	31 December 2020 \$'000	31 December 2019 \$'000
Income tax expense		
Current tax expense	7,203	-
Adjustments for current tax of prior periods	-	4
Total income tax expense	7,203	4
Deferred income tax expense included in the income tax expense comprises:		
Decrease / (Increase) in deferred tax assets	771	(1,022)
Increase / (Decrease) in deferred tax liabilities	2,240	5,907
	3,011	4,885
Income tax expense from continuing operations	10,214	4,889
Effective tax rate	30%	30%
Numerical reconciliation of income tax to prima facie tax payable		
Profit/(loss) before income tax expense	33,626	15,547
Tax at the Australian tax rate of 30% (2019: 30%)	10,088	4,664
Tax effect of amounts which are not deductible/(taxable) in the calculation of taxable income:		
Sundry	126	225
Income tax expense	10,214	4,889

Notes to the Financial Statements

For the half year ended 31 December 2020

F – EQUITY

F1 - CONTRIBUTED EQUITY

	31 December 2020		30 June 2020	
	No. Shares	\$000	No. Shares	\$000
Share Capital				
Ordinary shares – fully paid	160,462,312	287,426	158,610,102	282,530
Total Contributed Equity	160,462,312	287,426	158,610,102	282,530
Movement in ordinary share capital issued and fully paid shares:				
Balance at the beginning of the period	158,610,102	282,530	125,516,945	187,648
Dividend reinvestment plan issues	-	-	1,592,562	3,718
Performance incentive shares vested and exercised	352,819	623	176,995	243
Share purchase plan issues	1,346,355	3,837	31,140,000	90,496
Employee share plan issues	153,036	436	183,600	425
Balance at the end of the period	160,462,312	287,426	158,610,102	282,530

G – RELATED PARTY TRANSACTIONS

G1 - RELATED PARTY TRANSACTIONS

Where transactions are entered into with Key Management Personnel (KMP), these are approved by the Board. Board members who have an interest in the matter either directly or via related party do not participate in the Board approval process. No new arrangements have been entered into since the annual report for year ended 30 June 2020.

H – OTHER ITEMS

H1 – CONTINGENCIES AND COMMITMENTS

CONTINGENT LIABILITIES

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

CAPITAL COMMITMENTS

ROLLS ROYCE TOTAL CARE SERVICES AGREEMENT

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

Notes to the Financial Statements

For the half year ended 31 December 2020

H – OTHER ITEMS - CONTINUED

H1 – CONTINGENCIES AND COMMITMENTS - CONTINUED

AIRCRAFT ACQUISITION

During the half-year ended 31 December 2020, the Group executed sale and purchase agreements with two separate parties for the acquisition of 30 Embraer E-190 jet aircraft and associated spare engines, spare componentry, tooling and ground services equipment. As at 31 December 2020 the Group has contracted commitments totalling USD90.4m. Financial settlement of these commitments occur in line with an agreed timetable which is planned to be completed by November 2021.

H2 - EVENTS OCCURRING AFTER BALANCE DATE

The Directors are not aware of any other matters or circumstances not otherwise dealt with in the interim financial report that have significantly affected or may significantly affect the operations of the consolidated Group, the results of those operations or the state of the consolidated Group in the period subsequent to the half year ended 31 December 2020.

I – BASIS OF PREPARATION

The Group is experiencing very strong financial performance with significantly increased profit and cashflow. The financial forecasts show continued growth across all revenue categories, in particular the wet lease arrangement recently executed with Qantas, announced on 4 February 2021. The acquisition of 30 Embraer E190 aircraft committed during the half-year will facilitate such further growth.

Note H1 – Contingencies and Commitments, identifies that the Group has outstanding capital commitments at balance date of USD\$90 million in relation to the Embraer E190 acquisition programme, including USD\$73 million scheduled for settlement by 30 June 2021, as aircraft are delivered. The Group had cash reserves of A\$45 million at 31 December 2020 and continues to generate positive cash flow. At the date of this report there were not committed financing facilities available to fully cover the outstanding commitments.

The Directors considered the financing options at the time of committing to the acquisition of the additional aircraft. Discussions were held with a variety of parties as to the confidence the Directors could have in obtaining the necessary finance.

At 31 December 2020, there were strong commercial reasons for not finalising the financing arrangements, but these are currently being actively pursued.

The Directors are confident that the Group will be successful in securing the necessary funding to cover the contractual capital commitments. However, despite this view of the Director's, *AASB 101 Presentation of Financial Statements* requires a disclosure noting that at the date of this report there is a material uncertainty that may cast significant doubt upon the Group continuing as a going concern because the timing of the funding commitment is not finally confirmed.

The Group has low gearing, strong cash flow and strong prospects. The Directors have formed the view that despite the shortfall in committed facilities as at the date of this report, the Group will be able to secure funding to meet its commitments and thus have prepared the interim financial report on a going concern basis.

Notes to the Financial Statements

For the half year ended 31 December 2020

I – BASIS OF PREPARATION (CONTINUED)

I1 - COMPLIANCE

This is the interim financial report for Alliance Aviation Services Limited (the “Company”) and its controlled entities (collectively referred to as “Alliance” or “the Group”) for the half year ended 31 December 2020.

The interim financial report has been prepared in accordance with Accounting Standard *AASB 134 Interim Financial Reporting* and the *Corporations Act 2001*. The interim report does not include all the notes of the type normally included in an annual report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2020 and any public announcements made by the Group during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act. 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding reporting period except for the adoption of new and amended standards as set out below.

J - CHANGES IN ACCOUNTING POLICIES

J1 - NEW ACCOUNTING STANDARDS AND INTERPRETATIONS ADOPTED BY THE GROUP

The Group has adopted the following standards apply for the first time for the financial reporting period commencing from 1 July 2020 with no material impacts to be noted.

- AASB 2018-7 Amendments to Australian Accounting Standards Definition of Material - (AASB 101 and AASB 108)
- AASB 2019-3 Amendments to Australian Accounting Standards interest rate benchmark reform – (AASB 7, AASB 9 and AASB 139)
- AASB 2019-5 Amendments to Australian Accounting Standards – Disclosure of the effect of new IFRS standards not yet issued in Australia (AASB 1054)

Directors' Declaration

DIRECTORS' DECLARATION

In the Directors' opinion:

- The financial statements and notes set out on pages 6 to 17 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 31 December 2020 and of its performance for the half year ended on that date, and
 - there are reasonable grounds to believe that Alliance Aviation Services Limited will be able to pay its debts as and when they become due and payable.

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



S Padgett, OAM

Chairman

Brisbane

Date: 10 February 2021

Independent Auditor's Report to Members



Independent auditor's review report to the members of Alliance Aviation Services Limited

Report on the interim report

Conclusion

We have reviewed the interim report of Alliance Aviation Services Limited (the Company) and the entities it controlled during the half-year (together the Group), which comprises the consolidated balance sheet as at 31 December 2020, the consolidated statement of changes in equity, consolidated statement of cash flows and consolidated statement of profit or loss and other comprehensive income for the half-year ended on that date, significant accounting policies and explanatory notes and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying interim report of Alliance Aviation Services Limited does not comply with the Corporations Act 2001 including:

1. giving a true and fair view of the Group's financial position as at 31 December 2020 and of its performance for the half-year ended on that date
2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity (ASRE 2410). Our responsibilities are further described in the Auditor's responsibilities for the review of the interim report section of our report.

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

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Independent Auditor's Report to Members



Responsibility of management for the interim report

Management is responsible for the preparation of the interim 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 management determines is necessary to enable the preparation of the interim report that gives a true and fair view and is free from material misstatement whether due to fraud or error.

Auditor's responsibility for the review of the interim report

Our responsibility is to express a conclusion on the interim report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the interim report is not in accordance with the Corporations Act 2001 including giving a true and fair view of the Group's financial position as at 31 December 2020 and of its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

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

Material uncertainty related to going concern

We draw attention to Note I - Basis of Preparation in the interim report, which indicates that the Group is dependent on obtaining additional funding in a time frame that would meet the contractual commitments on settlement dates relating to the Embraer aircraft acquisitions. The conditions as set forth in Note I - Basis of Preparation, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in this respect.

A handwritten signature in cursive script that reads 'PricewaterhouseCoopers'.

PricewaterhouseCoopers

A handwritten signature in cursive script that reads 'Ben Woodbridge'.

Ben Woodbridge
Partner

Brisbane
10 February 2021

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