ALLIANCE AVIATION SERVICES LIMITED

ACN 153 361 525

ASX Code : AQZ

ANNUAL REPORT

For the year ended 30 June 2017

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Company Directory

Principal Registered Office in Australia	Street: Website: Phone: Fax: Email: ACN: ASX:	81 Pandanus Avenue Brisbane Airport QLD 4009 www.allianceairlines.com.au 07 3212 1212 07 3212 1522 executive@allianceairlines.com.au 153 361 525 AQZ
Directors	S Padgett S McMillan P Housden D Crombie L Schofield	Non-executive Chairman Managing Director Independent non-executive Director Independent non-executive Director Executive Director
Secretary	M Dyer	
Senior Management	M Dyer S Edwards	Chief Financial Officer General Manager Commercial
Share Register	Link Market Services Limited 324 Queen Street Brisbane QLD 4000	
Auditor	PricewaterhouseCoopers 480 Queen Street Brisbane QLD 4000	
Solicitors	Norton White 66 Hunter Street Sydney NSW 2000 Freehills Herbert Smith 101 Collins Street Melbourne VIC 3000	
Bankers	Australian and New Zealand Banking Group 111 Eagle Street Brisbane QLD 4000 Commonwealth Bank of Australia Limited 300 Murray Street, Perth, WA 6000 Fiduciary Services – Australian and New Zealand Banking Group	
Stock Exchange	Australian Securities Exchange Exchange Centre 20 Bridge Street Sydney NSW 2000	

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

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 2017.

The following persons were directors of Alliance Aviation Services Limited during the financial year 2017:

Steve Padgett	Non-executive Chairman
Scott McMillan	Managing Director
Lee Schofield	Chief Executive Officer
Peter Housden	Independent non-executive Director
David Crombie	Independent non-executive Director

The key messages from this report are:

- Alliance has delivered a Profit Before Tax (PBT) of $19.6 million, a 45% increase on the previous year;
- Revenue diversification is a key part of the 2017 result and will continue to be in future years. This revenue includes contract revenue, wet lease revenue and revenue from the sale and lease of aircraft, aircraft engines and parts;
- Strong free cash flow has allowed for continued debt reduction and the settlement of the remaining fleet obligations with the Austrian Airlines group, which will conclude in December 2017;
- There have been no changes to the favourable tax position of the Group with no cash tax payable for the next three to five years. Alliance has a $21 million franking credit balance allowing future dividends to be fully franked;
- Capital expenditure associated with the aircraft maintenance program was $23.6 million; and
- The Directors have declared a final fully franked dividend for the year ended 30 June 2017 of 3.0 cents per ordinary share. This is a 50% increase on the previous year. The Directors have also maintained the dividend re-investment plan which includes a 2% discount.

Summary of Financial Results

Alliance Aviation Services Limited recorded a statutory net profit of $19.6 million for the financial year ended 30 June 2017.

The results for the year ended 30 June 2017 have been summarised below to facilitate direct comparison with the 2016 results.

The "Actual" are the financial results in accordance with the audited Australian Accounting Standards. Adjustments have been made for one off and unusual items in determining the "Underlying" performance of the company.

In our view, the following presentations assist in assessing business performance and remove from the IFRS profit particular expenses to show a 'bottom line' non-IFRS profit.

Item	FY 2017 $m			FY 2016 $m		
	Actual	Adjusted	Underlying	Actual	Adjusted	Underlying
Revenue	203.2	-	203.2	182.6	-	182.6
EBITDA	50.0	-	50.0	42.5	1.1	43.6
EBIT	23.6	-	23.6	18.4	2.3[1]	20.7
Finance Costs	(4.0)	-	(4.0)	(4.9)	-	(4.9)
EBT	19.6	-	19.6	13.5	2.3	15.8

Revenue

Revenue for the year was $203 million compared to $182 million in FY2016, an increase of 11.5%.

As mentioned in the Directors Report for the half year ended 31 December 2016, the revenue composition of the business is varied and demonstrates the diverse nature of the Alliance business and change in the mix of revenue:

- Whilst the contract revenue for the first quarter was below expectations, it continued to normalise during the year with a better second half performance as forecast. Underlying confidence continues to grow with a number of contracts increasing the scheduled activity towards the later part of the year;
- Charter flying hours and associated revenue was again lower than previous years. This reduction in flying however has been compensated for by better than expected wet lease flying;
- Revenue from wet lease flying is $21.7 million, an increase of $12.3 million on the prior financial year;
- Alliance has completed the sale of parts, the lease of engines, the sale of aircraft and the provision of aviation support services during the year.

Total revenue flying hours for the year increased 11% compared with the previous year.

Revenue Flying hours	FY 2017	FY 2016
Contracted Flying	17,872	18,546
Wet Lease Flying	4,600	843
Regular Public Transport (RPT) Flying	2,038	2,093
Charter Flying	607	1,213
Total Flying	**25,117**	**22,695**

A large portion of this increase was wet lease hours with additional flying for Virgin Australia and other domestic carriers. Contracted flying hours was lower than the previous year because of a lower number of mine maintenance flights and more broadly some level of contraction across the remaining contracts. This has improved during the year. The number of ad-hoc charter hours remains below that from previous periods and represents a smaller part of the business than it has historically.

[1] This adjustment is operating expenses which represent, the employee costs incurred with "once off" redundancy, termination and restructuring costs which were incurred during the period, foreign exchange adjustments attributable to overseas transactions and establishment costs of the Slovakian operation.

Alliance has continued its focus on its long term relationships with existing customers.

Operating Cash flow

Operating cash flow for the year was $21.7 million (2016: $25.4 million).

Alliance has invested significantly during the past 12 months which will will provide the foundation for a continued improvement in the operating cash flow in the future.

When Alliance entered into the transaction with Austrian Airlines to acquire the Fokker fleet, this was done to acquire the aircraft for resale, lease and breakdown as parts. These parts will be used for sale and as part of the maintenance program of the Alliance operation.

When these aircraft are acquired they are initially included as part of inventory. This is an investment in the future and the value from this holding will be realised over time. The inventory will generate cash flow in the future from the sale and lease of parts, provide for a reduction of the cost of operating the Alliance fleet in the future or to grow the Alliance operating fleet.

As a consequence in the current year, whilst the underlying cash flow from operations improved during the year, the total cash flow from operating activities decreased in the financial statements.

This is because “Payments to Suppliers” includes:

- Payments as part of the Austrian Airlines fleet acquisition;
- Inventory acquired and ultimately used as part of the heavy maintenance program; and
- Internal employee costs which are directly related to the capital expenditure plan and therefore included in the acquisitions of property plant and equipment.

In future years significant cash flow will be generated from this inventory balance. Capital expenditure in the future will also be higher than cash outgoing for capital expenditure as a result.

Capital Expenditure

Capital expenditure on pre-existing fleet and services was $23.6 million (2016: $20.1 million). Other capital expenditure incurred during the year for the expansion of the Alliance business was $7.2 million which brought the total capital expenditure for the FY17 year to $30.8 million.

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

Reconciliation of Capital Expenditure and Cash Flow	FY17	FY16
Cash Payments for maintenance capital expenditure including Austrian Technik Brataslavia (ATB) and Rolls Royce	13.5	16.6
Transfer of aircraft and engines from inventory as an expansion of property plant and equipment (PPE)	6.3	-
Transfer of parts from inventory and used in the heavy maintenance program	5.0	-
Operating costs capitalised as part of the heavy maintenance program	5.3	3.5
Other Capital Expenditure	0.7	-
Total Capital Expenditure	**30.8**	**20.1**

The investment in additional PPE in the current year is for additional and future operational requirements.

Key Metrics

A summary of the Company's key metrics is:

Detail	FY 2017	FY 2016	FY 2015
Aircraft in Service	29	27	25
Flight Hours	25,117	22,695	24,285
Total Flights	19,841	18,774	18,786
Average Staff Numbers	435	426	492
Revenue per employee	$466k	$401k	$399K
FIFO % of Total Revenue	81%	82%	88%

As at 30 June 2017, Alliance employed 451 staff which is an increase of 6% from 30 June 2016. This increase was predominately in June 2017 for operational crew to support the expanded wet lease flying from July 2017 onwards.

Business Strategies and Outlook

Alliance is a business with a broad revenue base. The revenue now includes contract flying, charter flying, wet lease flying, the sale and lease of aircraft and parts and the management of aerodromes and related activities.

The contract flying is across a number of sectors including an expanding tourism sector. The introduction of regional RPT flying in the 2018 financial year again positions Alliance to respond to opportunities.

Alliance will always have an emphasis on the highest level of safety, maintaining industry leading on time performance and outstanding customer service to support the delivery of sustainable shareholder returns.

Fleet and Maintenance

Alliance is continuing to review its fleet strategy. This includes fleet mix and location as market conditions continue to change. Where opportunities present themselves, Alliance will use the resources within the European aircraft pool to promote its ability to service and expand its fleet in the most cost effective manner.

During the 2017 financial year the Australian operation acquired three fleet units from the Austrian fleet transaction. One of these has been introduced into service in Australia, a further one will be introduced in the 2018 financial year and the engines and other components from the remaining aircraft have been used for leasing opportunities.

Cash flow

The positive cash result from operating activities less maintenance activities confirms that the business has improved its underlying cash flow compared with previous years.

The cash flow from operations during the 2017 financial year was dominated by the continued stable underlying performance of the business, the reduction in debt and the continued settlements for the Austrian fleet which is included in "Payments to Suppliers". These payments are classified as inventory resulting in a valuable inventory balance at 30 June 2017.

During the course of the 2017 financial year the business continued to invest in aircraft and inventory for future years.

During the first half of the 2018 financial year, Alliance's forecast cash flow will fund the remaining Austrian Aircraft settlements, maintain debt reduction strategies that are in place, invest in the additional aircraft to enter into service and fund the dividend for the year ended 30 June 2017.

Outlook

The outlook for the Alliance business remains positive, with opportunities to leverage the valuable inventory balance. The Groups cash generation will continue to improve.

The outlook for the 2018 financial year will be influenced by increased flying activity across all revenue categories excluding charter.

Alliance continues to leverage significant value from the acquisition of the Austrian Airlines AG Fokker Fleet. Revenue will continue to be earned from this transaction through aircraft sales, part sales and leases.

In summary, Alliance will continue the strong focus on customer service, consolidate the new RPT services which started in July 2017 and leverage the valuable inventory balance to convert this into profitable transactions which promote cash flow from operating activities.

Dividend

The Directors have declared a fully franked dividend in respect of the year ended 30 June 2017 of 3.0 cents per share.

The focus of the Directors continues to be cash flow generation to strengthen the financial position of Alliance and provide sustainable returns to shareholders. This includes continued debt reduction during the year ended 30 June 2018.

Impairment of Assets

The Directors continue to monitor and complete assessments for the potential impairment of assets.

The Directors have determined there is no need for any impairment of assets.

Description of Operations

Alliance is a broad based aviation business. It is the leading air charter operator in Australia and provides an essential service to a number of sectors including tourism, resources, education, government, corporate, sporting, entertainment and aviation sales and parts.

Alliance has further expanded the tourism sector and is continuing to develop new products. In May 2016 Alliance started long term contracted wet lease services for Virgin Australia in Queensland. Wet leasing has continued to develop for a number of carriers with additional services starting in October 2016 and July 2017.

In May 2017, the strategic partnership between Virgin Australia group and Alliance was approved by the Australian Competition and Consumer Commission (ACCC). This charter partnership is to jointly grow our respective businesses with new contracts to be operated under the charter partnership.

In June 2017, Alliance announced that it expanded its airport operations with the announcement of aerodrome management and ground handling services for CITIC Pacific Mining at the Cape Preston (Sino Iron) aerodrome facility.

The acquisition of the Austrian Airlines AG fleet of 21 Fokker aircraft through the establishment of a Slovakian subsidiary continues. As at 30 June 2017, 16 of the 21 aircraft have been settled. The remaining five will be funded and settled before 31 December 2017.

With the Australian management expertise and resources, Alliance has successfully started to sell parts, refurbish and sell aircraft, lease engines and provide a broad range of aviation services.

These operations support the existing operating Alliance fleet through a continued, reliable and cost effective supply of parts.

The Australian company owns a fleet of 16 Fokker 100 (F100) and 8 Fokker 70LR (F70) jet aircraft and 5 Fokker 50 (F50) turboprops at industry leading on time performance. Alliance has an international footprint with operations based in Brisbane, Townsville, Cairns, Adelaide, Melbourne, Perth, Darwin, Auckland and Bratislava.

The Alliance corporate function is based in Brisbane. Alliance has line maintenance facilities in Brisbane, Adelaide, Perth, Melbourne, Townsville, Cairns and Auckland. Following the restructure of the engineering maintenance program during 2016, Alliance performs a small number of heavy maintenance checks in its Brisbane facility and the majority of the heavy maintenance checks in Bratislava.

Safety will always be the most important operational requirement for Alliance and is paramount to the Groups success. Alliance has the IATA, IOSA certification one of only a small number of airlines in Australia. This is a global recognition of the operational management and control of the airline. The company also has the Flight Safety Foundation “BARS Gold” status and received Wyvern accreditation.

Alliance has an enviable industry leading on time performance record with an average of 95% (2016: 95%) for the year ended 30 June 2017. This is one of the major reasons that sets our performance apart from our competitors.

Aircraft

The total number of Alliance aircraft in service as at 30 June 2017 is as follows:

Aircraft	FY 2017	FY 2016	FY 2015
F50	5	5	5
F70	8	8	8
F100	16	15	15
	29	28	28

The low capital cost of the aircraft gives Alliance an organisational and competitive cost base advantage. It is forecast that the number of aircraft in service will increase to 31 by 31 December 2017.

Revenue Sources and Major Contracts

The primary revenue sources for Alliance are from flying activity for; long term charter contracts, charter revenue and contracted wet lease arrangements. In the current year this has expanded to include aircraft and parts sales and leasing as the Group leverages the Fokker fleet purchase. This will continue for years to come.

Alliance has built its business over many years from the contracted FIFO operations for Australia's premier mining and resource companies with a particular focus on long term low cost production projects. This is a stable part of the Alliance business with limited exposure to any construction contracts.

In April 2017, Alliance announced that its contract with Oz Minerals would terminate on 11 August 2017. This contract loss will have an impact on the 2018 contract income.

With a unique aircraft mix, better capacity, together with its national footprint, Alliance has positioned itself to secure new opportunities in the future. This includes the opportunity in the high end tourism charter business. The F70 fleet provides a very flexible and efficient offering that can be configured to specific customer needs. Inbound tourism operations are an expanding part of the Alliance business.

Long term contracts provide good visibility of future revenues once secured. During the year there were a number of new or renewed contracts which included a five year extension of the CITIC Pacific Mining contract combined with the airport operations contract of two years and the extension of the Newcrest mining contract until 2020.

Continued investment and optimisation in fleet numbers and aircraft type has ensured that Alliance is well positioned to secure new opportunities and meet current customers' needs at a competitive price.

Organisational Readiness

Alliance has demonstrated over the past three years that it has the ability to respond to the changes in our industry and our client's needs. This includes the restructure of the engineering division in Australia, the establishment of the European operation and the acquisition of the Austrian Airlines Fokker fleet together with the adaption of the business model to expand into new markets.

Specifically in the last six months this has included the introduction of expanded wet lease flying for multiple operators, the introduction of regional RPT services and the expansion of the aerodrome management services.

As a result, Alliance is a restructured business, both in terms of diversified revenue and a lower cost base. This is the foundation for the outlook for the coming years.

Environmental regulation

The Group operations are subject to a 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.

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

Other Relevant Facts

Principal Activities

During the year the principal activities of the Group was provision of aircraft charter services and aircraft sales, parts sales and any leasing opportunities to leverage its valuable inventory holding.

Earnings per Share

The basic earnings per share was 15.26 cents for the year ended 30 June 2017 (2016: (11.75) cents).

Bank Debt Facility

The Group last completed a refinance of the existing debt facilities in June 2015.

This facility expires on 5 July 2018. The Directors anticipate to refinance or renew this facility before 30 November 2017.

The Directors continue to maintain the strategy to lower debt during the course of the 2018 financial year.

Dividends

Having regard to the current and future cash flow of the underlying flying business, the Directors have declared a final dividend for the year ended 30 June 2017 of 3.0 cents per share fully franked. Shareholders will be able to utilise the dividend re-investment plan which will include a 2% discount.

Likely developments and expected results of operations

There are no items that have not been separately disclosed in this report.

Significant Changes in the State of Affairs

Apart from the changes discussed above, there were no significant changes in the state of affairs of the Group during the period.

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

Information on Directors

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

S Padgett: ***Chairman and non-executive Director***		
Experience and expertise	Mr Padgett was a founding shareholder and inaugural chairman of the entities formed in 2002 which were the predecessors of the Group. He 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 sold recently to Hawker Pacific where he is deputy chairman, Australia. Currently a life member and Director 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).	
Other current directorships	Director of: ▪ Regional Aviation Association of Australia (Life Member).	
Former directorships in the last three years	Managing Director of Aeromil Pacific Pty Limited	
Special responsibilities	▪ Chairman of the Board ▪ Member of nomination and remuneration committee ▪ Member of the audit and compliance committee	
Interests in shares and options	Ordinary Shares	10,226,172

P Housden: ***Independent 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 directorships	Director of ASX listed companies: ▪ Royal Wolf ▪ Graincorp	
Former directorships in the last three years	▪ Seeing Machines Limited ▪ Calibre Ltd	
Special responsibilities	▪ Member of the nomination and remuneration committee ▪ Chairman of the audit and compliance committee	
Interests in shares and options	Ordinary Shares	34,374

D Crombie: Independent non-executive Director		
Experience and expertise	Mr Crombie has extensive experience in the agricultural industry founding GRM International a company managing development projects in Australia and overseas.	
Other current directorships	Director of ASX listed companies: ▪ Australian Agricultural Company Ltd ▪ Barrack St. Investments Director of: ▪ GRM Futures Group	
Former directorships in the last three years	▪ Meat and Livestock Australia (Chairman) ▪ National Farmers Federation (President) ▪ Australian Rugby Union (President) ▪ Foodbank Queensland (Director) ▪ Export Finance and Insurance Corporation (Director) ▪ Rosewood Station Pty Ltd	
Special responsibilities	▪ Chairman of the nomination and remuneration committee. ▪ Member of the audit and compliance committee.	
Interests in shares and options	Ordinary Shares	148,250

S McMillan: ***Managing Director (Executive 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 prior to joining Alliance he held senior positions with Ansett Australia, Flight West and qualified as a chartered accountant with Peat Marwick Mitchell (now KPMG).	
Other current directorships	▪ Regional Aviation Association of Australia	
Former directorships in the last three years	Nil	
Special responsibilities	Managing Director	
Interests in shares and options	Ordinary Shares	4,508,539

L Schofield: ***Chief Executive Officer (Executive Director)***		
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 directorships	Nil	
Former directorships in the last three years	▪ Complete Aviation Solutions Pty Ltd ▪ Australian Handball Federation ▪ VGS Bermuda Leasing One Ltd	
Special responsibilities	Chief Executive Officer	
Interests in shares and options	Ordinary Shares	2,280

Company Secretary

The Company Secretary as at 30 June 2017 was M Dyer. M Dyer was appointed company secretary on 15 July 2013. M Dyer was also the Chief Financial Officer.

Meetings of Directors

The numbers of meetings of the company's Board of Directors and of each board committee held during the year ended 30 June 2017, and the numbers of meetings attended by each Director were:

Director			Meetings of Committees			
	Full meetings of Directors		Audit and Compliance		Nomination and Remuneration	
	Attended	Held	Attended	Held	Attended	Held
S Padgett	6	6	2	2	3	3
S McMillan	6	6	-	-	-	-
P Housden	5	6	2	2	2	3
D Crombie	6	6	2	2	3	3
L Schofield	6	6	-	-	-	-

Remuneration Report

Role of the Nomination and Remuneration Committee

The nomination and remuneration committee is a committee of the Board. Its key roles include making recommendations to the board on:

- Non-executive director fees;
- Remuneration levels of executive directors and other key management personnel;
- The executive remuneration framework and operation of the incentive plans, and
- Key performance indicators and performance hurdles for the executive team.

Their objective is to ensure that remuneration policies and structures are equitable and competitive and aligned with the long-term interests of the company and its shareholders.

The current members of the remuneration committee are Mr D Crombie (Chair), Mr P Housden and Mr S Padgett.

The Corporate Governance Statement provides further information on the role of this committee.

Non-Executive Director Remuneration Policy

Fees and payments 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.

Directors' 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

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

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

These fees were last reviewed in August 2016. The Directors resolved to increase base fee by reinstating the reduction of 5% which was previously adopted in 2013 and applying a 1% CPI adjustment from 1 July 2016.

The following fees have applied:

Fee type	FY 2017 $	FY 2016 $
Base Fees		
Chair	192,780	181,000
Other non-executive directors	80,920	76,000
Additional Fees		
Committee – chair	14,455	14,000

Remuneration Report (continued)

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

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

Executive Remuneration Policy and Framework

Our remuneration committee is made up of non-executive Directors. The committee reviews and determines the remuneration policy and structure annually to ensure it remains aligned to business needs, and meets the remuneration principles. From time to time, the committee also engages external remuneration consultants to assist with this review.

In particular, the Board aims to ensure that remuneration practices are:

- 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 Board has an executive remuneration and reward framework that has three components:

- Base pay and benefits, including superannuation;
- Short-term performance incentives, and
- Long-term incentives.

For the year ended 30 June 2017 the following remuneration practices were adopted for Key Management Personnel (KMP):

Base Pay and Benefits

Executives receive their base pay as the fixed component of their remuneration. They can elect to salary sacrifice and receive non-monetary benefits. There is no guaranteed base pay increases included in any executives' contracts.

Balancing short-term and long-term performance

Annual incentives are set at a maximum of 20% of fixed remuneration, in order to drive performance without encouraging undue risk-taking.

Short-Term Incentives

In 2017, a short-term incentive bonus pool was provided for KMP following the completion of the 2016 financial year.

Remuneration Report (continued)

The relative proportions of total remuneration that is linked to performance and those fixed are as follows:

Name	Fixed remuneration		At risk – STI		At risk – LTI	
	2017	2016	2017	2016	2017	2016
Other key management personnel						
Executive directors						
S McMillan	77%	80%	15%	20%	8%	0%
L Schofield	77%	80%	15%	20%	8%	0%
Other key management personnel						
M Dyer	77%	80%	15%	20%	8%	0%
S Edwards	77%	80%	15%	20%	8%	0%

Long-Term Incentives

Long-Term Incentives are aligned to long-term shareholder value.

The Company has adopted a framework for a Long Term Incentive Plan ("LTI Plan") to assist in the attraction, motivation and retention of employees (including executive directors) of Alliance. The framework authorises the grant of options, rights or restricted shares ("LTI Securities").

Eligibility to participate in the LTI plan, the number and type of LTI Securities offered to each individual participant, is determined by the Board as part of an overall remuneration strategy.

An option, right or restricted share will vest and become exercisable (if applicable) to the extent that the applicable performance, service or other vesting conditions specified at the time of the grant are satisfied. The LTI framework provides the Board with the discretion to set the terms and conditions on which it will offer LTI Securities under the LTI Plan, including the vesting conditions and waiver of the terms and conditions.

Upon the satisfaction of the vesting conditions, each right issued under the LTI Plan will convert to a share on a one-for-one basis; each option will entitle the holder to receive one share upon the payment of the applicable exercise price; and each restricted share will cease to be restricted.

Shares issued under the LTI Plan, that vest and exercised, will rank equally with the other issued shares.

Any rights and options issued do not carry any voting or dividend rights. Restricted shares and shares allocated on vesting or exercise of a right or option carry the same rights and entitlements of ordinary fully paid shares, including dividend and voting rights.

To the extent permitted by the Listing Rules, the Board retains the discretion to vary the terms and conditions of the LTI Plan. This includes varying the exercise price for options, the number of rights and options or the number of shares to which a plan participant is entitled upon a reorganisation of capital of the Company.

Without the prior approval of the Board, LTI securities may not be sold, transferred, mortgaged, charged or otherwise dealt with or encumbered.

LTI Securities will lapse or be forfeited if the applicable vesting conditions are not met during the prescribed period.

Rights and options will not be quoted on the ASX. The company will apply for official quotation of any shares issued under the LTI Plan, in accordance with the Listing Rules.

Remuneration Report (continued)

The LTI Plan contains provisions concerning the treatment of vested and unvested LTI Securities in the event a plan participant ceases employment.

Unless the Board determines otherwise, if a plan participant ceases employment by reason of resignation, termination for poor performance or termination for cause, all LTI Securities held by the plan participant will lapse or be forfeited (as the case may be).

Unless the Board determines otherwise, if a plan participant ceases employment for any other reason, including by reason of death, disability, redundancy, retirement or by agreement, all LTI Securities for which the applicable vesting conditions have not been satisfied as at the date of cessation of employment will remain 'on foot', subject to the original vesting conditions (except that any continuous service condition will be deemed to have been waived).

The Board has the discretion to accelerate vesting of LTI Securities in the event of a change of control. Any other unvested LTI Securities will lapse or be forfeited (as applicable) unless the Board determines otherwise.

The Company will pay all costs of issuing shares, brokerage on acquisitions of shares and all costs of administering the LTI Plan. These costs are not expected to be material.

The LTI Plan also contains customary and usual terms having regard to Australian law for dealing with winding up, administration, variation, suspension and termination of the LTI Plan.

Any issues pursuant to the LTI plan will be made as part of the overall remuneration and reward framework.

Previous Issue of Rights

There were originally performance rights issued in 2011 and 2012 to the Managing Director. None of these performance rights vested and no performance rights have been issued since.

The Directors continued to review the LTI plan which was considered difficult to achieve in a challenging industry and business environment.

Issue of Rights

The Board and Management team have been working to restructure the Alliance business since 2014. The results of this, in the view of the Directors, will be realised in future shareholder value.

Consistent with the strategy to align the interests of the Management and shareholders alike, the Directors issued rights to acquire shares in Alliance to Key Management Personnel in the period between July to October 2016.
The Shareholders of the Group approved the issue of these performance rights to the two executive Directors of Alliance on 27 October 2016.

The number of performance rights proposed to be granted is calculated as that number of shares in Alliance Aviation Services Limited at the start of the year which would be equivalent to the value of 10% of the total fixed remuneration of the Director for the year ending 30 June 2017.

The fair value of rights granted are recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the rights. The measurement of the fair value requires the use of estimates and judgements.

Remuneration Report (continued)

Alliance has taken into account as at the grant date, the current share price, the forecast expected volume weighted average price (VWAP) market share price at 30th June 2017, the exercise price, the expected price volatility of the underlying share and other factors in AASB 2 in the calculation of the fair value. The grant date of the rights was 27 October 2016 with the grant date value being $0.78

The initial focus was to ensure that Management were focussed on delivering results and messages that returned the market capitalisation to a point which was closer to broader market expectations.

This initial issue of performance rights was structured in this way to align the interests of Management and the Shareholders at a time when the Alliance market capitalisation was below general expectations.

Subject to the vesting conditions over the vesting period (which initially are linked to the share price of AQZ) each right will entitle KMP to one ordinary share in Alliance Aviation Services. The current LTI Plan rules provide discretion to the Company to make a decision upon vesting whether the shares will be acquired on-market or issued as new securities.

Performance rights have no rights to dividends or other shareholder rights, including the right to participate in any new issue until such time as they vest and ordinary share are allotted.

The number of performance rights issued during the 2017 financial year is as follows:

Name	Number of Performance Rights	
	2017	**2016**
Other key management personnel		
Executive directors		
S McMillan	108,972	-
L Schofield	79,628	-
Other key management personnel		
M Dyer	36,527	-
S Edwards	60,878	-

Vesting Conditions

The Rights issued during the 2017 financial year are subject to the vesting conditions within the LTI rules and specific conditions to this issue.

The Rights granted in 2017 will vest on the later of 15 August 2017 or the date on which the companies unqualified set of financial statements for the year ended 30 June 2017 are released. Unless the Board determined otherwise, all rights holders must still be an employee of the company. In addition to this the following conditions must be met:

- 20% of the Rights will vest if the volume weighted average market Share price is $0.61 or greater for the 5 days immediately prior to 30 June 2017.
- 20% of the Rights will vest if the volume weighted average market Share price is $0.72 or greater for the 5 days immediately prior to 30 June 2017.
- 20% of the Rights will vest if the volume weighted average market Share price is $0.83 or greater for the 5 days immediately prior to 30 June 2017.
- 20% of the Rights will vest if the volume weighted average market Share price is $0.94 or greater for the 5 days immediately prior to 30 June 2017.
- 20% of the Rights will vest if the volume weighted average market Share price is $1.05 or greater for the 5 days immediately prior to 30 June 2017.

Remuneration Report (continued)

Any Rights which do not meet the required Vesting conditions will automatically lapse.

Future Issues of Performance Rights

The committee continues to seek advice in relation to future issue of performance rights.

Considering the current market value of the Group, advice received from our advisors and feedback from shareholders and stakeholders alike, the committee is considering a more traditional model where the vesting conditions of performance rights are closely aligned to total shareholder return and earnings per share.

The committee continues to believe that any plan should have a close relationship to the overall equity value of the business, because this ensures that the interests of management and shareholders are aligned over the medium to longer term.

Details of Remuneration

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.

2017	**Short-term employee benefits**			**Post-employment benefits**	**Long term benefits**	**Termination benefits**	**Share based payments**	
	Cash salary and allowances $	**Cash Bonus $**	**Cash Annual leave $**	**Super-annuation $**	**Long services leave $**	**Termination benefits $**	**Performance Rights $**	**Total $**
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	456,356	107,893	32,538	19,616	7,465	-	89,357	713,225
L Schofield	340,315	78,840	31,920	33,396	4,142	-	65,295	553,908
Other key management personnel								
M Dyer (Resigned 31 March 2017)	116,668	60,275	8,424	17,610	-	1,453	-	204,430
S Edwards	257,577	60,275	22,605	29,934	1,366	-	49,920	421,677
Total key management personnel compensation (group)	**1,529,446**	**307,283**	**95,487**	**125,556**	**12,973**	**1,453**	**204,572**	**2,276,770**

M Dyer resigned from employment with the Group on 31 March 2017. M Dyer continues to act as Company Secretary and perform Chief Financial Officer responsibilities of the Group via a contractual agreement with the Group. Refer note 25(c) for further details.

Remuneration Report (continued)

The right to receive an STI or LTI is generally considered by the Remuneration Committee and the Board after the signing the financial accounts for the year and in advance of the Annual General Meeting. This review considers the financial performance of the immediately preceding year compared with forecast, specified key performance indicators for each KMP for the preceding year and the performance of the share price.

2016	Short-term employee benefits			Post-employment benefits	Long term benefits	Termination benefits	Share based payments	
	Cash salary and allowances $	Cash Bonus $	Cash Annual leave $	Super-annuation $	Long services leave $	Termination benefits $	Options $	Total $
Non-executive directors								
S Padgett	165,675	-	-	15,739	-	-	-	181,414
D Crombie	82,192	-	-	7,808	-	-	-	90,000
P Housden	90,000	-	-	-	-	-	-	90,000
Sub-total non-executive directors	**337,867**	**-**	**-**	**23,547**	**-**	**-**	**-**	**361,414**
Executive directors								
S McMillan	455,218	53,946	84,246	35,000	9,957	-	-	638,367
L Schofield	340,065	31,615	32,377	19,308	4,258	-	-	427,623
Other key management personnel								
M Dyer	209,506	30,138	19,210	21,728	1,909	-	-	282,491
S Edwards	252,511	10,046	16,389	25,546	1,097	-	-	305,589
Total key management personnel compensation (group)	**1,595,167**	**125,745**	**152,222**	**125,129**	**17,221**	**-**	**-**	**2,015,484**

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.

Remuneration and other terms of employment for the Managing Director and the other key management personnel are formalised in employment agreements. These agreements provide for remuneration in the form of base salary plus superannuation. The service agreements are summarised below:

Name	Commencement date	Term of employment contract	Base salary and allowances including super-annuation	Termination benefits
S McMillan Managing Director	05-Apr-02	On-going	$544,858	Nil
L Schofield Chief Executive Officer	12-Jun-12	On-going	$398,142	Nil
S Edwards General Manager – Commercial	16-Feb-15	On-going	$304,390	Nil
M Dyer Chief Financial Officer / Company Secretary	06-May-13	Terminated	$182,633	Nil

Remuneration Report (continued)

Loans to Directors and Executives

There have been no loans to directors and executives during the year.

Share Holdings by Directors

The numbers of shares in the company held during the financial year by each Director of Alliance Aviation Services Limited and other key management personnel of the Group, including their personally related parties, are set out below. There were no shares granted during the reporting period as compensation.

FY 2017					
Name	Balance at start of the year	Disposal during the year	Received during the year on the exercise of options	Other changes	Balance at the end of the year
Directors of Alliance Aviation Services limited					
Ordinary Shares					
S Padgett	9,962,303	-	-	263,869	10,226,172
D Crombie	144,424	-	-	3,826	148,250
P Housden	33,486	-	-	888	34,374
S McMillan	4,372,206	-	-	136,333	4,508,539
L Schofield	2,222	-	-	58	2,280

FY 2016					
Name	Balance at start of the year	Disposal during the year	Received during the year on the exercise of options	Other changes	Balance at the end of the year
Directors of Alliance Aviation Services limited					
Ordinary Shares					
S Padgett	9,962,303	-	-	-	9,962,303
D Crombie	144,424	-	-	-	144,424
P Housden	33,486	-	-	-	33,486
S McMillan	4,012,206	-	-	360,000	4,372,206
L Schofield	2,222	-	-	-	2,222

Shares under option

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

Insurance of Officers

The Company has indemnified the Directors for costs incurred, in their capacity as a director, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, Alliance Aviation Services Limited and its controlled entities paid a premium of $206,871 to insure the directors and secretary of the Group companies.

Remuneration Report (continued)

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.*

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 23.

Rounding of Amounts

The Group is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191", issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the Directors' report. Amounts in the Directors' report have been rounded off in accordance with that Instrument to the nearest thousand dollars, or in certain cases, to the nearest dollar.

Auditor

PwC continues in office in accordance with section 327 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 below.

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 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*

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

	2017 $	2016 $
Taxation Services		
PwC		
Tax consulting and compliance services	209,776	71,931
Total remuneration for taxation services	**209,776**	**71,931**
Total remuneration for non-audit services	**209,776**	**71,931**

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

S Padgett

Chairman
Sydney
09 August 2017

Auditor's Independence Declaration

As lead auditor for the audit of Alliance Aviation Services Limited for the year ended 30 June 2017, 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.

Debbie Smith
Partner
PricewaterhouseCoopers

Brisbane
9 August 2017

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Financial Statements

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 10 August 2017. The Directors have the power to amend and reissue the financial statements

All press releases, financial statements, corporate governance statements and other information are available on our website: www.allianceairlines.com.au

Financial Statements

Consolidated income statement

Revenue and income	Notes	2017 $'000	2016 $'000
Revenue from continuing operations	5	**202,872**	182,649
Other income	6	**22**	4
Net foreign exchange gains/(losses)		**327**	(1,143)
		203,221	181,510
Expenses			
Direct flight costs	7	**(67,041)**	(67,414)
Parts and inventory costs	7	**(18,691)**	(8,056)
Labour and staff related costs	7	**(56,560)**	(53,969)
Repairs and maintenance		**(2,170)**	(2,237)
Accommodation and utility costs		**(3,205)**	(3,066)
IT and communication costs		**(1,726)**	(1,722)
Other administrative costs		**(3,834)**	(3,645)
Finance costs	7	**(4,019)**	(4,910)
Depreciation	12	**(26,364)**	(22,986)
		(183,611)	(168,004)
Profit/(Loss) before income tax for the period		**19,611**	13,505
Income tax (expense) / benefit	8	**(1,064)**	(16)
Profit/(Loss) for the period		**18,547**	13,489
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company	33	**Cents**	Cents
Basic earnings per share		**15.26**	11.75
Diluted earnings per share		**15.20**	11.75

The above consolidated income statement should be read in conjunction with the accompanying notes.

Consolidated statement of comprehensive income

	Notes	2017 $'000	2016 $'000
Profit for the period		**18,547**	13,489
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Change in the fair value of cash flow hedges	23	**142**	(142)
Income tax relating to these items	8	**(43)**	43
Other comprehensive income for the year, net of tax		**99**	(99)
Total comprehensive income for the period		**18,646**	13,390
Total comprehensive income for the period is attributable to:			
Owners of Alliance Aviation Services Limited		**18,646**	13,390

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated balance sheet

	Notes	2017 $'000	2016 $'000
ASSETS			
Current Assets			
Cash and cash equivalents	9	**3,462**	2,096
Receivables	10	**30,408**	28,738
Inventories	11	**43,012**	37,066
Total current assets		**76,882**	67,900
Non-current assets			
Property, plant & equipment	12	**173,169**	168,518
Intangibles	13	**62**	-
Deferred tax asset	14	**-**	31
Total non-current assets		**173,231**	168,549
Total assets		**250,113**	236,449
LIABILITIES			
Current liabilities			
Trade and other payables	15	**22,360**	22,878
Derivative financial instrument		**-**	171
Borrowings	16	**14,244**	11,295
Current tax liabilities		**54**	65
Provisions	17	**6,020**	5,026
Total current liabilities		**42,678**	39,435
Non-current liabilities			
Borrowings	18	**60,747**	68,541
Provisions	21	**1,333**	1,488
Deferred tax liabilities	20	**993**	-
Total non-current liabilities		**63,073**	70,029
Total liabilities		**105,751**	109,464
Net assets		**144,362**	126,985
EQUITY			
Contributed equity	22	**181,035**	180,483
Reserves	23	**(112,333)**	(113,031)
Retained earnings	23	**75,660**	59,533
Total equity		**144,362**	126,985

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

Consolidated statement of changes in equity

	Notes	Contributed equity $'000	Reserves $'000	Retained earnings $'000	Total equity $'000
Balance at 1 July 2015		**172,837**	**(112,932)**	**46,044**	**105,949**
Profit for the period	23	-	-	13,489	13,489
Other comprehensive income	23	-	(99)	-	(99)
Total comprehensive income for the period		-	(99)	13,489	13,390
Transactions with owners in their capacity as owners:					
Contributions of equity		7,646	-	-	7,646
Dividends paid	24	-	-	-	-
Dividend reinvestment plan	24	-	-	-	-
		7,646	-	-	7,646
Balance at 30 June 2016		**180,483**	**(113,031)**	**59,533**	**126,985**
Balance at 1 July 2016		**180,483**	**(113,031)**	**59,533**	**126,985**
Profit for the period	23	-	-	18,547	18,547
Other comprehensive income	23	-	99	-	99
Total comprehensive income for the period		-	99	18,547	18,646
Transactions with owners in their capacity as owners:					
Dividends paid	24	-	-	(2,420)	(2,420)
Dividend reinvestment plan	24	552	-	-	552
Share-based reserve	23	-	585	-	585
Foreign currency translation reserve	23	-	14		14
		552	599	(2,420)	(1,269)
Balance at 30 June 2017		**181,035**	**(112,333)**	**75,660**	**144,362**

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

Consolidated statement of cash flows

	Notes	2017 $'000	2016 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		**218,406**	208,606
Payments to suppliers (inclusive of goods and services tax)		**(192,878)**	(178,289)
Interest received		**3**	4
Interest paid		**(3,775)**	(4,835)
Income tax paid		**(54)**	-
Net cash inflow (outflow) from operating activities	32	**21,702**	25,486
Cash flows from investing activities			
Payments for property, plant and equipment		**(13,463)**	(18,715)
Proceeds from sale of property, plant & equipment		**-**	215
Net cash inflow (outflow) from investing activities		**(13,463)**	(18,500)
Cash flows from financing activities			
Proceeds from borrowings		**2,451**	9,608
Repayment of borrowings		**(7,500)**	(15,100)
Dividends paid		**(1,868)**	-
Net cash inflow (outflow) from financing activities		**(6,917)**	(5,492)
Net increase (decrease) in cash and cash equivalents		**1,322**	1,494
Cash and cash equivalents at the beginning of the year		**2,096**	602
Effects of currency translation on cash and cash equivalents		**44**	-
Cash and cash equivalents at the end of the year	9	**3,462**	2,096

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

Financial Statements

Index of Notes to the Consolidated Financial Statements

1. Summary of Significant Accounting Policies

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of Alliance Aviation Services Limited and its subsidiaries.

1(a) Basis of Preparation

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.

(i) 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).

(ii) New and amended standards adopted by the Group
None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2016 affected any of the amounts recognised in the current period or any prior period and is not likely to affect future periods.

(iii) Historical cost convention
These financial statements have been prepared under the historical cost convention.

(iv) Critical accounting estimates
The preparation of financial statements requires the use of certain critical accounting estimates. It also requires Directors to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

1(b) Changes to presentation – classification of expenses

Alliance has amended the presentation of the consolidated income statement for the year ended 30 June 2017 to classify its expenses by nature of expense instead of function of expense. With the developing aviation services business, the Directors carried out a review of its financial statements and believe that the amended presentation provides more relevant and reliable information to the users of the financial statements. The amended presentation will be consistently applied going forward with reclassification of comparative information accordingly

1(c) Principles of Consolidation

The consolidated financial statements comprise the financial statements of Alliance Aviation Services Limited (‘company’ or ‘parent entity’) and its subsidiaries as at 30 June 2017.

(i) 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. Alliance Aviation Services Limited and its subsidiaries together are referred to in these financial statements as the Group or the consolidated entity.

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.

Summary of Significant Accounting Policies (continued)

1(d) Segment reporting

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

1(e) Foreign currency translation

(i) 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.

(ii) 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.

The Group has elected to designate their 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), thereby removing the foreign exchange volatility in the profit and loss in relation to the US Dollar loan where it is effective. There were no foreign currency borrowings at 30 June 2017 (2016: nil).

The effective portion of the gains or losses on borrowings that are designated and qualify as cash flow hedges are recognised in other comprehensive income and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Amounts accumulated in equity will be reclassified to profit or loss in the periods when the hedged item affects profit or loss (for instance when the forecast sale that is hedged takes place).

When the foreign currency borrowings (being the hedging instrument) are repaid or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately reclassified to profit or loss.

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

1(f) Revenue Recognition

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

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is recognised for the major business activities as follows:

(i) Contract FIFO services

Alliance Aviation Services Limited's primary business is the air transportation of workers and contractors to and from remote projects of major mining and energy companies. FIFO services are subject to contracts with companies. Revenue is derived in accordance with an agreed flight schedule based on completed flights.

Summary of Significant Accounting Policies (continued)

1(f) Revenue Recognition (continued)

Revenue is generally calculated on a variable price paid on a 'per round trip' basis. Alliance's customer contracts generally include cost pass-through mechanisms which provide for the price per trip to be adjusted (upwards and downwards) for movements in foreign currency exchange rates (A$:US$), fuel prices and CPI. These cost pass-through mechanisms are invoiced on a monthly or quarterly basis and enable Alliance to pass increases and decreases in certain costs, which vary from contract to contract, through to customers.

(ii) Charter services
Alliance Aviation Services Limited also utilises its fleet to provide charter services to a range of corporate and government customers predominantly through surplus capacity. Revenue is derived in accordance with an agreed flight schedule based on completed flights.

(iii) Wet leasing 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. This differs from a charter, under which Alliance Aviation Services Limited retains complete responsibility for operating its aircraft and provides services and is paid for, on a per flight basis. Revenue is derived in accordance with an agreed flight schedule based on completed flights.

(iv) Aviation services
Alliance has a large inventory balance of aircraft and aircraft parts. Revenue is generated by Alliance through the sale or lease of these aircraft and parts to third parties. A component of this is the management of these aircraft and parts through maintenance checks to provide the specifications required by the third party. These parts and services are invoiced based on market conditions for a margin above the cost price.

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

Alliance has more recently started to manage aerodromes and provide related airport and handling services to support the contract income of the Group. This is a fee for service and is generally invoiced on a monthly or per turn basis.

(v) Interest income
Interest income is recognised using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income.

1(g) Income Tax

The income tax expense or revenue 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 evaluates positions 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.

Summary of Significant Accounting Policies (continued)

1(g) Income Tax (continued)

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 neither 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 liabilities and assets 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.

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.

1(h) Leases

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the 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. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term. There were no finance leases in place at 30 June 2017.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases (note 28). Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

Summary of Significant Accounting Policies (continued)

1(i) 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.

1(j) 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, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

1(k) Trade Receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Collectability of trade receivables is reviewed on an ongoing basis and where appropriate an allowance for doubtful debts is raised to reduce the carrying amount of trade receivables. The allowance for doubtful debts is based on historical trends and the Directors assessment of general economic conditions. An allowance for doubtful debts is raised when the Directors considers there is a credit risk, an insolvency risk or an incapacity to pay a legally recoverable debt.

The amount of the allowance for doubtful debt is recognised in profit or loss within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against flight and operations costs in profit or loss.

1(l) Inventories

Inventories are measured at the lower of cost and net realisable value. Costs have been assigned to inventory quantities on hand at reporting date using the first-in-first-out basis. Cost comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. Inventories consist of spare parts for aircraft and engines, spare engines and whole aircraft where the intent of acquisition or a change in use has been to part out the aircraft.

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.

1(m) Derivatives and Hedging Activities

Alliance Aviation Services Limited has elected to designate their 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), thereby removing the foreign exchange volatility in the profit and loss in relation to the US Dollar loan where it is effective

The effective portion of the gains or losses on borrowings that are designated and qualify as cash flow hedges are recognised in other comprehensive income and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Summary of Significant Accounting Policies (continued)

1(m) Derivatives and Hedging Activities (continued)

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for instance when the forecast sale that is hedged takes place).

When the foreign currency borrowings (being the hedging instrument) are repaid or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately reclassified to profit or loss.

1(n) Property, Plant and Equipment

All property, plant and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to

the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to 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 follows:

- Leasehold improvements 5-18 years
- Aircraft assets (subject to time based depreciation) 5-12 years
- Aircraft assets (subject to usage based depreciation) Remaining flight cycles/hours
- Vehicles 5-8 years
- Furniture, fittings & equipment 3 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note12).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

1(o) Intangible assets

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

The Group amortises intangible assets over the following period:

- Certification - 2 years

1(p) Rolls Royce Total Care Agreement

On 27 March 2012, Alliance Airlines entered in to a 10 year total care agreement with Rolls Royce to maintain F100 aircraft (Tay 650-15) engines. Rolls Royce supply spare aircraft engines, parts and for the granting of warranties and guarantees in exchange of a monthly fee calculated by multiplying a contract rate to the total engine hours under the agreement.

Thirty F100 engines (Tay 650-15) are recognised as a single ‘pool of engines’ and recognised as part of the property plant and equipment.

Summary of Significant Accounting Policies (continued)

1(p) Rolls Royce Total Care Agreement (continued)

The monthly payments are capitalised to this single pool of engines as they are incurred to increase the net book value. The pool of engines are amortised using a unit of usage basis considering the current net book value and the number of remaining flight cycles.

1(q) Trade and other payables

These amounts 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.

1(r) Borrowings

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 profit or loss 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 and deducted from the borrowing loans and amortised over the period of the facility to which it relates.

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

1(s) Provisions

Provisions are recognised when

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

Provisions are not recognised for future operating losses.

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

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

1(t) Employee Benefits

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months after the end of the reporting period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

Summary of Significant Accounting Policies (continued)

1(t) Employee Benefits (continued)

(ii) Other long-term employee benefit obligations

The liability for long service leave and annual leave which is not expected to be settled within 12 months after the end of the reporting period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur.

(iii) Share-based payments

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

The fair value of rights granted under the LTI 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.

1(u) Equity

(i) Contributed equity

Ordinary shares are classified as equity (note 22).

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

(ii) Dividend re-investment reserve

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.

(iii) 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.

1(v) Dividends

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.

Summary of Significant Accounting Policies (continued)

1(w) Earnings per Share

(i) 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.

(ii) 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.

1(x) 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.

1(y) Rounding of Amounts

The company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

Summary of Significant Accounting Policies (continued)

1(z) New Accounting Standards and Interpretations

New accounting standards and interpretations have been published that are not mandatory for 30 June 2017 reporting periods.

The group's assessment of the impact of these new standards and interpretations is set out below.

(i) New standards and interpretations not yet adopted

Reference	Description	Impact on the Group	Effective/ application date
AASB 9: *Financial Instruments*	The new standard simplifies the model for classifying and recognising financial instruments and aligns hedge accounting more closely with common risk management practices. Changes in own credit risk in respect of liabilities designated at fair value through profit or loss shall now be presented within OCI. This change can be adopted early without adopting AASB 9. This standard also introduces the expected credit loss impairment model that applies to financial instruments, including trade and lease receivables.	The Group has commenced with the assessment of the impact on the classification and measurement of financial assets and liabilities and impact on hedge accounting. The Group anticipate to have completed a detailed assessment of the effect before the interim report.	1 January 2018
AASB 15: *Revenue from Contracts with Customers*	Replaces existing revenue recognition guidance and provides a comprehensive new framework for determining whether, how much and when revenue is recognised based on the principle that revenue is recognised when control of a good or service transfers to the customer.	The Group has commenced with the assessment of the impact from this accounting standard, and will make a more detailed assessment of the effect before the interim report.	1 January 2018
AASB 16: *Leases*	Provides a new model for accounting for leases and will result in the recognition of almost all leases on the balance sheet. The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right of use asset) and a financial liability to pay rentals for almost all lease contracts . Early adoption is permitted under certain circumstances.	As the reporting date, the Group has non-cancellable operating lease commitments of $12.3 million (refer note 28). The Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows. The Group does not intend to adopt the standard early.	1 January 2019

Summary of Significant Accounting Policies (continued)

1(z) New Accounting Standards and Interpretations (continued)

There are no other standards that are not yet effective and that are expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

1(aa) Parent Entity Financial Information

The financial information for the parent entity, Alliance Aviation Services Limited, disclosed in note 35 has been prepared on the same basis as the consolidated financial statements, except as set out below:

(i) *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.

(ii) *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 in the tax consolidated Group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated Group continues to be a stand-alone taxpayer in its own right.

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

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

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

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

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

2. Financial Risk Management

The Group's activities expose it to a variety of financial risks including foreign exchange risk, interest rate risk, credit risk and liquidity risk. The Group's overall risk management 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 Group holds the following financial instruments:

	2017 $'000	2016 $'000
Financial assets		
Cash and cash equivalents	**3,462**	2,096
Trade and other receivables	**30,408**	28,738
	33,870	30,834
Financial liabilities		
Trade and other payables	**22,360**	22,878
Borrowings*	**74,991**	79,836
	97,351	102,714

* Refer Note 1(r) – Borrowings are initially recognised at fair value, net of transaction costs incurred.

2(a) 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.

The Group's exposure to foreign currency risk in the foreign currency at the end of the reporting period, expressed in Australian dollar, was as follows:

	2017		2016	
	USD $'000	EURO $'000	USD $'000	EURO $'000
Trade payables	**(3,149)**	**(919)**	(1,234)	(673)

Sensitivity
At 30 June 2017, 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 $272k (2016: +/- $142k).

2(b) 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.

Financial Risk Management (continued)

2(b) Interest Rate Risk (continued)

As at the end of the reporting period, the Group had the following variable rate borrowings outstanding:

	2017 Weighted Average Interest rate	2017 Balance	2016 Weighted Average Interest rate	2016 Balance
	%	$'000	%	$'000
Bank loans	**3.2%**	**75,201**	3.9%	80,250
Net exposure to cash flow interest rate risk		**75,201**		80,250

An analysis by maturities is provided in note 2(d) below.

Sensitivity
At 30 June 2017, if the interest rates had been higher or lower by 5 basis points and all other variables held constant post tax profit for the year would have been higher/lower by $62k (2016: +/- $33k).

2(c) Credit Risk

(i) Risk Management

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

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 customers are principally focused on the resources industry, albeit over a range of commodities.

(ii) 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 an impairment has been incurred but not yet been identified. For these receivables the estimated impairment losses are recognised in a separate provision for impairment.

The Group considers that there is evidence of impairment if any of the following indicators are present:

- significant financial difficulties of the debtor;
- probability that the debtor will enter bankruptcy or financial reorganisation; and
- default or delinquency in payments (more than 30 days overdue).

Receivables for which an impairment provision was recognised are written off against the provision when there is no expectation of recovering additional cash.

Impairment losses are recognised in profit or loss within other expenses. Subsequent recoveries of amounts previously written off are credited against other expenses. See note 10 for information about how impairment losses are calculated.

Financial Risk Management (continued)

2(d) 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 (2016 – nil). Due to the dynamic nature of the underlying businesses, the Directors maintain flexibility in funding by maintaining availability under committed credit lines.

The Directors manage liquidity risk through the monitoring of rolling forecasts of the Group's liquidity reserve using the following mechanisms:

- preparing forward-looking cash-flow analysis in relation to its operational, investing and financing activities;
- monitoring undrawn credit facilities;
- managing credit risk relating to financial assets;
- comparing the maturity profile of financial liabilities with the realisation profile of financial assets.

(i) Financing arrangements

The Group has a number of debt facilities with financial institutions. The following undrawn borrowing facilities were available to the Group at the end of the reporting period:

	2017 $'000	2016 $'000
Floating rate		
- Expiring within one year	**10,299**	12,250
- Expiring beyond one year	**-**	-
	10,299	12,250

The type of borrowing facilities available and utilised as at 30 June 2017 is shown below:

Funding Mechanism	Financier Limit		Current Available	Utilisation
	ANZ	CBA		
	$'000	$'000	$'000	$'000
Term loan	39,000	43,000	-	68,750
Revolving capital expenditure facility	9,000	-	7,049	1,951
Working capital multi option facility	7,750	-	3,250	4,500
Total	**55,750**	**43,000**	**10,299**	**75,201**

The term loans are amortising loans with repayments due each quarter. Repayments (both amortising and voluntary) may not be redrawn. The term loans have an expiration date of 5 July 2018.

The capital expenditure facility is to be used for heavy maintenance services and spare parts acquisitions. There are minimum repayments required each quarter being the lesser of $3,500k or the balance of the amount owing under the facility. This facility can be drawn at any time subject to certain conditions being met and has an expiry date of 5 July 2018.

The working capital multi option facility may be drawn at any time to its limit of $7,750k and is subject to annual review in February 2018. The bank can withdraw the facility with 60 days written notice.

The Directors anticipate to refinance or renew the current bank facilities before 30 November 2017.

Financial Risk Management (continued)

2(d) Liquidity Risk (continued)

(ii) 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.

The amounts disclosed in the table 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.

Contractual maturities of financial liabilities	Less than 6 months	6-12 months	Between 1 & 2 yrs	Between 2 & 5 yrs	Over 5 yrs	Total contractual cash flows	Carrying amount (Assets) /liabilities
As at 30 June 2017	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Non-derivatives	-	-	-	-	-	-	-
Trade payables	22,360	-	-	-	-	22,360	22,360
Borrowings	11,669	5,122	60,780	-	-	77,571	74,991*
Total non-derivatives	**34,029**	**5,122**	**60,780**	**-**	**-**	**99,931**	**97,351**

As at 30 June 2016	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Non-derivatives	-	-	-	-	-	-	-
Trade payables	22,605	-	-	-	-	22,605	22,605
Borrowings	5,073	9,476	10,752	60,785	-	86,086	79,836*
Total non-derivatives	**27,678**	**9,476**	**10,752**	**60,785**	**-**	**108,691**	**102,441**

The carrying amounts of trade receivables and payables are assumed to approximate their fair values due to their short term nature.

* Refer Note 1(r) – Borrowings are initially recognised at fair value, net of transaction costs incurred.

10(e) Price Risk

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

3. 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 needs to exercise judgement in applying the Group's accounting policies.

This note provides an overview of the areas that involved a higher degree of judgement or complexity, and of items which are more likely to be materially adjusted due to estimates and assumptions turning out to be wrong. Detailed information about each of these estimates and judgements is included in notes 4 to 35. 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.

Aircraft useful life and depreciation

The aircraft useful life is based on estimates and assumptions which are based on best practice and historical experience in the industry.

There are four principle 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 5 years is generally applied.

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

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 Directors assesses 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 component Group (iv) have been pooled.

Refer to note 1(n) for details of current depreciation method and rates used.

Rolls Royce Total Care Agreement

In accordance with note 1(p), a pool of engines is maintained which are part of a total care agreement with Rolls Royce. Costs associated with this pool are capitalised and amortised based on the profile of available engine cycles available from the pool.

In the 2017 financial year, six engines were removed from this pool and replaced with six engines from the inventory supplies of the Group.

Critical Estimates, Judgements and Errors (continued)

The Directors have not adjusted the value of the pool because the future benefit derived from the pool of engines and the ongoing obligations for payments for the pool of engines remain unchanged. The relative number of engine cycles of the pool before and after the removal and replacement remain substantially the same.

Hedge Accounting

In accordance with note 1(m) Alliance has previously recognised accumulated foreign currency exchange gains and losses in a reserve in equity. In previous years foreign currency USD loans were recognised as a designated hedge in respect of the future cash proceeds from the sale of aircraft. These loans were repaid on 30 June 2015.

The original hedge documentation provided that the instrument was in respect of the first USD$20 million of the proceeds from the sale of the aircraft. This represented an area of Directors judgement to determine this to be an effective hedge. It will require ongoing judgement and monitoring to identify the sale of any aircraft that we previously the subject of this hedge.

No aircraft have been sold during the year. As assessment of the hedging treatment has been undertaken by the Directors and no changes are required to be disclosed.

Deferred Tax Assets

The Group has incurred $9.3 million of income tax losses for the period ended 30 June 2017.

During the current year the outright deduction of the ongoing capital maintenance program has resulted in a net deferred tax liability whereas it has been a net deferred tax asset in previous years.

The Group has elected to recognise deferred tax assets from tax losses previously not recognised.

As at 30 June 2017, all previous deferred tax assets in relation to tax losses have now been recognised in the financial statements.

Indicators of impairment of assets

The Group follows the guidance of AASB 136 Impairment of Assets each year to determine whether any indicators of Impairment exist i.e. whether assets are carried at amounts in excess of their recoverable value. Recoverable amount of an asset or cash generating unit (CGU) is defined as the higher of its fair value less costs to sell or its value in use.

The Directors have reviewed the impairment indicators at the reporting date and based on our analysis there is no impairment required.

4. Segment Information

The Board of Directors have determined the operating segment based on the reports reviewed.

The Board considers the business has one reportable segment being the provision of aircraft charter services and aviation services for the reporting period ended 30 June 2017.

All operations are integral to and blended with each other and the Directors do not assess the financial performance 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.

Segment Information (continued)

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.

5. Revenue from continuing operations

	2017 $'000	2016 $'000
Contract revenue	**155,928**	161,263
Charter / Wet leasing revenue	**22,140**	16,791
Aviation services revenue	**21,672**	862
Other revenue	**3,132**	3,733
	202,872	182,649

6. Other income

	2017 $'000	2016 $'000
Interest income	**22**	4
	22	4

7. Expenses

	2017 $'000	2016 $'000
Profit before tax includes the following specific expenses:		
Direct flight costs		
Direct flight costs	**(67,041)**	(67,414)
Parts and Inventory costs		
General parts and inventory costs	**(18,691)**	(8,056)
Finance costs		
Interest expense	**(4,019)**	(4,910)
Labour and staff related costs		
Salaries and wages	**(50,125)**	(47,044)
Superannuation	**(4,298)**	(4,082)
Contractors	**(2,143)**	(494)
Travel and accommodation	**(646)**	(779)
WorkCover and payroll tax	**(2,992)**	(2,868)
Other employee expenses	**(1,618)**	(2,235)
Costs capitalised as part of heavy maintenance	**5,262**	3,533
	(56,560)	(53,969)
Rental expenses relating to operating leases		
Minimum lease payments	**(1,894)**	(1,466)

8. Income Tax Expense

	2017 $'000	2016 $'000
(a) Income tax expense:		
Current tax	**71**	16
Adjustments for current tax of prior years	**-**	-
	71	16
Deferred income tax (revenue) expense included in the income tax expense comprises:		
Decrease/(increase) in deferred tax assets	**(7,541)**	(6,545)
(Decrease)/increase in deferred tax liabilities	**8,534**	6,545
	993	-
Income tax (benefit) / expense on profit from continuing operations	**1,064**	16
Effective tax rate	**5.4%**	0.1%

(b) Numerical reconciliation of income tax (benefit) / expense to prima facie tax payable

	2017 $'000	2016 $'000
Profit / (loss) before income tax expense	**19,611**	13,505
Tax at the Australian Corporate tax rate of 30% (2016: 30%)	**5,883**	4,051
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Sundry	**141**	39
	6,025	4,091
Deferred tax asset offset against deferred tax liabilities	**(4,961)**	(4,075)
Income tax (benefit) / expense	**1,064**	16

(c) Tax expense (income) relating to items of other comprehensive income

	2017 $'000	2016 $'000
Changes in the fair value of cash flow hedges	**(99)**	99

9. Current Assets – Cash and Cash Equivalents

	2017 $'000	2016 $'000
Cash at bank and on hand	**3,462**	2,096
	3,462	2,096

9(a) Risk exposure

The Group's exposure to interest rate risk is discussed in note 2. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of cash and cash equivalents mentioned above.

10. Current Assets – Trade and Other Receivables

	2017 $'000	2016 $'000
Trade receivables	**26,708**	22,702
	26,708	22,702
Other receivables	**1,571**	4,820
Prepayments	**2,129**	1,217
	3,700	6,037
	30,408	28,739

10(a) Past due but not impaired

As at 30 June 2017, trade receivables of $6,994k (2016 - $8,129k) were past due but not impaired. These relate to number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2017 $'000	2016 $'000
Up to 3 months	**6,915**	6,862
3 to 6 months	**79**	1,267
	6,994	8,129

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 (see note 2(c)).

10(b) Other Receivables

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

10(c) Fair value and credit risk

Due to the short-term nature of these receivables, their carrying amount is assumed to approximate their fair value.

The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of receivables mentioned above. There are no securities held over the receivables.

11. Current Assets – Inventories

	2017 $'000	2016 $'000
Inventory – Aircraft and Engines	**33,610**	25,976
Inventory – Spares and consumables	**9,402**	11,090
	43,012	37,066

Amounts recognised in profit or loss

Inventory recognised as an expense during the year ended 30 June 2017 amounted to $2,024k (2016: $582k), and is included in parts and inventory costs.

12. Non-Current Assets – Property, Plant and Equipment

12(a) Property, plant and equipment

	Aircraft Assets $'000	Property, plant and equipment $'000	Total $'000
At 30 June 2015			
Cost	264,420	17,966	282,386
Accumulated depreciation	(100,450)	(11,217)	(111,667)
Net book value	**163,970**	**6,749**	**170,719**
Year ended 30 June 2016			
Opening net book amount	163,970	6,749	170,719
Additions (i)	23,259	616	23,875
Transfers	(3,090)	-	(3,090)
Depreciation charge	(20,757)	(2,229)	(22,986)
Closing net book value as on 30 June 2016	**163,382**	**5,136**	**168,518**

	Aircraft Assets $'000	Property, plant and equipment $'000	Total $'000
At 30 June 2016			
Cost	284,589	18,582	303,171
Accumulated depreciation	(121,207)	(13,446)	(134,653)
Net book value	**163,382**	**5,136**	**168,518**
Year ended 30 June 2017			
Opening net book amount	163,382	5,136	168,518
Additions	34,782	475	35,257
Transfers	(4,304)	-	(4,304)
Depreciation charge	(24,509)	(1,793)	(26,302)
Closing net book value as on 30 June 2017	**169,351**	**3,818**	**173,169**

(i) Additions and transfers

Additions to the property plant and equipment register for year ended 30 June 2017 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.

Non-current assets pledged as security

Refer to note 18(a) for information on non-current assets pledged as security by the Group.

13. Non-Current Assets - Intangible assets

	2017 $'000	2016 $'000
Opening net book amount	**-**	-
Additions	**124**	-
Amortisation charge	**(62)**	-
Closing net book value	**62**	-

14. Non-Current Assets – Deferred Tax Assets

	2017 $'000	2016 $'000
The balance comprises temporary differences attributable to:		
Tax losses	**14,386**	6,665
Employee benefits	**2,248**	2,004
Property, plant and equipment	**939**	1,320
	17,573	9,989
Other		
Unrealised foreign exchange	**221**	221
Accruals	**68**	61
Share issue expenses	**-**	61
Prepayments	**18**	37
Sub-total other	**307**	380
Total deferred tax assets	**17,880**	10,369
Set-off of deferred tax liabilities pursuant to set-off provisions	**17,880**	10,338
Net deferred tax assets	**-**	31

Movements	Tax losses $'000	Employee benefits $'000	Property, plant and equipment $'000	Other $'000	Total $'000
At 30 June 2015	**0**	**1,938**	**1,289**	**566**	**3,793**
(Charged)/credited					
- to profit or loss	6,634	65	31	(185)	6,545
- to other comprehensive income	-	-	-	-	-
- directly to equity	-	-	-	-	-
At 30 June 2016	6,634	2,003	1,320	381	10,338
(Charged)/credited					
- to profit or loss	7,752	245	(381)	(74)	7,542
- to other comprehensive income	-	-	-	-	**-**
- directly to equity	-	-	-	-	**-**
At 30 June 2017	**14,386**	**2,248**	**939**	**307**	**17,880**

15. Current Liabilities – Trade and Other Payables

	2017 $'000	2016 $'000
Trade payables	**13,873**	14,253
Other payables	**8,487**	8,625
	22,360	22,878

16. Current Liabilities – Borrowings

	2017 $'000	2016 $'000
Secured		
Bank Loans	**14,244**	**11,295**
Total current borrowings	**14,244**	**11,295**

16(a) Security and Fair Value Disclosures

Information about the security relating to each of the secured liabilities and the fair value of each of the borrowings is provided in note 18.

17. Current Liabilities – Provisions

	2017 $'000	2016 $'000
Employee benefits – Annual Leave	**4,065**	3,741
Employee benefits – Long Service Leave	**1,955**	1,285
	6,020	5,026

17(a) Amounts not expected to be settled within the next 12 months

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 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.

18. Non-Current Liabilities – Borrowings

	2017 $'000	2016 $'000
Secured		
Bank loans	**60,747**	68,541
	60,747	68,541

18(a) Secured liabilities and assets pledged as security

	2017 $'000	2016 $'000
Bank overdrafts and bank loans	**75,201**	80,250
Total secured liabilities	**75,201**	80,250

The bank loans and overdraft are secured by a fixed and floating charge over the Group's assets with specific charges over the aircraft and engines. In addition there is a negative pledge that imposes certain covenants on the Group including, subject to certain conditions, restrictions on the provision of security over assets to lenders.

Non-Current Liabilities – Borrowings (continued)

Under the terms of the bank loans, the Group is required to comply with the following financial covenants:

- To maintain a debt service cover ratio which exceeds 1.25 times;
- To maintain a leverage ratio for each 12 month period of less than 2.50 times;
- A loan value ratio where the value of the total debt does not exceed 85% of the independent valuation of the aircraft; and
- A borrowing base ratio where the working capital facility does not exceed 60% of the total trade debtors.

Alliance Aviation Services Limited has complied with the financial covenants of its borrowing facilities during the 2017 and 2016 reporting periods.

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

	2017 $'000	2016 $'000
Current		
Floating charge		
Cash and cash equivalents	**3,462**	2,096
Receivables	**30,408**	28,738
Inventories	**43,012**	37,066
Total current assets pledged as security	**76,882**	67,900
Non-current		
First mortgage		
Aircraft	**169,351**	163,382
	169,351	163,382
Floating charge		
Plant and equipment	**3,818**	5,135
Intangibles	**62**	-
Total Non-current assets pledged as security	**173,231**	168,517
Total assets pledged as security	**250,113**	236,417

19. Fair value measurement of financial instruments

a) Fair value of the borrowings

The fair value of borrowings at the end of the reporting period is as follows:

	2017		2016	
	Carrying amount	Fair Value	Carrying amount	Fair Value
	$'000	$'000	$'000	$'000
Bank loans	**74,991**	**74,991**	79,836	79,836
	74,991	**74,991**	79,836	79,836

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.

b) Valuation hierarchy of financial instruments carried at fair value on a recurring basis

i. Fair value hierarchy

Financial instruments carried at fair value may be grouped into three valuation categories:

- 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 (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

ii. 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.

c) Valuation techniques used to derive fair values

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) are determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in Level 2.

The fair value of forward exchange contracts has been determined as the unrealised gain / loss at balance date by reference to market rates.

20. Non-Current Liabilities – Deferred Tax Liabilities

	2017 $'000	2016 $'000
The balance comprises temporary differences attributable to:		
Property, plant and equipment	**18,442**	10,286
Prepayments	**7**	-
Other	**165**	-
Unrealised foreign exchange	**259**	53
Sub-total other	**18,873**	10,339
Total deferred tax liabilities	**18,873**	10,339
Set-off of deferred tax assets pursuant to set-off provisions	**17,880**	10,339
Net deferred tax liabilities	**993**	-

Movements	Property, plant and equipment $'000	Prepayments $'000	Other $'000	Total $'000
At 30 June 2015	**3,740**	**-**	**53**	**3,793**
(Charged)/credited				
- to profit or loss	6,545	-	-	**6,545**
- to other comprehensive income	-	-	-	**-**
At 30 June 2016	**10,285**	**-**	**53**	**10,338**
(Charged)/credited				
- to profit or loss	8,157	7	371	**8,535**
- to other comprehensive income	-	-	-	**-**
At 30 June 2017	**18,442**	**7**	**424**	**18,873**

21. Non-Current Liabilities – Provisions

	2017 $'000	2016 $'000
Employee benefits – long service leave	**1,333**	1,488
	1,333	1,488

22. Contributed Equity

	2017 No. of shares	2017 $'000	2016 No. of shares	2016 $'000
a) Share capital				
Ordinary shares - fully paid	**120,994,812**	**180,483**	120,994,812	180,483
Total contributed equity	**120,994,812**	**180,483**	120,994,812	180,483
b) **Movement in ordinary share capital issued and fully paid ordinary shares:**				
At the beginning of the financial period	120,994,812	180,483	106,429,638	172,837
Share placement issue	-	-	14,565,174	7,646
Dividend reinvestment plan issues	731,082	552	-	-
Balance at the end of the financial year	**121,725,894**	**181,035**	**120,994,812**	**180,483**

22(a) 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.

22(b) 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.

22(c) Capital risk management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure.

23. Reserves and Retained Earnings

	Notes	2017 $'000	2016 $'000
(a) Reserves			
Reorganisation reserve *(i)*		**(111,083)**	(111,083)
Cash flow hedge reserve *(ii)*		**(2,181)**	(2,280)
Share-based payment reserve *(iii)*		**917**	332
Foreign currency translation reserve (*iv*)		**14**	-
		(112,333)	(113,031)
Reorganisation (i)			
Balance - 1 July		**(111,083)**	(111,083)
Balance - 30 June		**(111,083)**	(111,083)
Movements:			
Cash flow hedge reserve (ii)			
Balance - 1 July		**(2,280)**	(2,181)
Currency translation		**142**	(142)
Deferred tax	8, 20	**(43)**	43
		99	(99)
Balance - 30 June		**(2,181)**	(2,280)

(b) Retained earnings

Movement in retained earnings were as follows:

	2017 $'000	2016 $'000
Balance - 1 July	**59,533**	46,044
Dividends paid	**(2,420)**	-
Net profit/(loss) for the year	**18,547**	13,489
Balance - 30 June	**75,660**	59,533

(c) Nature and purpose of other reserves

(i) Reorganisation

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.

(ii) Cash flow hedge

The cash flow hedge reserve is used to record gains or losses on a hedging instrument in a cash flow hedge that are recognised in other comprehensive income, as describe in note 1(m). Amounts are reclassified to the profit or loss when the associated hedge transaction affects profit or loss.

(iii) Share based payment

The share based payment reserve is used to recognise the grant date fair value of options issued to employees but not exercised.

(iv) Foreign currency translation reserve

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

24. Dividends

	2017 $'000	2016 $'000
(a) Ordinary shares		
In respect of financial year ended 30 June 2016, a fully franked dividend of 2.0 cents per fully paid ordinary shares was paid out of retained earnings on 20 October 2016.	**2,420**	-
(b) Franked credits		
Franking credits available for subsequent reporting based on a tax rate of 30% (2016: 30%)	**21,319**	22,356

The above amounts represent the balance of the franking account as at the end of the reporting period, adjusted for:

- franking credits that will arise from the payment of the amount of the provision for income tax
- franking debits that will arise from the payment of dividends recognised as a liability at the end of each reporting period, and
- franking credits that will arise from the receipt of dividends recognised as receivables at the end of each reporting period.

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

25. Key Management Personnel Disclosures

25(a) Key management personnel compensation

	2017 $	2016 $
Short-term employee benefits	**1,932,216**	1,973,612
Post-employment benefits	**125,556**	125,129
Long-term benefits	**12,973**	24,149
Termination benefits	**1,453**	-
Share based payments	**204,572**	-
	2,276,770	2,122,890

Detailed remuneration disclosures are provided in the remuneration report on page 18.

25(b) Loans to key management personnel

There have been no loans made to key management personnel of Alliance Aviation Services Limited.

25(c) Other transactions with key management personnel

The Chairman and Director, Mr Steve Padgett, is a Director and shareholder of Eternitie Pty Ltd. Alliance Aviation Services Limited has a contract with Eternitie Pty Ltd for the lease of premises. All these contracts were based on normal commercial terms and conditions.

During the period, the Group provided aircraft due diligence services on behalf of KBX Pty Ltd of which Chairman, Mr Steve Padgett and the Managing Director, Mr Scott McMillan, are shareholders. Services to the value of $54k were performed and invoiced on an arm's length basis and there were no amounts due from KBX Pty Ltd as at 30 June 2017.

Key Management Personnel Disclosures (continued)

In April 2017, Chief Financial Officer and Company Secretary, Mr Matt Dyer transitioned from being an employee of the Group to providing these services through a service contract. This engagement is with the Strategic Energy Trust. Mr Dyer is a Director of the trustee of this trust. Mr Dyer's contracted remuneration is commensurate with the remuneration received whilst being an employee.

Aggregate amounts of each of the above types of other transactions with key management personnel are as follows:

	2017 $	2016 $
Lease of premises from Eterntie Pty Ltd	**18,333**	18,333
Purchase of flight permit services from Aeromil Pacific Pty Ltd	**-**	4,200
Due diligence works on behalf of KBX Pty Ltd	**53,676**	-
Contract Fee with The Strategic Energy Trust	**15,000**	-
	87,009	22,533

There were no amounts due to or owed from any related party as at 30 June 2017.

26. 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:

	2017 $	2016 $
26(a) PwC		
Audit and other assurance services		
Audit and review of financial statements	**219,575**	258,082
Total remuneration for audit and other assurance services	**219,575**	258,082
Taxation services		
Tax advice and other compliance services	**209,776**	71,931
Total remuneration for taxation services	**209,776**	71,931
Total auditor's remuneration	**429,351**	330,013

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.

27. Contingencies

Contingent liabilities

Alliance has on issue five bank guarantees relating to existing leases, totalling $0.33 million (2016: $0.34 million).

28. Commitments

Capital commitments

Alliance has no capital commitments at 30 June 2017 (2016: $NIL). The Group is party to a Total Care Services Agreement with Rolls-Royce Tay for the maintenance of 650-15 engines. The agreement is based on engine operating hours only.

Purchase commitments

In November 2015 the Group signed a commitment to acquire 21 Fokker Aircraft from Austrian Airlines AG for a total transaction value of USD$15.0 million. As at 30 June 2017, 16 of these aircraft have been delivered with 11 of these being recognised as inventory (whole aircraft or parts), 3 have been sold and 2 have been included as part of Property, Plant and Equipment.

The Group has a remaining commitment of USD$3.12 million which is payable progressively between 8 August 2017 and 13 December 2017.

Lease commitments: Group as lessee

Non-cancellable operating leases

The Group leases various hangars, offices and warehouses under non-cancellable operating leases expiring within two to fifteen years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated. If the lease period expires without agreement being reached the leases are heldover on a monthly basis.

	2017 $'000	2016 $'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	**1,963**	1,150
Later than one year but not older than five years	**5,779**	2,974
Later than five years	**4,572**	2,252
	12,314	6,376

29. Related Party Transactions

29(a) Parent entities

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

29(b) Subsidiaries

Interests in subsidiaries are set out in note 30.

29(c) Key management personnel

Disclosures relating to key management personnel are set out in note 25.

30. 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 1(c).

Name of entity	Country of incorporation	Class of Shares	Equity holding *	
			2017	2016
			%	%
Alliance Airlines Pty Ltd	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
Alliance Aviation Slovakia s.r.o.	Slovakia	**Ordinary**	**100**	100
Alliance Airlines (NZ) Limited	New Zealand	**Ordinary**	**100**	-

* The proportion of ownership interest is equal to the proportion of voting power held.

31. Events Occurring After the Reporting Period

There have been no matters subsequent to the end of the financial year which the Directors are required to disclose.

32. Reconciliation of Profit After Income Tax to Net Cash Inflow from Operating Activities

	2017 $'000	2016 $'000
Profit for the year	**18,547**	13,489
Depreciation and amortisation	**26,364**	22,986
Costs incurred as part of heavy maintenance program	**5,262**	3,532
Release of FX Reserve	**(99)**	99
Net (gain)/loss on foreign exchange differences	**(327)**	1,134
Non-cash share issue	**552**	7,645
Change in operating assets and liabilities,		
(Increase)/decrease in trade debtors and bills of exchange	**(3,963)**	(2,033)
(Increase)/decrease in inventories and property, plant and equipment	**(28,262)**	(18,843)
(Increase)/decrease in prepayments	**2,294**	(2,179)
(Decrease)/increase in trade creditors	**(380)**	(3,604)
(Decrease)/increase in other operating liabilities	**(138)**	3,192
(Decrease)/increase in provision for income taxes payable	**(11)**	46
(Decrease)/increase in deferred tax liabilities	**1,024**	(31)
(Decrease)/increase in other provisions	**839**	53
Net cash inflow (outflow) from operating activities	**21,702**	25,486

33. Earnings Per Share

	2017 Cents	2016 Cents
33(a) Basic Earnings per share		
Total basic earnings per share attributable to the ordinary equity holders of the company.	**15.26**	11.75
33(b) Diluted earnings per share		
Total diluted earnings per share attributable to the ordinary equity holders of the company	**15.20**	11.75

	2017 $'000	2016 $'000
33(c) Reconciliations of earnings used in calculating earnings per share		
Basic earnings per share		
Profit attributable to the ordinary equity holders of the company used in calculating basic earnings per share	**18,547**	13,489
Diluted earnings per share		
Profit from continuing operations attributable to the ordinary equity holders of the company used in calculating diluted earnings per share	**18,547**	13,489

	2017	2016
33(d) 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	**121,503,565**	114,826,501
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share	**121,984,368**	114,826,501

33(e) Information concerning the classification of securities

(i) Rights

Rights granted to employees under the Alliance Aviation Services Limited LTI plans 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 2017 there were 713,387 rights which have not vested or been exercised. Refer note 34.

34. Share – Based Payments

34(a) Long term incentive plan

The Group has a long term incentive (LTI) plan to assist with the attraction, motivation and retention of employees (including executive directors).

During the year, the Directors issued rights to acquire shares in Alliance Aviation Services Limited to a number of Key Management and other personnel. The Shareholders of the Group approved the issue of the performance rights to the two Executive Directors of Alliance on 27 October 2016.

The number of performance rights proposed to be granted is calculated as that number of shares in Alliance Aviation Services Limited at the start of the year which would be equivalent to the value of 10% of the fixed annual remuneration of management personnel for the year ending 30 June 2017.

The fair value of rights granted are recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the rights. The measurement of the fair value requires the use of estimates and judgements.

Alliance has taken into account as at the grant date, the current share price, the forecast expected volume weighted average price (VWAP) market share price at 30th June 2017, the exercise price, the expected price volatility of the underlying share and other factors in AASB 2 in the calculation of the fair value.

Rights granted under the plan carry no dividend or voting rights. When exercisable, each right is convertible into one ordinary share.

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

	2017	2016
Rights at the start of the year	**-**	-
Granted during the year	**713,387**	-
Vested and exercised	**-**	-
Forfeited	**-**	-
Rights at the end of the year	**713,387**	-

34(b) 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:

	2017 $'000	2016 $'000
Performance rights - Long Term Incentive Plan	616	-
	616	-

35. Parent Entity Financial Information

The individual financial statements for the parent entity shows the following aggregate amounts for the reporting period ended 30 June 2017.

	2017 $'000	2016 $'000
Balance sheet		
Current assets	**2**	2
Non Current Assets	**65,941**	65,458
Total assets	**65,943**	65,460
Current liabilities	**56**	66
Non Current liabilities	**488**	(363)
Total liabilities	**544**	(297)
Net Assets	**65,399**	65,757
Shareholders' equity		
Issued capital	**181,111**	180,560
Reserves	**(110,691)**	(110,691)
Share-based payments	**332**	332
Retained earnings	**(5,353)**	(4,444)
	65,399	65,757
Profit or loss for the year	**(909)**	(65)

Financial Statements

Directors' Declaration

In the Directors' opinion:

- The financial statements and notes set out on pages 24 to 65 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 2017 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 1(a) 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
Chairman
Date: 09 August 2017
Sydney

Independent auditor's report

To the shareholders 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 2017 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 financial report comprises:

- the consolidated balance sheet as at 30 June 2017
- the consolidated income statement for the year then ended
- 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.

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Independence

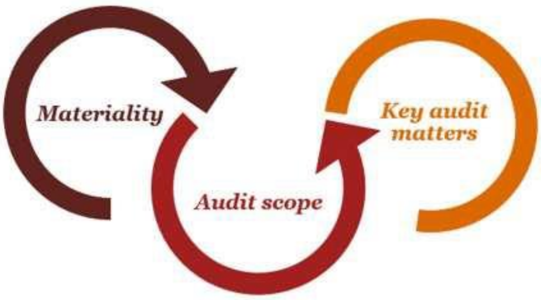
We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our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

Our audit approach

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

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

The Group provide tailored aircraft charters for the resource industry and inbound and domestic group travel across Australia and New Zealand. They have offices in Perth, Adelaide, Townsville, Melbourne and the head office is based in Brisbane.



Materiality

- For the purpose of our audit we used overall Group materiality of $980,000, which represents approximately 5% of the Group's profit before 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 Group profit before 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.

Audit Scope

- Our audit focused on where the directors made subjective judgements; for example, significantaccounting estimates involving assumptions and inherently uncertain future events.
- We performed most of our audit procedures at the head office in Brisbane. We attended stock counts in Brisbane, Perth, Adelaide, Townsville and Bratislava.

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 Aircraft assets *(Refer to note 12) $169 million* At 30 June 2017 the Group held aircraft assets with a carrying amount of $169 million. Throughout the year the directors make judgements and estimates relating to the useful life and depreciation method of each component of an aircraft. There are also judgements as to whether specific aircraft refurbishment and maintenance costs are capitalised or expensed. At the conclusion of each financial reporting period, the Group performs an assessment of whether the useful lives and depreciation method of aircraft assets are still appropriate and whether there is any indication that the aircraft assets may be impaired. The assessment performed at 30 June 2017 determined that the useful lives and depreciation methods applied to aircraft assets were appropriate and that no adjustment to remaining useful lives, or changes to depreciation methods from prior periods was required.	We performed the following procedures, amongst others: • compared a sample of additions of aircraft assets and heavy maintenance direct labour costs to third party invoices. • tested the calculation of a sample of indirect labour costs relating to major maintenance projects by considering the labour rates and hours per third party invoices. • tested the calculation of the allocation of labour costs capitalised by comparing them to the number of actual maintenance hours worked. • evaluated, on a sample basis, whether the useful life and depreciation method was consistent with the Group's accounting policy and we recalculated the depreciation expense for the year. • assessed the appropriateness of the Directors impairment assessment that no internal or external indicators of impairment exist by evaluating the current year financial performance and the budget and forecast for FY18 as well as evaluating external market data.

Key audit matter	How our audit addressed the key audit matter
The assessment also determined that no internal or external indicators of impairment relating to aircraft assets existed and therefore the directors concluded no adjustment to the carrying value of aircraft was required. The assessment of carrying value of aircraft assets was a key audit matter because of the materiality of the carrying value of aircraft assets to the consolidated balance sheet and the judgement involved in: • assessing the refurbishment and maintenance costs eligible to be capitalised. • useful life and depreciation rate assessments. • consideration of both internal and external indicators of impairment.	

Accounting for sale of 3 aircraft
(Refer to note 5)

In February 2016, the Group contracted the sale of three aircraft, which were delivered between August 2016 and October 2016. Prior to sale, the existing engines were replaced with engines from the engine pool.

We determined that accounting for the sale of the aircraft was a key audit matter due to the following:

- Magnitude of the sales proceeds received.
- Judgement involved in determining the classification of the sale of aircraft in the financial statement disclosures as "revenue" or "gain on disposal".
- The judgements and estimates involved in determining the value of the engines which were replaced from the engine pool.

We performed the following procedures, amongst others:

- compared the sales price of each aircraft to the sales agreement.
- compared the purchase price of each aircraft to the purchase agreement and bank statements.
- evaluated the Group's classification of the sale of aircraft as revenue in light of the requirements of Australian Accounting Standards.
- evaluated the accounting for the replacement of engines, in light of the Group's inventory costing policy, the terms of the maintenance contract with the engine supplier and with Australian Accounting Standards.

Other information

The directors are responsible for the other information. The other information comprises the Company Directory, Directors' Report and Shareholder Information included in the Group's annual report for the year ended 30 June 2017 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 identified above 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, 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_files/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 11 to 22 of the directors' report for the year ended 30 June 2017.

In our opinion, the remuneration report of Alliance Aviation Services Limited for the year ended 30 June 2017 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

PricewaterhouseCoopers

D.G. Smith

Debbie Smith
Partner

Brisbane
9 August 2017

Corporate Information

Shareholder Information

The shareholder information set out below was applicable as at 30 June 2017.

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	388
1,001 – 5,000	271
5,001– 10,000	129
10,001 – 100,000	179
>100,000	38
Total	**1,005**

There were 62 holders of less than a marketable parcel of ordinary share.

Equity security holders

Twenty largest quoted equity security holders

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

	Ordinary Shares	
Equity Holder	**Number held**	**% of issued shares**
HSBC Custody Nominees (Australia) Limited	31,010,576	25.48
Citicorp Nominees Pty Limited	13,248,857	10.88
Airlift Holdings Limited	11,314,476	9.30
Airline Investments Australia Pty Limited	10,226,172	8.40
Austrian Airlines AG	10,065,174	8.27
BNP Paribas Nominees Pty Ltd	6,941,496	5.70
National Nominees Limited	6,712,800	5.51
J P Morgan Nominees Australia Limited	6,544,069	5.38
RBC Investor Services Australia Nominees Pty Ltd (VFA A/C)	6,071,393	4.99
Bond Street Custodians Limited	2,850,000	2.34
Citicorp Nominees Pty Limited (Colonial First State Investment (A/C)	1,807,023	1.48
RBC Investor Services Australia Nominees Pty Limited (BKCUST A/C)	1,297,994	1.07
BNP Paribas Noms (NZ) Ltd	833,000	0.68
BNP Paribas Noms Pty Ltd	812,348	0.67
Mrs Wanda Susan Drennan & Mr Geoffrey John Drennan	458,000	0.38
Catapult Partners Pty Ltd	327,559	0.27
Mrs Lilian Jeanette Warmbrand	254,531	0.21
AJSST Pty Ltd	244,500	0.20
Mr Frederick Benjamin Warmbrand	230,000	0.19
BNP Parabas Nominees Pty Ltd	228,524	0.19
Total	**111,478,492**	**91.58%**
Balance of register	**10,247,402**	**8.42%**
Total equity security holding	**121,725,894**	**100%**

Substantial holders

Substantial holders in the company are set out below

	Ordinary Shares	
NAME	Number held	% of issued shares
HSBC Custody Nominees (Australia) Limited	31,010,576	25.48
Citicorp Nominees Pty Limited	13,248,857	10.88
Airlift Holdings Limited	11,314,476	9.30
Airline Investments Australia Pty Limited	10,226,172	8.40
Austrian Airlines AG	10,065,174	8.27
BNP Paribas Nominees Pty Ltd	6,941,496	5.70
National Nominees Limited	6,712,800	5.51
J P Morgan Nominees Australia Limited	6,544,069	5.38

Voting Rights

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.